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2007-1130

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In Re Bernard L. BILSKI and Rand A. WARSAW

Appellants

Serial No. 08/833,892

Appeal from the United States Patent and Trademark Office, Board of Patent Appeals and Interferences

BRIEF OF AMICUS CURIAE WILLIAM MITCHELL COLLEGE OF LAW INTELLECTUAL PROPERTY INSTITUTE IN SUPPORT OF THE UNITED STATE PATENT & TRADEMARK OFFICE

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April 7, 2008

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In Re Bernard L. Bilski and Rand A. Warsaw

No. 2007-1130

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Date admitted to Federal Circuit bar (counsel only): July 10, 1985

This is my first appearance before the United States Court of Appeals for the Federal Circuit (counsel only): ☐ Yes ☒ No

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April 7, 2008
Date

Signature of pro se or counsel

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In Re Bernard L. Bilski and Rand A. Warsaw

No. 2007-1130

CERTIFICATE OF INTEREST

Counsel for the Amicus Curiae certifies the following (use "None" if applicable; use extra sheets if necessary):

1. The full name of every party or amicus represented by me is:

William Mitchell College of Law Intellectual Property Institute

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

(none)

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

(none)

4. ☑ There is no such corporation as listed in paragraph 3.

5. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

R. Carl Moy

April 7, 2008
Date

Signature of counsel

R. Carl Moy
Printed name of counsel

STATEMENT OF INTEREST

The Intellectual Property Institute is an entity within William Mitchell College of Law. The mission of the Institute is to foster and protect innovation through education, research, and service initiatives. Among its activities, the Institute advocates for the responsible development and reform of intellectual property law, including patent laws and the patent system of the United States. A purpose of the Institute is to raise issues and arguments in light of the public interest and the best interests of the patent system as a whole. The Institute has no financial interest in any of the parties to the current action.

In accordance with Federal Rule of Appellate Procedure 29(a), the Intellectual Property Institute is filing this amicus brief under the authority of the Federal Circuit en banc order dated February 15, 2008, inviting amicus curiae briefs in this matter. *See* 2008 WL 417680 (C.A.Fed.).

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I. SUMMARY OF ARGUMENT

The issues presented in this appeal are relatively narrow. The claimed invention is a method, and not an apparatus.[1] In addition, the inventors, Bilski and Warsaw, have described their invention as a collection of steps that are each abstract, and not related to a physical activity. Thus, the case presents only the question of how to deal with abstract subject matter in its pure form; it does not call for this Court to deal with more complex situations, such as where abstract and physical steps have been combined, or where the invention has been set out as a special-purpose apparatus.

To solve this question, the Court should resist the temptation to parse the individual words of the applicable statutory provision, section 101 of Title 35, U.S.C.[2] In addition, it should resist use of a test that insists on a physical transformation of a substance or object.[3] Rather, case law demonstrates that the Supreme Court has repeatedly stated the test for statutory subject matter broadly, in a way that addresses the criterion's underlying social objectives.[4] This Court

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[1] *See, e.g.,* Board opinion, slip op. at 2-3, 42-53.

[2] 35 U.S.C. § 101.

[3] *See, e.g., Cochrane v. Deener,* 94 U.S. 780 (1876).

[4] *See, e.g., Le Roy v. Tatham,* 55 U.S. 156 (1852); *Rubber-Tip Pencil Co. v. Howard,* 87 U.S. 498 (1874); *Mackay Radio & Telegraph Co. v. Radio*

should follow those decisions of the Supreme Court, and adopt a test that holds an invention nonstatutory unless the invention is an artificial creation, that employs a law of nature. Under that test, Bilski's invention is nonstatutory, and the rejection of the United States Patent and Trademark Office should be affirmed.

Corporation of America, 306 U.S. 86 (1939); *Funk Bros. Seed Co. v. Kalo Inoculant Co.,* 333 U.S. 127 (1948); *Gottschalk v. Benson,* 409 U.S. 63 (1972).

