

**UNITED STATES COURT OF APPEALS FOR THE FEDERAL  
CIRCUIT**

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**2007-1130  
(Serial No. 08/883,892)**

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**IN RE BERNARD L. BILSKI and RAND A. WARSAW**

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Appeal From The United States Patent And Trademark Office,  
Board Of Patent Appeals And Interferences.

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**BRIEF FOR *AMICUS CURIAE*  
AMERICAN CIVIL LIBERTIES UNION  
FOR AFFIRMANCE IN SUPPORT OF APPELLEE**

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Dated: April 3, 2008

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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, Christopher Hansen, certifies the following

1. The full name of every party or amicus represented by me is:  
  
American Civil Liberties Union
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. 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:

Christopher Hansen

April 3, 2008  
Date

Christopher A. Hansen  
Signature of counsel

CHRISTOPHER A. HANSEN  
Printed name of counsel

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## INTEREST OF AMICUS

The American Civil Liberties Union (“ACLU”) is a nationwide, nonprofit, nonpartisan organization with more than 550,000 members dedicated to the preservation and defense of constitutional rights and civil liberties. Since its founding in 1920, the ACLU has frequently advocated in support of the freedoms guaranteed by the First Amendment, both as direct counsel and as *amicus curiae*. Because this case involves fundamental issues under the First Amendment, its proper resolution is a matter of significant concern to the ACLU and its membership throughout the country. All parties have consented to the filing of this brief.

## STATEMENT OF THE CASE

Appellant sought a patent on the following claim:

1. A method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price comprising the steps of:
  - (a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumer;
  - (b) identifying market participants for said commodity having a counter-risk position to said consumers; and
  - (c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

The Patent Office denied the claim. The Board of Patent Appeals and Interferences (the Board) affirmed this denial. *Ex parte Bilski*, 2006 WL

4080055 (B.P.A.I. Sept. 26, 2006). Both found that the claim did not identify subject matter that was patentable under 35 U.S.C. § 101.

Applicant appealed. This Court heard oral argument and then *sua sponte* requested additional briefing for an *en banc* review of the case. *In re Bilski*, No. 2007-1130, 2008 WL 417680 (Fed. Cir. Feb. 15, 2008). The Court specifically requested that the parties and any *amici* address the following questions:

- (1) Whether claim 1 of the 08/833,892 patent application claims patent-eligible subject matter under 35 U.S.C. § 101?
- (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; when does a claim that contains both mental and physical steps create patent-eligible subject matter?
- (4) Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible subject matter under section 101?
- (5) Whether it is appropriate to reconsider *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999), in this case and, if so, whether those cases should be overruled in any respect?

## ARGUMENT

### **I. The Patent Law Cannot Be Used to Patent Speech and/or Thought Without Violating the First Amendment.**

This case raises important issues of patent law. *Amicus* largely does not directly address those issues. Instead, *amicus* suggests that in resolving

those issues, the Court must consider the impact of any ruling on First Amendment values. In determining the answer to the Court's second, third, and fourth questions, the Court must consider whether any test adopted conflicts with the commands of the First Amendment.

The patent claim in this case consists predominantly of speech and/or thought. The applicant's patent cannot be granted without violating the First Amendment. Existing patent doctrines, such as the abstract idea doctrine, can be interpreted to avoid the First Amendment issues. However, if the Court finds the patent can be granted despite those patent doctrines, it must necessarily reach the First Amendment issues. If it does so, it must find the patent invalid.

Counsel for *Amicus* is aware of no case that determines the relationship between patent law and the First Amendment. At the most basic level, it is apparent that because the First Amendment post-dates the patent clause in Article I, it modifies the patent clause. *See Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 72-3 (1996).

The lack of caselaw recognizing this relationship is due in part to the existence of patent law doctrines that take into account the same values that are protected by the First Amendment. Thus, the definition of "useful arts" clearly excludes music, art, and literature, all of which represent unpatenable

matter clearly also protected by the First Amendment. U.S. Const., Art. 1, § 8, cl. 8; 35 U.S.C. §101; *Ex parte Lundgren*, Appeal No. 2003-2088, 2004 WL 3561262, at \*26 (B.P.A.I. Apr. 20, 2004). In addition, the “abstract idea” doctrine that is central to this case protects First Amendment values. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981) (“excluded from such patent protection are ...abstract ideas.”)

