

**United States Court of Appeals
for the Federal Circuit**

CLS BANK INTERNATIONAL,

Plaintiff-Appellee,

and

CLS SERVICES LTD.,

Counterclaim-Defendant Appellee,

v.

ALICE CORPORATION PTY. LTD.,

Defendant-Appellant.

*Appeal from the United States District Court for the District of
Columbia in case no. 07-CV-0974, Judge Rosemary M. Collyer*

BRIEF OF *AMICUS CURIAE*

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CERTIFICATE OF INTEREST

Counsel for The Intellectual Property Law Association of Chicago as *amicus curiae* certifies the following:

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

The Intellectual Property Law Association of Chicago

2. IPLAC submits this brief *amicus curiae* and has no interest in the outcome of the case.

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:

Law firms Banner & Witcoff, Ltd. and

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December 4, 2012

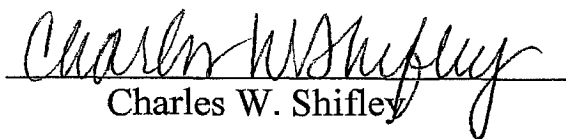

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INTEREST OF AMICUS CURIAE

Founded in 1884, the Intellectual Property Law Association of Chicago (“IPLAC”) is the oldest intellectual property law association in the nation. It has approximately 1,000 members, who represent a full spectrum of the intellectual property law profession ranging from law firm attorneys to sole practitioners, corporate attorneys, law school professors, and law students. IPLAC is centered in Chicago, a principal forum for patent activity in this country. Every year, IPLAC’s members prosecute thousands of patent applications and litigate many patent lawsuits in Chicago and across the country.¹

IPLAC is a not-for-profit organization. A principal aim is to aid in the development and of intellectual property laws and their application by the courts and federal agencies including the United States Patent and Trademark Office. The purposes of IPLAC include making “more definite, uniform and convenient the rules of practice in the courts” in relation to the patent law. IPLAC is also dedicated to maintaining a high standard of professional ethics in the practice of patent, trademark, copyright, trade secret, and associated fields of law, and further dedicated to providing a

¹ While over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way on this brief.

medium for the exchange of views on intellectual property law among those practicing in the field and to educating the public at large.

IPLAC's goals in this amicus brief heed the words of Chief Judge Rader in S. Smith, *ABA IPL Landslide, An Interview with Chief Judge Randall R. Rader*, March/April 2011, to help the Court see the implications of its decision in this case long term, including the effect on the IP community and the market, and whether it would affect investment, ameliorate unintended consequences, and make the law more predictable and more amenable to facilitate business decisions. Quoting Chief Judge Rader:

The best amicus briefs try to help us see the implications of our cases long term, how this would affect a particular segment of the IP community or a particular part of the marketplace, how it would inhibit investment, and whether it would spur investment and cause more dedication to proper IP principles. That's the kind of thinking we need. We need something that looks long term and tries to predict with statistics and insights into how the court's cases would have some impact downstream in the marketplace. ...

[W]e recognize and must recognize that our cases have an impact beyond just the parties before us and again that's where the amicus process can inform us and help us to give a better decision. We can resolve the case before us in a responsible manner according to the law and at the same time ameliorate any unintended consequences if we understand them in advance. We can write the case in a way that narrowly decides the issue before the parties without having any impact beyond

that case, or we can resolve it in a way that gives guidance for future cases and makes the law more predictable and more amenable to facilitate business decisions. But we need information before we can do that well.

IPLAC strives to provide a “best amicus brief.”

No party’s counsel authored the brief in whole or in part; no party or a party’s counsel contributed money that was intended to fund preparing or submitting the brief; no person other than the amicus curiae, its members or its counsel, contributed money that was intended to fund preparing or submitting the brief. IPLAC has authority to file this amicus curiae brief pursuant to an order of the Court entered October 9, 2012.