II. ARGUMENT

A. The Court Should Reach Only Some of the Issues Listed in the *En Banc* Order.

The facts of Bilski's appeal are relatively simple. The claims of Bilski's application define his invention as a method of managing the business risks that are associated with the sale of interests in a commodity.[5] They do not tie the method to any particular physical implementation, nor are they couched in terms of physical structure through which the method can be performed.[6]

As a result, the legal issues presented by Bilski's appeal are narrow. Despite the extensive discussion in parts of Board's opinion, Bilski's appeal does not present an opportunity to define the rules for treating inventions that have been claimed as abstract steps and physical manipulations together, in combination.[7] Nor does it require this Court to address the degree to which inventions claimed as the apparatus by which a method can be performed are equivalent to the method.[8]

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[5]*See, e.g.,* Board opinion, slip op. at 2-3, 42-53.

[6]*See id.*

[7]*Compare, e.g., Parker v. Flook,* 437 U.S. 584 (1978); *Diamond v. Diehr,* 450 U.S. 175 (1981); *In re Alappat,* 33 F.3d 1526 (Fed. Cir. 1994); *In re Beauregard,* 53 F.3d 1583 (Fed. Cir. 1995).

[8]*Compare, e.g., State Street Bank & Trust Co. v. Signature Financial Group, Inc.,* 149 F.3d 1368, 1375 (Fed Cir. 1998).

The narrow nature of Bilski's appeal is important because many prominent authorities admonish that court decisions should be limited to only those issues actually necessary to decide the particular case at hand. As the Supreme Court has recently noted, "the 'cardinal principle of judicial restraint' is that 'if it is not necessary to decide more, it is necessary not to decide more.'"[9] This fundamental tenet of judicial restraint springs directly from the basic nature of the adversarial system. As then-Judge Scalia noted while on the United States Court of Appeals for the District of Columbia, "[t]he premise of our adversarial system is that appellate courts do not sit as self-directed boards of legal inquiry and research, but essentially as arbiters of legal questions presented and argued by the parties before them."[10]

This rule of limitation is rooted in the practical judgment that judicial pronouncements beyond the actual issues of a case are too likely to prove deficient and unthoughtful. "When the Court's sights are not focused on the actual application of a statute to a specific set of facts, its vision proves sadly

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[9]*Morse v. Frederick,* ___ U.S. ___, 127 S.Ct. 2618, 2641 (2007) (Alito, J., concurring) (quoting *PDK Labs., Inc. v. Drug Enforcement Admin.,* 362 F.3d 786, 799 (D.C. Cir. 2004) (Roberts, J., concurring in part and concurring in judgment)).

[10]*Carducci v. Regan,* 714 F.2d 171, 177 (D.C. Cir. 1983) (Scalia, J.).

deficient."[11] Justice Stevens has stated the point conversely, remarking that "[t]he doctrine of judicial restraint teaches us that patience in the judicial resolution of conflicts may sometimes produce the most desirable result."[12]

In fact, the rule is so well entrenched that it is often referred to as a limitation on the courts' power. "[F]ederal courts are without power to decide questions that cannot affect the rights of litigants in the case before them."[13] "It has long been settled that a federal court has no authority 'to give opinions upon moot questions or abstract propositions, or to declare principles or rules of law which cannot affect the matter in issue in the case before it.'"[14]

These limitations apply with force to the determination of Bilski's appeal. Bilski's appeal presents the comparative simple case, of how to deal with an invention in which each element of the claim is an abstract step in a business

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[11] *Secretary of State of Maryland v. Joseph H. Munson Co., Inc.,* 467 U.S. 947, 985 (1984) (Rehnquist, J., dissenting).

[12] Stevens, *Some Thoughts on Judicial Restraint,* 66 JUDICATURE 177, 183 (1982).

See also Lebron v. National R.R. Passenger Corp., 513 U.S. 374 (1995) (O'Connor, J., dissenting) (quoting Stevens, *Some Thoughts,* with approval).

[13] *North Carolina v. Rice,* 404 U.S. 244, 246 (1971) (cited with approval in *DeFunis v. Odegaard,* 416 U.S. 312, 316 (1974)).