The related intellectual property field of copyright, because it deals with speech, would be expected to have a wealth of caselaw considering the relationship between it and the First Amendment. However, there are few cases discussing the limitations, if any, imposed by the First Amendment on copyright law. *See Harper and Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 560 (1985). Some courts have suggested that many of the doctrines that lessen the absolute nature of copyright, such as fair use or the idea/expression distinction, are compelled by the First Amendment, but there has been no such definitive holding. *Id.* at 556; Dan L. Burk, *Patenting Speech*, 79 Tex. L. Rev. 99, 124 (2000); Paul Goldstein, *Copyright and the First Amendment*, 70 Colum. L. Rev. 983 (1970). *See also* 17 U.S.C. § 102 (b) (ideas are not copyrightable).

The lack of caselaw discussing the relationship between the patent clause and the First Amendment is thus in part a function of patent law

doctrine. It is also true, however, that until recently, patents were rarely if ever granted that raised concerns under the First Amendment. Nevertheless, the patent claim in this case, and the patent claim in *Lab. Corp. of Am. Holdings v. Metabolite Labs, Inc.*, 126 S.Ct. 2921 (2006) (*Metabolite*) reveal that applicants now seek to patent (and sometimes do successfully patent) matters that do raise those very concerns.

As noted, the claim in this case involves pure speech and/or thought. As is discussed in greater detail *infra* section II, the claim itself consists essentially of two conversations (one proposing the first transaction and one proposing the second transaction). At an even more basic level, because the claim does not have any specification of the details of those conversations, it can be read, as the appellees do, as a pure abstract idea.

The attempt to patent speech and/or thought is, unfortunately, not unique to this application. In *Metabolite*, claim 13 involved a method for correlating the homocysteine level in a person's body with a deficiency of cobalimin. The method of determining the level of homocysteine was not part of the claim. Thus, the claim consisted essentially of "correlating" lab results with a known clinical significance.

*Amicus* shares the concerns about the *Metabolite* patent expressed by three Justices of the Supreme Court. *Metabolite*, 126 S.Ct. at 2921 (Breyer,

J. dissenting). The claim would appear to be a “natural phenomenon” and thus invalid under patent doctrine. *Metabolite*, 126 S.Ct. at 2927; *Diehr*, 450 U.S. at 185, 187. In addition, the claim, like the claim in this case, illustrates the need to consider the First Amendment because it amounts to a patent on pure thought or pure speech.

Of course, in *Metabolite*, LabCorp was found liable, not the doctors. Because LabCorp told doctors about the clinical facts, they were successfully sued for inducing infringement. The effect of the *Metabolite* patent combined with the inducement doctrine is to make virtually any statement about that important medical diagnostic measure infringing. Similarly applying the inducement doctrine to the claim in this case, the author of an economics text would induce infringement by including a paragraph in her textbook describing the method of the claim (at least if she intended that the readers apply the knowledge she was imparting).

There can be no doubt that inducement of infringement can be properly found based solely on speech. Thus, if a person describes a patented machine to another with the intent that the other build and use the machine, the fact that the inducement consists entirely of speech presents no obstacle to a finding of liability. In this respect, it is no different than punishing a conspirator whose role in the conspiracy consists of telling the

others how to rob the bank. *Giboney v. Empire Storage and Ice Co.*, 336 U.S. 490 (1949).

The application of this principle to this case and to *Metabolite* presents different concerns. Here, the purported inducer is describing a category of speech and/or thought, not actions. To apply patent law to this situation only aggravates the First Amendment problems with granting the original patent.

*Amicus* suggests that the “breathing room” required for First Amendment values to be fully protected must be recognized in patent law analysis. Claims which predominantly or in their essence seek a government monopoly on speech and/or ideas should be viewed with skepticism and generally disallowed. Patent doctrines such as that prohibiting patenting of an abstract idea should be construed to avoid the First Amendment problems that exist when the patent claim appears to be predominantly aimed at speech and/or thought. If that process is applied in this case, the claim should be disallowed.

## **II. The Claim Overlaps Interests Protected by the First Amendment and Under Traditional First Amendment Analyses, the Claim Should be Disallowed.**

Claim 1 of the 08/833,892 patent can be interpreted in at least two ways. Each of these interpretations reveals that Claim 1 overlaps interests protected by the First Amendment to the U.S. Constitution.