SUMMARY OF ARGUMENT

The framers of our Constitution understood the importance of rewarding inventors for their creative endeavors. Congress implemented a plan for providing and protecting rights of inventors, and promoting the advance of the useful arts, by broadly drafting the patent statute without technological exclusions, ready to embrace yet unknown innovations. Thus, the language of 35 U.S.C. § 101 (“section 101”) places few limits on the types of inventions eligible for patent protection and reflects Congress’ judgment on how best to fulfill its Constitutional grant of powers.

In turn, for more than a century, the Supreme Court has applied section 101 using a flexible and broad subject matter analysis to accommodate incredible, sweeping, and unforeseen advances in technology. Without such subject matter flexibility, many of the inventions that have made the United States the technology leader of the world would never have been discovered or would have been hidden from the public with no incentive for revelation or commercialization. Similarly, section 101's flexibility accommodates smaller yet still deserving inventions. It is this elasticity of section 101, with few exceptions and without technological limitation, that has helped to make the U.S. patent system the strongest in the world, supporting innovation like no other.

This Court now seeks a specific test under section 101 for a specific type of subject matter of invention, computer-implemented inventions.

The Supreme Court has stated repeatedly that Section 101 is a filter of subject matter for patenting that does not include more than laws of nature, natural phenomenon, and abstract ideas. E.g., *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. ___, 132 S.Ct. 1289, 182 L.Ed.2d 321 (2012). The bar has sounded an alarm that “no one understands what makes an idea ‘abstract.’” *CLS Bank International v. Alice Corp. Pty. Ltd.*, 685

F.3d 1341 at 1349 (Fed.Cir. 2012) (citing M. Lemley, *Life After Bilski*, 63 Stan. L.R. 1315, 1316 (2011)). Consistently, the panel adopted a general test that ineligibility under section 101 must be manifest for there to be exclusion from patenting – that “the single most reasonable understanding is that the claim is directed to nothing more than a fundamental truth or disembodied concept.” 685 F.3d at 1352. However, the bar’s broad hyperbole does not comport with the Supreme Court’s statements of its reasoning. As well, Supreme Court decisions are devoid of a “manifest exclusion test.” This test does not follow precedent and is likely to be overturned by the Supreme Court.

The panel dissent, in contract, adopted a test of “inventive concept” for section 101. 685 F.3d at 1356. Yet this alternate test is precisely the type of exclusion from patent eligibility that Congress through its implementation in statute sought to avoid. Moreover, the relevant Supreme Court decisions are not fairly read to have a focused test of inventiveness as to section 101. This test also does not follow precedent. Worse, it will only reintroduce into the patent law under section 101 the notorious and pernicious problem of dealing with the concept of “invention.” The lack of definition of the word “invention” is well known, expressed by the Supreme Court itself to be

avoided, *Graham v. John Deere & Co.*, 383 U.S. 1 (1966), and specifically sought by the Congress to be avoided by the adoption of 35 U.S.C. 103, *id.* at 14-17.

Rather than the test of the panel or the panel dissent, IPLAC urges the Court to harmonize Supreme Court precedents and see that the Supreme Court has been simply attempting to distinguish the abstract from the specific. It has said that the abstract may not be patented, and that the non-abstract may be patented. That is, patent claims that define subject matters such that they do not wholly preempt their subject matters are patent-eligible. This is the test already adopted and to which this Court should be true. This Court should not disturb the Congress's and the Supreme Court's stated threshold of statutory subject matter, that has fostered innovation and public disclosure over a wide variety of useful arts—and importantly, in new and emerging fields of technology including computer implementations. The judgment of the Federal Circuit should be consistent with Supreme Court precedent – unsatisfying to the bar, it is noted – that patent claims directed to computer-implemented inventions must claim such that they cover specific implementations of their subjects and not wholly preempt their subjects. This means that patent claims are to be recognized as proper

or improper under section 101 whether they evidence ineligibility manifestly or not, and whether they claim “inventive concepts” such as “flashes of genius” or not.

ARGUMENT

I. CLAIMS SATISFY CONGRESS' BROAD MANDATE UNDER 35 U.S.C. SECTION 101 WHEN THEY DO NOT PREEMPT THEIR SUBJECTS

A. The Supreme Court Has Fulfilled Congress' Intent to Construe Section 101 Broadly and Flexibly

The Supreme Court's decisions are consistent with 35 U.S.C. Section

101. Section 101 broadly defines the scope of patent eligible subject matter:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. § 101. Thus, section 101 sets forth four separate categories of statutory subject matter: “any new and useful [1] process, [2] machine, [3]manufacture, or [4] composition of matter.” *Id.* (numbering added).