[14] *Church of Scientology of California v. U.S.,* 506 U.S. 9, 12 (1992) (quoting *Mills v. Green,* 159 U.S. 651, 653 (1895)).

process. It is therefore analogous to the more basic scenarios that have been addressed in, *e.g., Gottschalk v. Benson,*[15] *Diamond v. Chakrabarty,*[16] and *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Intern., Inc.*[17] It does not present the further issues that are involved in dealing with inventions that have been claimed as having a mixed character, exemplified by such cases as *Parker v. Flook,*[18] *Diamond v. Diehr,*[19] and *In re Beauregard.*[20] Those further issues are both subsidiary and complex, and the Court should leave them for future cases where the issues are actually present.

For these reasons, the Institute urges that the Court address only some of the issues that have been noted in the *en banc* order issued in this case. Specifically, the following questions are raised in Bilski's appeal and should be addressed:

> (1) Whether claim 1 of the 08/833,892 patent application claims patent-eligible subject matter under 35 U.S.C. § 101?

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[15] *Gottschalk v. Benson,* 409 U.S. 63 (1972).

[16] *Diamond v. Chakrabarty,* 447 U.S. 303 (1980).

[17] *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Intern., Inc.,* 534 U.S. 124 (2001).

[18] *Parker v. Flook,* 437 U.S. 584 (1978).

[19] *Diamond v. Diehr,* 450 U.S. 175 (1981).

[20] *In re Beauregard,* 53 F.3d 1583 (Fed. Cir. 1995).

> (2) What standard should govern in determining whether a process is patent-eligible subject matter under section 101?
>
> (3) Whether the claimed subject matter is not patent-eligible because it constitutes an abstract idea or mental process . . . ?
>
> (4) Whether a method or process must result in a physical transformation of an article . . . to be patent-eligible subject matter under section 101?

Other questions stated in the *en banc* order, such as "(3) . . . [W]hen does a claim that contains both mental and physical steps create patent-eligible subject matter?," and "(4) Whether a method or process must . . . be tied to a machine to be patent-eligible subject matter under section 101?," are beyond the facts presented by Bilski and, accordingly, must be left aside. The fifth question stated in the *en banc* order, referencing a review of *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,[21] and *AT&T Corp. v. Excel Communications, Inc.*,[22] should be approached cautiously, as the pronouncements in both *State Street Bank* and *AT&T v. Excel* themselves go considerably beyond the facts those

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[21] *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).

[22] *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999).

cases presented.[23]

B. The Correct Test for Statutory Subject Matter Cannot be Found by Parsing the Individual Words of Section 101

Despite the discussion in some recent decisions of the lower courts, a satisfactory statement of the legal criterion for determining the presence of statutory subject matter cannot be fashioned by parsing the individual words of section 101. Instead that current language, which refers to any "process, machine, manufacture, or composition of matter," primarily reflects Congress's decision to continue language that was already long-standing when the patent statute was codified in 1952.[24] The immediately preceding provision, section 4886 of the Revised Statutes, employed the same language, with the exception that "process" had not yet replaced the earlier term "art."[25] The language in section 4886 repeated verbatim the wording of section 24 of the Patent Act of 1870,[26] which

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[23]The claims at issue in *State Street,* for example, were all drawn to various forms of apparatus. *State Street Bank & Trust Co. v. Signature Financial Group, Inc.,* 149 F.3d 1368, 1371 (Fed. Cir. 1998). Thus, the case did not present a true opportunity for extensive comments on the statutory status of business methods.

[24]*See* Patent Act of 1952, Pub. L. No. 82-593, ch. 950, 82nd Cong., 2nd Sess., 66 Stat. 792 (July 19, 1952).

[25]Rev. Stat. § 4886.

[26]*See* section 24, Patent Act of 1870, 16 Stat. 198 (1870).

itself repeated verbatim the language of section 6 of the Patent Act of 1836.[27]

It is quite clear that, in re-enacting this language in 1952, Congress did not intend to supply a free-standing definition of statutory subject matter, that could be understood simply from reading the statutory text. By 1952 the language had been interpreted through many judicial decisions, including many decisions of the Supreme Court.[28] By re-enacting the statutory language that already existed, Congress plainly signaled its intent to carry forward the body of case law interpretations that were already in place. Indeed, the legislative history confirms that the one relevant change Congress did make – substituting "process" for "art" – was intended to make the statutory language conform to the existing case law precedents even more closely.[29]

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[27]*See* section 6, Patent Act of 1836, 5 Stat. 117 (1836).