### A. Commercial Transaction.

The claim can be seen as consisting entirely of two offers for a commercial transaction. The essence of the claim is that a seller makes two offers to sell a commodity to two different buyers. In a simple commercial transaction, one offer is made to one buyer for the purpose of maximizing profit. Here, two offers are made to two buyers for the purpose of minimizing risk of loss. There is nothing in the claim to suggest that the conversations that occur as part of the transaction should consist of false information. Thus, the claim can be seen as commercial speech truthfully offering a commercial transaction.

The method of analyzing commercial speech containing accurate information is well established. *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748 (1976); *Cent. Hudson Gas and Elec. Corp. v. Pub. Serv. Comm'n of New York*, 447 U.S. 557 (1980). The government must show that its interest in restriction of the speech is

“substantial,” that the restriction directly advances the state interest, and the restriction is not “more extensive than is necessary.” *Central Hudson*, 447 U.S. at 566; *See also Thompson v. W. States Med. Ctr.*, 535 U.S. 357 (2002).

Applying *Central Hudson* to this claim, it seems clear that the governmental interests reflected in the patent clause and patent statutes are substantial. The only serious questions in this case are whether the interests are “directly advanced” by granting a patent on this claim and whether the claim is “more extensive than is necessary.” The government’s interests are directly advanced if the patent is necessary to motivate people to conceive of and utilize the process at issue. The entire process is designed to ensure that the seller minimizes risk. It seems likely that multiple sellers, including but not limited to the applicant, would be motivated to conceive of this process by its inherent value. However, the Court need not examine this factor.

To the extent that the claim reaches nonpatenable subject matter as well as patentable subject matter (and *amicus* agrees with the appellees that this claim does reach both), the government has already disavowed any interest, much less a compelling one. Thus, granting of a patent on a claim that reaches First Amendment issues and also reaches nonpatentable subject

matter is clearly “more extensive than is necessary.” Such a patent is invalid.<sup>1</sup>

Thus, the claim in this case proposes commercial transactions. By applying ordinary commercial speech standards to the claim, the claim cannot be justified and should be denied.

B. Abstract Idea or Content-Based Restriction on Speech.

As the Appellee Director of the United States Patent and Trademark Office has persuasively argued, and as the Board of Patent Appeals and Interferences held, Claim 1 can be interpreted as describing an “abstract idea.” *Ex parte Bilski*, 2006 WL 4080055, at \*20; Brief of Appellee at 36-37. The claim does not restrict the identity of either the seller or the buyers. It requires “identifying market participants” but does not proscribe the method by which this identification occurs. The claim does not restrict the commodity. The claim does not restrict the method by which the parties agree on a price. It also does not restrict the method by which the transaction is accomplished, i.e. by phone or in person or by email or

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<sup>1</sup> Obviously, the converse is not necessarily true. The fact that a particular claim describes material that is patentable under §101 does not mean that it could be patented without violating the First Amendment.

by some other method.<sup>2</sup> It does not define the “series of transactions” by number. It does not define any method for determining the “historic averages” or the “risk position of said consumer.” It requires that the “transactions balance[] the risk” but does not define the degree to which the risk must be balanced. Read carefully, the claim does not require that any transactions actually take place. It requires that the seller “initiate” efforts to make the two transactions. Thus, it appears that the claim would prohibit a seller from engaging in the process even if no sales occurred. All that is necessary in order to violate the claim is that the seller have in his or her mind a purpose (to minimize risk) and engage in two conversations. Finally, the exclusivity granted by such a patent would not prohibit specific words used during the conversation, but any words used to cover the prohibited subject matter (or, in First Amendment terms, the prohibited content). In short, it expansively defines any method by which a party seeks to use speech to minimize its risk in the sale of a commodity by making two sales. Because it does not define a specific method or process, the PTO is correct in its conclusion that the claim describes an abstract idea and not a process or method.

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<sup>2</sup> *Amicus* focuses on the oral communication involved in the claim. Obviously the First Amendment would be equally implicated if the transactions were completed with written exchanges, whether by FAX or computer.

Of course, if the claim is viewed as describing an abstract idea, as the Patent Office suggests, it is not patentable under the traditional analysis of §101. *Diehr*, 450 U.S. at 185 (“excluded from such patent protection are ...abstract ideas.”) It would not be copyrightable either. 17 U.S.C. § 102 (b).

If it is viewed as an effort to patent an abstract idea, it is also not patentable because it invades core First Amendment values. The First Amendment requires that the patent law doctrine prohibiting the patenting of an abstract idea be interpreted to prevent any potential violation of the First Amendment.