The Supreme Court has interpreted the language of section 101 broadly: “In choosing such expansive terms as ‘manufacture’ and ‘composition of matter,’ modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.” *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980). Devoid of limiting language, section 101 readily accommodates the rapid pace of innovation and the assimilation of new technologies, including technologies never anticipated at the time section 101 was enacted. As the Supreme Court has

put it, patentable subject matter includes “anything under the sun that is made by man.” *Id.* at 309. Thus, the Supreme Court has not seen fit to exclude particular technologies from section 101, no matter how unusual or bizarre. *See Diamond v. Diehr*, 450 U.S. 175, 182-83 (1981).

Recently the Court in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), confirmed the liberal application of section 101. Considering the Federal Circuit’s “machine or transformation” test for determining patent-eligible subject matter, the Court “cautioned that courts should not read into the patent laws limitations and conditions which the legislature has not expressed” and ruled that “machine or transformation” could not be the *sole* test under Section 101. *Id.* at 3226 (quotations omitted). “Congress plainly contemplated that the patent laws would be given wide scope,” and “took [a] permissive approach to patent *eligibility* to ensure that ingenuity should receive a liberal encouragement.” *Id.* at 3225 (quotations omitted & emphasis added).

Although the Court in *Bilski* recognized that its precedents provide “three specific exceptions” to section 101’s patent-eligibility principles, these exceptions do not give “the Judiciary *carte blanche* to impose other

limitations that are inconsistent with the text and the statute's purpose and design." *Id.* at 3226.

More recently, the Supreme Court in *Mayo Collaborative Services v. Prometheus Labs., Inc.*, 132 S.Ct. 1289 (2012), considered claims at the intersection of the basic principles of section 101. It reiterated that too broad an interpretation of the exclusionary principle against the patenting of nature and the abstract could eviscerate patent law. *Id.* at 1293. It recognized again that all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas. *Id.* Thus, in *Mayo*, the Court referred to *Diehr*, stating that in *Diehr*:

"the Court pointed out that "a process is not unpatentable simply because it contains a law of nature or a mathematical algorithm." 450 U.S., at 187, 101 S.Ct. 1048 (quoting *Parker v. Flook*, 437 U.S. 584, 590, 98 S.Ct. 2522, 57 L.Ed.2d 451 (1978)). It added that "an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection." *Diehr*, supra, at 187, 101 S.Ct. 1048. And it emphasized Justice Stone's similar observation in *Mackay Radio & Telegraph Co. v. Radio Corp. of America*, 306 U.S. 86, 59 S.Ct. 427, 83 L.Ed. 506 (1939):

"While a scientific truth, or the mathematical expression of it, is not a patentable invention, a novel and useful structure created with the aid of knowledge of scientific truth may be." 450 U.S., at 188, 101 S.Ct. 1048 (quoting *Mackay Radio*, supra, at 94, 59 S.Ct. 427).

See also *Funk Brothers*, *supra*, at 130, 68 S.Ct. 440 ("If there is to be invention from [a discovery of a law of nature], it must come from the application of the law of nature to a new and useful end").

Still, it stated, "as the Court has also made clear, to transform an unpatentable law of nature into a patent-eligible application of such a law, one must do more than simply state the law of nature while adding the words 'apply it.' See, e.g., *Benson*, *supra*, at 71-72, 93 S.Ct. 253." *Id.* at 1294.

The *Mayo* Court found that the process claims at issue there did not satisfy the conditions of section 101 because (a) the steps in the claimed processes (apart from the natural laws themselves) involved well-understood, routine, conventional activity previously engaged in by researchers in the field, and (b) at the same time, upholding the patents would risk disproportionately tying up the use of the underlying natural laws, inhibiting their use in the making of further discoveries. *Id.* at 1294. It also stated:

If a law of nature is not patentable, then neither is a process reciting a law of nature, unless that process has additional features that provide practical assurance that the process is more than a drafting effort designed to monopolize the law of nature itself. A patent, for example, could not simply recite a law of nature and then add the instruction "apply the law."