[28]*See, e.g., Le Roy v. Tatham,* 55 U.S. 156 (1852); *O'Reilly v. Morse,* 56 U.S. 62, 130 (1853); *Corning v. Burden,* 56 U.S. 252 (1853); *Burr v. Duryee,* 68 U.S. 531 (1863); *Tilghman v. Mitchell,* 86 U.S. 287 (1873); *Cochrane v. Deener,* 94 U.S. 780 (1876); *Tilghman v. Proctor,* 102 U.S. 707 (1880); *Dolbear v. American Bell Tel. Co.,* 126 U.S. 1, 553 (1888).

[29]*See* S. Rep. No. 1979, 82nd Cong., 2nd Sess., 5 (1952); H. R. Rep. No. 1923, 82nd Cong., 2nd Sess., 6 (1952), U.S. Code Cong. & Admin. News 1952, pp. 2394, 2399.

See also Diamond v. Diehr, 450 U.S. 175, 182, 184 (1981) ("Although the term 'process' was not added to 35 U.S.C. § 101 until 1952 a process has historically enjoyed patent protection because it was considered a form of 'art' as that term was used in the 1793 Act." "Analysis of the eligibility of a claim of

Thus, Supreme Court decisions since 1952 repeatedly recognize various restrictions on the definition of statutory subject matter beyond those that reside in the express language of the statute.[30] As the Supreme Court stated in *Parker v. Flook,* "[t]he plain language of § 101 does not answer the question."[31] Instead, the Court repeatedly has recognized that statutory subject matter can be absent even where the statutory language is nominally met.[32]

C. The Test for Statutory Subject Matter Should Implement the Associated Objectives of the Patent System

Logically, therefore, the test for deciding whether a claimed invention is statutory should be an orderly implementation of the policy objectives that

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patent protection for a 'process' did not change with the addition of that term to § 101.").

See generally also Pasquale J. Federico, *Commentary on the New Patent Act,* reprinted in 75 JPTOS 163, 175-78 (Special Issue 1993).

[30]*See, e.g., Gottschalk v. Benson,* 409 U.S. 63, 70 (1972); *Diamond v. Diehr,* 450 U.S. 175, 185 (1981) ("This Court has undoubtedly recognized limits to § 101 and every discovery is not embraced within the statutory terms.").

[31]*Parker v. Flook,* 437 U.S. 584, 589 (1978).

See also PASQUALE J. FEDERICO, *Section 101: Subject Matter for Patents,* in THE LAW OF CHEMICAL, METALLURGICAL AND PHARMACEUTICAL PATENTS 53, 58 (1967) ("The four terms used . . . are often referred to as the four statutory categories of subject matter. My own view is to regard them collectively as somewhat overlapping expressions . . . .").

[32]*See, e.g., Parker v. Flook,* 437 U.S. 584, 589 (1978); *Gottschalk v. Benson,* 409 U.S. 63, 70 (1972).

underlie the statutory subject-matter requirement. Indeed, the Supreme Court has long stated the criterion for statutory subject-matter eligibility in such terms. Statements employing this approach appear as early as 1852,[33] and have appeared regularly since.[34] Certainly, the proposition that the correct interpretation of section 101 is one that serves the overall function of the patent system is not radical or new by any means.[35]

What, then, are the underlying policy objectives of the statutory subject matter requirement in section 101? The current state of thought is that there are potentially three.[36] The first objective can be discarded in connection with section 101 quickly. It has been observed, correctly, that entire fields of technological subject matter can be excluded from patentability to shield society from situations

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[33]*See Le Roy v. Tatham,* 55 U.S. 156 (1852).

[34]*See, e.g., Rubber-Tip Pencil Co. v. Howard,* 87 U.S. 498 (1874); *Mackay Radio & Telegraph Co. v. Radio Corporation of America,* 306 U.S. 86 (1939); *Funk Bros. Seed Co. v. Kalo Inoculant Co.,* 333 U.S. 127 (1948); *Gottschalk v. Benson,* 409 U.S. 63 (1972).