One of the most widely accepted theories for the First Amendment is that speech is protected not solely because of its utilitarian value (the marketplace of ideas) but also because it protects the individual’s thought and expression. See *e.g.* Laurence Tribe, *American Constitutional Law*, at 785 (2d ed. 1988). If the government had the authority to grant exclusive rights to an idea, this fundamental purpose of the First Amendment would be rendered meaningless. For that reason, the “abstract idea” doctrines of both patent law and copyright law are consistent with and perhaps even compelled by the First Amendment. Also for that reason, to the extent the

claim in this case seeks a monopoly on an idea, it likely represents a *per se* violation of the First Amendment and should be found invalid.

Alternatively, to the extent the claim is seen as covering every possible expression of an abstract idea (even a “commercial” idea), it can be analyzed as the grant of a monopoly on pure speech defined by its content. In order to restrict every possible expression of an abstract idea, traditional First Amendment principles would require that the government show that it has a compelling state interest and that the grant is narrowly tailored to achieve that interest. It is fundamental First Amendment law that restrictions based on the content of the expression are strictly scrutinized. *E.g. Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 573 (2001). “Under strict scrutiny, [a restriction] may be saved only if it is narrowly tailored to promote a compelling government interest.” *Id.* at 582.

The patent clause of Art. 1, § 8, cl. 8 undoubtedly provides a compelling interest in granting an exclusive license on properly patentable items. It seems unlikely, however, that there can be any compelling interest in granting an exclusive license on abstract ideas or every possible expression of those ideas. Indeed, even in copyright, the government does not even claim a compelling interest in licensing an idea or every possible expression of that idea. Copyright expressly prohibits this interest and

allows only a creator copyright only in one particular form of expression.

Thus, there is no compelling interest in granting the claim in this case.

It is possible that *amicus* fails to imagine patent claims that would fall into these categories but would nevertheless serve the purposes of both the patent clause and the First Amendment. Even if such claims can be imagined, *amicus* urges that the Court not permit them without first subjecting them to a narrow tailoring analysis.

Applying one form of a narrow tailoring analysis to the claim in this case might look substantially like the analysis done by the Board and the appellees in the context of the patentability of claims “that read on statutory and nonstatutory subject matter.” *Ex parte Bilski*, 2006 WL 4080055, at \*11. As noted, a claim is not narrowly tailored if it reaches matter that is not subject to patent. Narrow tailoring might also require that the claim be drafted so that the speech or idea components are peripheral rather than central to the claim. Rather than reach the First Amendment issues, which would require the Court to set forth a test for narrow tailoring, the Court should interpret patent law doctrines such as the prohibition against patenting abstract ideas so as to avoid the difficult application of First Amendment doctrines to this situation. *Nat’l Labor Relations Bd. v. Jones*

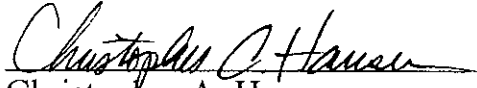
& *Laughlin Steel Corp.*, 301 U.S. 1, 30 (1937); *New York v. Ferber*, 458 U.S. 747, 769, n.24 (1982).

### CONCLUSION

For these reasons, *amicus* urges the Court, at a minimum, to interpret traditional patent doctrines so as to preserve the breathing room required by the First Amendment. If the Court finds itself unable to do so, *amicus* urges the Court to apply traditional First Amendment analyses to this claim. Through either method, *amicus* believes the claim should be found invalid.

DATED: April 3, 2008

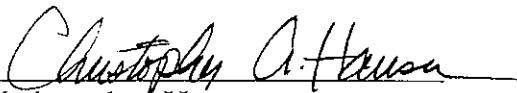
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## **CERTIFICATE OF COMPLIANCE**

I hereby certify under Federal Rule of Appellate Procedure 32(a)(7)(c)(I) that this brief contains 3,240 words as counted by the word processing program used to prepare this brief and therefore complies with Federal Rule of Appellate Procedure 29(d) and the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B)(I).

DATED: April 3, 2008

  
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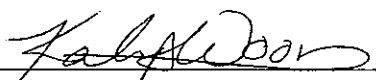
## CERTIFICATE OF SERVICE

I hereby certify that on the third day of April 2008, I served the foregoing Brief for *Amicus Curiae* American Civil Liberties Union by causing the required number of copies of the brief to be delivered to the Court by Federal Express next-day delivery and served upon the following counsel by Federal Express next-day delivery:

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