Id. at 1297.

The Court reiterated:

[T]o consider the three steps [of the patent claims at issue] as an ordered combination adds nothing to the laws of nature that is not already present when the steps are considered separately. See *Diehr*, supra, at 188, 101 S.Ct. 1048 ("[A] new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made"). Anyone who wants to make use of these laws must first administer a thiopurine drug and measure the resulting metabolite concentrations, and so the combination amounts to nothing significantly more than an instruction to doctors to apply the applicable laws when treating their patients.

... To put the matter more succinctly, the claims inform a relevant audience about certain laws of nature; any additional steps consist of well-understood, routine, conventional activity already engaged in by the scientific community; and those steps, when viewed as a whole, add nothing significant beyond the sum of their parts taken separately. For these reasons we believe that the steps are not sufficient to transform unpatentable natural correlations into patentable applications of those regularities.

This is an opportunity for this Court to affirm that it will follow the Supreme Court in assessing the broad and flexible scope of section 101.

B. Claims Recite Patent-Eligible Subject Matter When They Do Not “Wholly Preempt” Any Natural Phenomenon

Consistent with the broad language of section 101, the Supreme Court correctly allows of exceptions to patent eligibility only for laws of nature, physical phenomena, and abstract ideas. This protection of the public commons does not place limits or exclusions on the *subject matter* of the

four specified categories of section 101; instead, it provides guidance to the decision-maker to prevent wholesale removal from the public of natural or scientific principles. *Id.*

The few exceptions that exist to section 101—laws of nature, physical phenomena, and abstract ideas—are a matter of common sense: An inventor is not entitled to claim one of these basic principles in isolation because to do so would remove it from the public. *See, e.g., Diehr*, 450 U.S. at 185. These are the “basic tools of scientific and technological work,” *Gottschalk v. Benson*, 409 U.S. 63, 67-68 (1972), “free to all men and reserved exclusively to none,” *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948) (*Funk Bros.*).

For example, the Supreme Court has refused to permit a patent claim only where it would “wholly pre-empt” the use of a mathematical formula. *Gottschalk*, 409 U.S. at 71-72. A mathematical formula, “like a law of nature, ... cannot be the subject of a patent.” *Diehr*, 450 U.S. at 185-86. “It is now commonplace that an *application of* a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.” *Id.* at 187 (emphasis added); *see also O’Reilly v. Morse*, 56 U.S. 62, 119 (1856) (provided application contains sufficient detail, “[w]hoever

discovers that a certain useful result will be produced in any art, machine, manufacture, or composition of matter by the use of certain means is entitled to a patent for it”). Thus, “it is equally clear that a process is not unpatentable simply because it contains a law of nature or a mathematical algorithm.” *Parker v. Flook*, 437 U.S. 584, 590 (1978).

In *Diehr*, the Supreme Court held that a claim that incorporated a mathematical equation constituted patentable subject matter because the claim, as a whole, defined a rubber molding process and not just an equation. 450 U.S. at 192–93. In doing so, the *Diehr* Court distinguished two earlier decision by the Court: *Parker v. Flook* and *Gottschalk v. Benson*. Distinguishing *Flook* as merely reciting a mathematical formula, the Court stated: “In contrast [to *Flook*], the respondents here do not seek to patent a mathematical formula. Instead, they seek patent protection for a process of curing synthetic rubber.” *Diehr*, 450 U.S. at 187. “Even though a phenomenon of nature or mathematical formula may be well known, an inventive application of the principle may be patented.” *Flook*, 437 U.S. at 594.

Similarly, the claims in *Gottschalk* were directed to a method of programming a computer to convert signals from binary coded decimal form

into pure binary form. The Court rejected the claims because they were not limited in scope; indeed, “the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm *itself*.” *Gottschalk*, 409 U.S. at 71-72 (emphasis added).