[35]*See, e.g.,* EUSTACE GLASCOCK & EMERSON STRINGHAM, PATENT LAW 22 (1943) (referencing R.S. § 4886) ("In the statute there is no basis for assuming that these represent four separate compartments of invention. Rather does the use of the four terms represent an effort to indicate the general industrial boundary of the single field of patentable invention.").

[36]*See, e.g.,* 2 MOY, WALKER ON PATENTS, §§ 5:3 - 5:5 (2007).

where patent control would result in social costs that are unacceptably high.[37] While this type of exclusion is commonplace in foreign patent laws, however, it is generally accepted that essentially no such categorical exclusions exist in the patent laws of the United States, but for a few minor exceptions.[38]

Another assertion is that the statutory subject-matter requirement has been used to police instances of extreme overbreadth, *i.e.,* instances where the claim under consideration has used words of such extreme generality as to encompass all means of achieving some beneficial result. The objection has been that the resulting exclusive right would grossly over-compensate the patentee, and stifle future research. The early onset of this concern can be seen in *Le Roy v. Tatham,*[39]

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[37]*See, e.g.,* Machlup, Fritz, An Economic Review of the Patent System, Study no. 15 of the Subcommittee on Patents, Trademarks, and Copyright of the Committee of the Judiciary of the United States Senate, 85th Cong., 2nd Sess., at 8-9, 55 (1958).

[38]*See generally, e.g.,* 2 MOY, WALKER ON PATENTS, § 5:5 (2007) (collecting authorities).

Compare, e.g., 35 U.S.C. § 287(c) (imposing enforcement restrictions on patents for medical treatments); Article 27, Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, GATT Doc. MTN/FA II-A1C (Dec. 15, 1993), 33 I.L.M. 81 (1994); Articles 52, 53, Convention on the Grant of European Patents (EPC) of October 1973, as amended through 29 November 2000.

[39]*Le Roy v. Tatham,* 55 U.S. 156 (1852) ("A patent is not good for an effect, or the result of a certain process, as that would prohibit all other persons from

and *O'Reilly v. Morse.*[40] It extends to a few decisions of the Supreme Court subsequently.[41]

This second objective is more difficult to reject, but the better view is that it also should not impact the modern test for statutory subject matter. The rule against patenting a beneficial result has been applied only sparingly in modern cases, if at all, and attempts to make sense of it are confused and unclear.[42] More importantly, as a conceptual matter the basic questions regarding this type of overbreadth are the same as those that are involved in the analysis of overbreadth in other areas.[43] In particular, they involve a comparison of the scope of the exclusive right being sought, with the scope of the teaching that the patentee has

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making the same thing by any means whatsoever. This, by creating monopolies, would discourage arts and manufactures, against the avowed policy of the patent laws.").

[40]*O'Reilly v. Morse,* 56 U.S. 62 (1853) (invalidating Morse's eighth claim).

[41]*See, e.g., Tilghman v. Proctor,* 102 U.S. 707 (1880); *Dolbear v. American Bell Tel. Co.,* 126 U.S. 1 (1888).

[42]*See, e.g.,* ALBERT H. WALKER, TEXTBOOK ON THE LAW OF PATENTS 1-19 (2nd ed. 1886); Christopher L. Ogden, *The Patentability of Algorithms After* State Street: *The Death of the Physicality Requirement,* 83 JPTOS 491 (2001).

[43]*See, e.g.,* Charles E. Bruzga, *A Review of the* Benson-Flook-Diehr *Trilogy: Can the "Subject Matter" Validity of Patent Claims Reciting Mathematical Formulae Be Determined Under 35 U.S.C. Section 112?,* 69 JPTOS 197 (1987).

supplied.[44] Accordingly, the question of overbreadth addressed in *Leroy v. Tatham* is more logically addressed, in the modern statute, in connection with the law that deals with the adequacy of disclosure under the first paragraph of section 112.[45] It should not be done in connection with section 101.