The mathematical formula at issue in *Diehr* was well known, as were the process steps of installing rubber in a press, closing the mold, and determining the temperature of the mold. Additional steps included “constantly recalculating the appropriate cure time through the use of the formula and a digital computer, and automatically opening the press at the proper time.” *Diehr*, 450 U.S. at 187. While the Court noted that “insignificant post-solution activity will not transform an unpatentable principle into a patentable process,” *Id.* at 191-92, that was not the case in *Diehr*:

On the other hand, when a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect (e.g., transforming or reducing an article to a different state or thing), then the claim satisfies the requirements of §101.

Id. at 192.

What separates abstract ideas, scientific truths, or phenomena of nature from patent-eligible invention is the application of the idea, truth or phenomena to “a new and useful end.” *Diehr*, 450 U.S. at 188 n.11 (quotations omitted); *see also Mackay Radio & Tel. Co. v. Radio Corp.*, 306 U.S. 86, 94 (1939) (“[w]hile 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.” (quotations omitted)).

C. Congress and the Supreme Court Do Not Permit This Court To Create Wholly New Section 101 Tests For Different Claim Types

Accepting the panel’s test in this case would lead to a rule not carving out from section 101 such patent claims as claim only “applicable laws,” *see Mayo* at 1298. It would allow non-eligible subjects to be patented. Indeed, a test that patent claims are properly directed to eligible subject matter unless their wrong direction is manifestly evident would allow claims to be patented where their wrong direction is concluded to exist at the end of an analysis, but is not manifestly evident. It would allow the issuance and enforcement of claims which fail “the single most reasonable understanding” test but that on balance, are directed to “nothing more than a fundamental truth or disembodied concept.”

It is true that in *Bilski*, the Supreme Court specifically stated it was “not foreclose[ing] the Federal Circuit’s development of other [than machine-or-transformation] limiting criteria [for section 101 claim eligibility] that further the purposes of the Patent Act...” *Bilski* at 3231. However, the Court conditioned that lack of foreclosure carefully, finishing the point by saying the lack of foreclosure was for the development of criteria “not inconsistent with [the Patent Act’s] text.” *Id.* Necessarily, Congress and the Supreme Court do not permit this Court to adopt a test inconsistent with the Patent Act’s text.

The “manifestly evident” test is inconsistent with the Patent Act’s text. The test would indeed disallow of the detailed analysis of claims evident in *Mayo*. Panel footnote 3 is inadequate—because it is a footnote, kept from the main flow of the panel’s reasoning—to cabin the panel test to only those situations where “a court, in applying all of the guidance of the Supreme Court...and...this court...is not wholly convinced that the subject matter of the claims is abstract...” A test that has its crux in a footnote is not the best test for the district courts.

The Federal Circuit should heed precedent here—and avoid the “manifestly evidently wrong” test. The bar to patent eligibility set by the

“wholly preempt” rule in *Diehr* is low. Lowering the bar further would be at odds with section 101 and Supreme Court precedent. Claims fall within the scope of eligible subject matter under section 101 when they are directed to the subject matters of 101 and include the application of scientific principles or natural laws to the subjects listed in Section 101. They run afoul when they are drawn generally to the principles. The “manifestness” of their being within or without is not the line of their being within or without.²

II. CONGRESS AND THE SUPREME COURT, HOWEVER, ALSO DO NOT INTEND SECTION 101 TO HAVE A SOLE STANDARD OF “INVENTION”

On the other hand from the panel test, the dissent test of requiring a sole focus on the presence or absence of an “inventive concept” would lead to an improper reintroduction of the discredited “invention” test for patents. That reintroduction would wreak the known havoc of the past on the current patent law.

Section 101 has an interplay with other statutory sections that should have the courts avoiding analysis solely focused on inventiveness under Section 101. After all, section 101 itself ends with the foreshadowing caveat

² IPLAC agrees, of course, that when it is “so manifest” that the claim is abstract, it does not pass Section 101 muster. That may be a “helpful clue” but should not be the sole test. Each set of claims should be evaluated on its merits, not the manifestness of those merits.

that even though a claim may be said to contain patent eligible subject matter, it still must satisfy the other requirements of sections 102, 103, and 112. “The understanding that these three requirements are *separate and distinct* is long standing and has been universally accepted.” *In re Bergy*, 596 F.2d 952, 960 (CCPA 1979) (emphasis in original), *vacated & affirmed by Diamond v. Chakrabarty*, 447 U.S. 303 (1980).

Indeed, Judge Rich described them as doors that require separate keys. *Id.* at 960-62. In other words, simply because an invention contains patent eligible subject matter does not mean that a patent should issue. “The ‘novelty’ of any element or steps in a process, or even of the process itself’ is a separate question to be considered under § 102 and “is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.” *Diehr*, 450 U.S. at 188-89. Section “101 was never intended to be a ‘standard of patentability’; the standards, or conditions as the statute calls them, are in § 102 and § 103.” *Bergy*, 596 F.2d at 963; *see also Diehr*, 450 US. at 189 (reinforcing that section 101 is a “general statement of the type of subject matter that is eligible for patent protection” and section 102 “covers in detail the conditions relating to novelty.”) (citations omitted).

As well, the legislative history is consistent. “Section 101 sets forth the subject matter that can be patented, ‘subject to the conditions and requirements of this title.’ The conditions under which a patent may be obtained follow, and section 102 covers the conditions relating to novelty.” S. Rep. No. 82-1979, 82d Cong., 2d Sess., at 5 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2399. Once section 101 is satisfied, the inventor still must satisfy sections 102, 103 and 112 before he will be entitled to a patent. *See Bergy*, 596 F.2d at 960-62 (discussing separate doors for sections 102 and 103). The object and purpose of section 103 is to promote “really novel advances in the art, rather than those attributable merely to a person having ordinary skill in the trade.” *Vincent v. Suni-Citrus Prods. Co.*, 215 F.2d 305, 315 (5th Cir. 1954). The test of nonobviousness is independent of the section 102 and 112 tests of novelty and utility, and patentability depends upon satisfaction of all three requirements. *See, e.g., Nat’l Dairy Prods. Corp. v. Borden Co.*, 261 F. Supp. 771 (E.D. Wis. 1966); *see also Eimco Corp. v. Peterson Filters & Eng’g Co.*, 406 F.2d 431 (10th Cir. 1968); *Bros. Inc. v. Browning Mfg. Co.*, 317 F.2d 413 (8th Cir. 1963).

The profound truth underlying Congress’ broad statement of eligibility is that it fosters innovation. Indeed, the foundation of our patent

system is the notion that the lure of a United States patent encourages creativity.³ Filing an application provides the applicant's *quid pro quo*—disclosure and ultimate publication—to the benefit of the public. Even if those applications do not issue as patents, the public benefits because of their dedication. A cramped reading of section 101 would discourage filings, and we would never know what the public lost without them.

Recognizing that section 101 opens only a first door to examination provides a lead toward resolving this Court's questions. The applicant still must open three more doors to sections 102, 103 and 112. *see, e.g., SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1342, 1346 (Fed. Cir. 2005) (concluding that the claim at issue was directed to eligible subject matter under section 101, but holding the claim anticipated under section 102).

It is true that *Mayo*, *Diehr* and *Flook* reference “inventive concept” as a matter for section 101 consideration. It is true *Mayo* states that the section

³ *See, e.g., The Supreme Court Engages in Judicial Activism in Interpreting the Patent Law in eBay, Inc. v. MercExchange, L.L.C.*, 10 Tul. J. Tech. & Intell. Prop. 165, 199-200 (2007) (a strong patent system provides incentives for enterprises and capital to smaller enterprises; however, a weaker patent system allows existing dominant enterprises to avoid additional competition and by reducing the economic value of patents increases incentives for the dominant enterprises to infringe).

101 eligibility inquiry and the other inquiries of the patent law might sometimes overlap. *Mayo* at 1304. But *Bilski*, *Gottschalk* and *Morse* do not reference “inventive concept.” *Diehr* also describes the holding in *Flook* as standing “for no more than [] long established principles [against patenting of laws of nature, natural phenomena, and abstract ideas].” *Diehr* at 185. And *Mayo* says the inquiries “*might sometimes* overlap. *Mayo* at 1304.