This leaves, then, the third objective, which is rightly viewed as the statutory subject matter requirement's dominant objective. It is accepted doctrine that the statutory subject matter requirement functions to confine the award of patent rights to developments in the technological arts.[46] Confining patentability in this way is critical: it prevents the profit incentive of the patent system – and its underlying diminution of the free market – from distorting activities beyond those that Congress intended to target. [47]

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[44] *Compare, e.g., In re Fisher,* 427 F.2d 833 (CCPA 1970) (addressing entitlement to generic claim).

See generally, e.g., 2 MOY, WALKER ON PATENTS, §§ 7:23 - 7:26 (2007).

[45] 35 U.S.C. § 112, par. 1.

[46] *See, e.g., In re Prater,* 415 F.2d 1393, 1403 (CCPA 1969); *In re Musgrave,* 431 F.2d 882, 893 (CCPA 1970) ("All that is necessary, in our view, to make a sequence of operational steps a statutory 'process' within 35 U.S.C. § 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of 'useful arts.'").

[47] *See generally, e.g.,* Machlup, Fritz, An Economic Review of the Patent System, Study no. 15 of the Subcommittee on Patents, Trademarks, and Copyright of the Committee of the Judiciary of the United States Senate, 85th Cong., 2nd Sess., at 8-9, 55 (1958).

This objective is accomplished by classifying as unpatentable two broad categories of subject matter. First, the law excludes those things that, while created by human activity, do not involve the use of technology.[48] Second, the law also excludes those things that, while technological, are not the product of human intervention into the natural world.[49]

The Supreme Court has described the statutory subject matter requirement in these terms, consistently and for many years. As early as 1852, the Court noted that patent rights could not be obtained over natural "agencies,"or "powers," such as electricity, themselves. But "[i]n all such cases," the Court declared, "the processes used to extract, modify, and concentrate natural agencies, constitute the invention. The elements of the power exist; the invention is not in discovering them, but in applying them to useful objects."[50] The Court has made remarkably similar declarations ever since. "An idea of itself is not patentable, but a new

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See generally also 2 MOY, WALKER ON PATENTS, §§ 5:3 - 5:4 (2007).

[48]*See, e.g., In re Miller,* 418 F.2d 1392 (CCPA 1969) (printed matter); *In re Gulack,* 703 F.2d 1381 (Fed. Cir. 1983) (printed matter); *In re Lowry,* 32 F.3d 1579 (Fed. Cir. 1994); *In re Warmerdam,* 33 F.3d 1354, 1361-62 (Fed. Cir. 1994) (data structure).

[49]*See, e.g., Gottschalk v. Benson,* 409 U.S. 63 (1972); *Diamond v. Diehr,* 450 U.S. 175, 184-85 (1981) ("Excluded from . . . patent protection are laws of nature, natural phenomena, and abstract ideas.").

[50]*Le Roy v. Tatham,* 55 U.S. 156, 175 (1852).

device by which it may be made practically useful is."[51] "While a scientific truth, or the mathematical expression of it, is not patentable invention, a novel and useful structure created with the aid of knowledge of scientific truth may be."[52] "He who discovers a hitherto unknown phenomenon of nature has no claim to a monopoly of it which the law recognizes. If there is to be invention from such a discovery, it must come from the application of the law of nature to a new and useful end."[53] The declarations have continued since the Patent Act of 1952.[54]

The Institute urges this Court to adopt, as the direct test for statutory subject matter, this formulation that has appeared so consistently in the decisions of the Supreme Court. That is, this Court should hold that, to be statutory subject matter, the invention described in the patent must both

(i) be an artificial creation; and

(ii) involve the application of a law of nature.

Stated bluntly, this test of the Supreme Court is both simple and logically sound. It conforms admirably to the underlying social objectives. It would ensure that the

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[51]*Rubber-Tip Pencil Co. v. Howard,* 87 U.S. 498, 507 (1874).

[52]*Mackay Radio & Telegraph Co. v. Radio Corporation of America,* 306 U.S. 86 (1939).

[53]*Funk Bros. Seed Co. v. Kalo Inoculant Co.,* 333 U.S. 127 (1948).

[54]*See, e.g., Gottschalk v. Benson,* 409 U.S. 63 (1972).

effect of the patent system remains appropriately targeted.