Should it be said that the Supreme Court has nevertheless insisted that an inventive concept, in terms of section 102 novelty, 103 obviousness, or even 112 definiteness, be present for inventions to be patent eligible under section 101? While it is true the Court has referenced the term “inventive concept” and overlap as in *Mayo*, it has not stated that a test for “inventive concept” is *per se* or *always* the test of section 101. It has instead stated that the additions to a claim which recites a law of nature or abstract idea to support patent eligibility must be other elements or a combination of elements sufficient to ensure that the patent in practice amounts to significantly more than a patent upon a natural law or abstract idea itself. *Mayo* at 1294. It has stated that the “sufficient elements” have “*sometimes* been referred to as an ‘inventive concept.’” *Id.* (emphasis added). But a statement that a test has sometimes been characterized in a secondary way

does not convert the occasional secondary way of characterizing the test into the test itself.

A test of inventive concept at the level of nonobviousness, but not tested under *Graham* for obviousness or nonobviousness, must certainly not be adopted. It does not follow the totality of Supreme Court precedent on sections 101 and 103, and will only reintroduce into the patent law under section 101 a notorious lack of definition of the word “invention.” That lack of definition is well known to the courts, expressed at length by the Supreme Court itself as to be avoided. *Graham v. John Deere & Co.*, 383 U.S. 1 (1966). Indeed, avoiding the very idea of testing inventions for “invention,” *i.e.*, an “inventive concept,” was the purpose of the Congress in adopting 35 U.S.C. 103. *Id.* at 14-17. The Supreme Court cannot have intended to introduce the amorphous, pernicious concept of an “invention” apart from an invention’s obviousness back into patent law as the sole test under section 101 after an eradication of the test of “invention” that took centuries. *Id.*

Indeed, as in *Bilski*, the Supreme Court itself confirmed the liberal application of section 101. The Court specifically “cautioned” there “that courts should not read into the patent laws limitations and conditions which the legislature has not expressed.” *Id.* at 3226. How could the Court be

understood to have “read into [section 101] limitations and conditions which the legislature has not expressed,” such as obviousness, novelty, definiteness, and/or “inventive concept” (defined as obviousness, novelty, and/or definiteness)? “Congress plainly contemplated that the patent laws would be given wide scope,” and “took [a] permissive approach to patent *eligibility* to ensure that ingenuity should receive a liberal encouragement.” *Id.* at 3225 (quotations omitted & emphasis added). A notation that two inquiries might sometimes overlap is not an endorsement of consistent, full and focused adoption of the second inquiry into the first.

III. SECTION 101 ELIGIBILITY IS SIMPLE – ALBEIT UNSATISFYING TO THOSE WHO WISH A BRIGHT LINE TEST

A. *Mayo* is Not Directly Applicable

The panel dissent here correctly noted that this Court does not write on a blank slate and must conform to Supreme Court precedent. 685 F.3d at 1356. The present appeal involves claims being tested for abstractness, not for elements in addition to a law of nature. As such, the Supreme Court analyses in law of nature cases, such as *Mayo*, while discussed above, are largely not on point.

In *Bilski*, an abstractness case, the Court stated:

In light of these precedents, it is clear that petitioners' application is not a patentable “process.” Claims 1 and 4

in petitioners' application explain the basic concept of hedging, or protecting against risk: "Hedging is a fundamental economic practice long prevalent in our system of commerce and taught in any introductory finance class." 545 F.3d, at 1013 (Rader, J., dissenting); *** [other citations omitted] The concept of hedging, described in claim 1 and reduced to a mathematical formula in claim 4, is an unpatentable abstract idea, just like the algorithms at issue in *Benson* and *Flook*. Allowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.

130 S.Ct. 3218, 3231. The common thread in Supreme Court abstractness cases is evident from the Supreme Court's quoted reasoning and citation of *Benson* and *Flook*. The Court is concerned with whether claims being tested for abstractness would preempt uses in all fields or effectively monopolize an abstract idea.