Perhaps just as important, reliance on the Supreme Court's test would leave the statutory status of most subject matters unchanged. Naturally occurring phenomena fail, for example, because they are not artificial creations.[55] Matters of literature, fine arts, mental steps, and collections of data fail because they do not involve the application of a law of nature.[56] Scientific principles and mathematical equations fail to meet both parts of the test; they do not involve any artificial creation, nor do they apply any law of nature.[57] Adopting the rule is therefore a targeted solution; it would leave nearly all of the adjudicated outcomes regarding statutory subject matter in place.

Under this test, Bilski's invention is properly categorized as nonstatutory.

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[55]*Compare, e.g., Funk Bros. Seed Co. v. Kalo Co.,* 333 U.S. 127, 130 (1948) ("He who discovers a hitherto unknown phenomenon of nature has no claim to a monopoly of it which the law recognizes. If there is to be invention from such a discovery, it must come from the application of the law of nature to a new and useful end.").

[56]*See, e.g.,* Morton C. Jacobs, *Note: The Patentability of Printed Matter: Critique and Proposal*, 18 GEO. WASH. L. REV. 475 (1950).

[57]*Compare, e.g., Parker v. Flook,* 437 U.S. 584, 593 (1978) ("The rule that the discovery of a law of nature cannot be patented rests, not on the notion that natural phenomena are not processes, but rather on the more fundamental understanding that they are not the kind of 'discoveries' that the statute was enacted to protect."). *See also, e.g., Morton v. New York Eye & Ear Infirmary,* 17 Fed. Cas. 879, 881 (C.C.N.Y. 1862).

While his method of handling financial risk is likely artificial, it does not involve the application of a law of nature. It thus fails under part (ii) of the Supreme Court's test, and the rejection under section 101 of the patent statute should be affirmed. The same result likely will apply to all methods that are defined simply as financial transactions, or interactions between persons in a business setting.[58] Accordingly, adopting the Supreme Court's test for statutory subject matter would have the salutary effect of returning the law relating to the patentability of business methods to its historical position.[59] This would reverse the impact that some portions of the patent community have understood from *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*[60]

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[58] *See, e.g., In re Comiskey,* 499 F.3d 1365 (Fed. Cir. 2007).

[59] *See, e.g., Ex parte Abraham,* 1869 C.D. 59; *United States Credit System Co. v. American Indemnity Co.,* 53 F. 818 (C.C.S.D.N.Y. 1893); *Hotel Security Checking Co. v. Lorraine Co.,* 160 F. 467, 469 (2nd Cir. 1908); *In re Sterling,* 70 F.2d 910 (CCPA 1934); *In re Wait,* 73 F.2d 982 (CCPA 1934); *In re Patton,* 127 F.2d 324 (CCPA 1942); *Loew's Drive-In Theaters, Inc. v. Park-In Theaters, Inc.,* 174 F.2d 547 (1st Cir. 1949); *In re Chatfield,* 545 F.2d 152 (CCPA 1976); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.,* 546 F.Supp. 1358 (D. Del. 1983).

[60] *State Street Bank & Trust Co. v. Signature Financial Group, Inc.,* 149 F.3d 1368 (Fed. Cir. 1998).

See generally also, e.g., R. Carl Moy, *Subjecting Rembrandt to the Rule of Law: Rule-Based Solutions for Determining the Patentability of Business Methods,* 28 WM. MITCHELL L. REV. 1047 (2002).

Use of the Supreme Court's test is also superior because it is not unduly restrictive. There is, for example, a competing test that is described as holding processes nonstatutory unless they transform a physical substance into a different state or thing. This competing test stems from an 1876 decision, *Cochrane v. Deener.*[61] The test has been considered influential since it was rendered, and is at least referred to in many subsequent decisions.[62] *Cochrane v. Deener,* however, was itself the endpoint of a series of early cases that dealt with the basic patentability of methods.[63] The test that it articulated is best viewed as a rough solution to the questions posed by method inventions, that was appropriate to that time. It should not be viewed as an ironclad requirement. This is particularly true since now, over a century later, manufacturing and the manipulation of physical raw materials are a smaller, declining part of the economy overall. Rather, the law should be free to employ a test that expresses the same basic value judgments in a

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[61]*Cochrane v. Deener,* 94 U.S. 780 (1876).

[62]*See, e.g., Diamond v. Diehr,* 450 U.S. 175, 187-88 (1981); *Gottschalk v. Benson,* 409 U.S. 63, 70 (1972); *Holland Furniture Co. v. Perkins Glue Co.,* 277 U.S. 245, 255 (1928); *Ex Expanded Metal Co. v. Bradford,* 214 U.S. 366, 383 (1909).

[63]*See, e.g., Le Roy v. Tatham,* 55 U.S. 156 (1852); *Corning v. Burden,* 56 U.S. 252 (1853); *Tilghman v. Mitchell,* 86 U.S. 287 (1873).
See generally, e.g., 2 Moy, WALKER ON PATENTS, §§ 5:28 - 5:29 (2007).

more modern context.[64]

This better view, in fact, is inline with modern Supreme Court precedent. In *Gottschalk v. Benson,* for example, the Court expressly declined to adopt the rigid historical test of *Cochrane v. Deener*: "It is argued that a process patent must either be tied to a particular machine or apparatus or must operate to change articles or materials to a 'different state or thing.' We do not hold that no process patent could ever qualify if it did not meet the requirements of our prior precedents."[65] The Court also expressly reserved the question in *Parker v. Flook.*[66] Thus, it is clear that this Court has the freedom to adopt the correct, more basic test for statutory subject matter that the Institute urges.

The recommended test is also remarkably similar to the solution adopted by the patent system of Japan. Inherently, that system faces the same basic problem under consideration here, of how to give the test for statutory subject matter a formulation that both confines the patent incentive and is still sufficiently flexible.

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[64]*See generally* R. Carl Moy, *Subjecting Rembrandt to the Rule of Law: Rule-Based Solutions for Determining the Patentability of Business Methods,* 28 WM. MITCHELL L. REV. 1047 (2002).

[65]*Gottschalk v. Benson,* 409 U.S. 63, 71 (1972).

[66]*Parker v. Flook,* 437 U.S. 584, 588 n.9 (1978) ("As in *Benson*, we assume that a valid process patent may issue even if it does not meet one of these qualifications of our earlier precedents.").

It is worth noting that, when faced with this same problem, that foreign system arrived at essentially the same solution. Specifically, Article 2 of the Japanese patent law expressly states that the term "invention" "means the highly advanced creation of technical ideas by which a law of nature is utilized."[67] The Japanese Patent Office has issued examination guidelines that explain how the statutory language applies to various factual scenarios.[68] The outcomes described in the examination guidelines, and reasoning by which those results are reached, are remarkably similar to the operation of the Supreme Court's test.[69]

III. CONCLUSION

For the foregoing reasons, the Intellectual Property Institute of the William Mitchell College of Law respectfully submits that the Court should adopt as the appropriate test for determining the presence of statutory subject matter the test

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[67]Japan Patent Law, Law No. 121 of 1959, art. 2.

[68]Japanese Patent Office, Examination Guidelines for Patent and Utility Model in Japan, Pt. II, Ch. 1, § 1 (May 2005) ("Industrial Applicable Inventions).

[69]*See generally* Brian P. Biddinger, *Limiting the Business Method Patent: A Comparison and Proposed Alignment of European, Japanese and United States Patent Law,* 69 FORDHAM L. REV. 2523 (2001); James S. Sfekas, Comment: *Controlling Business Method Patents: How the Japanese Standard for Patenting Software Could Bring Reasonable Limitations to Business Method Patents In the United States,* 16 PAC. RIM L. & POL'Y J. 197 (2007).

described above. In addition, the Court should hold Bilski's claimed invention unpatentable as directed to nonstatutory subject matter.

Respectfully submitted,

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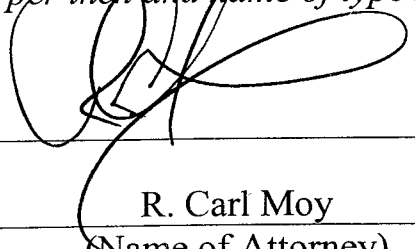

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