In the instant case, the majority opinion serves the analysis well in explaining that the claims call for specific computer-implemented steps which can be taken together to demonstrate that the subject matter is not an abstract idea that would preempt any general concepts or building blocks for future innovation. Table 1 of the dissenting opinion, in contrast, does not serve the analysis well. It modifies the claim, and therefore does not establish that the claimed subject matter is an abstract idea. Table 1 promotes

understanding of the claim but understanding the claim does not address whether the unmodified claim is directed to an abstract idea. Nothing in the Supreme Court precedents calls for stripping a claim of its details for purposes of understanding and then condemning the modified claim for lacking the details that were removed.

Rather, a court must consider the claim as a whole, without stripping the claim of important details that might not be essential to *understanding* the basic ideas underlying the invention. Where those details show that the claim does not patent an abstract idea, the claim passes section 101 muster.

B. Applying Section 101 Means Asking Two Questions

Applying *Diehr* tests for patentable subject matter to computer-implemented claims, a first inquiry asks: do the claims include a mathematical formula, computer program or digital computer? If the answer appears to be yes, the second inquiry is phrased in these several articulations: (a) Are the claims drawn to subject matter otherwise statutory, because if so, they do not become nonstatutory simply because they use a mathematical formula, computer program or digital computer. *Diehr* at 187. (b) Are process claims, *as a whole*, without regard to the novelty of any element or steps, or even of the process itself, nothing more than a statutory

process and not an attempt to patent a mathematical formula, because if so, they are not nonstatutory. *Id.* at 187-191. (c) Do the claims implement or apply a formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect (*e.g.*, transforming or reducing an article to a different state or thing), because if so, the claims are statutory. *Id.* at 192. (d) Do the claims apply the laws to a new and useful end, because if so, they are statutory. *Id.* at 188 n.11.

Applying even the *Mayo* test, which is nothing more than a *Mayo* rearticulation of the *Diehr* test, the second inquiry still avoids the words “inventive concept.” Instead, the second inquiry asks: does the claim have additional features that provide practical assurance that the claim is more than a drafting effort designed to monopolize the mathematical formula, scientific principle or phenomenon of nature itself? *Mayo* at 1297. Put another way, does the claim do more than instruct the relevant audience to apply the applicable laws in a specific situation? *Mayo* at 1298. Put “more succinctly,” *Mayo* at 1298, do the claims do more than inform a relevant audience about a mathematical formula, scientific principle or law of nature, in having additional steps that add something significant beyond the

formula, principle or law, and beyond well-understood, routine, conventional activity of a type necessary to apply the formula, principle or law? Put most succinctly and with pith, do the claims do more than state a law and add the words “apply it.” *Mayo* at 1294.⁴

Harmonizing the Supreme Court precedents, the test of section 101 is simple. Matters that state the workings of nature and mathematical formulas may not be patented. The applications of such workings and formulas that do more than state a working or formula and state “apply it” may be patented.⁵ Put another way, abstract concepts may not be patented. However, specific

⁴ Claim limitations which simply refer to the relevant audience do not contribute to making nonstatutory subject matter statutory. *Mayo* at 1297. Claim limitations which tell the relevant audience about a natural law also do not contribute. *Id.* The same is true for limitations which suggest that a relevant person should take a law into account. *Id.* Process steps that tell relevant persons to engage in well-understood, routine, conventional activity previously engaged in by relevant persons in the field are the same. *Id.* at 1297-8. This is true for activities that occur pre-solution and post-solution relative to use of a law or formula. *Id.* Steps in combination that amount to nothing significantly more than instruction to relevant persons to apply applicable laws also do not contribute. *Id.* at 1298. Steps that tell relevant persons to gather data from which they may draw an inference in light of correlations are no better. *Id.* In sum – and this is the point of *Mayo* supported by its holding – steps *that must be taken* in order to apply a law in question have the effect to simply tell relevant persons to apply the law somehow and do not make claims patentable. *Id.* at 1299 (emphasis added).

⁵ See footnote 4.

applications of matters of nature and algorithms are eligible when they do not wholly preempt their relevant field.

C. Simple in Exposition, Difficult In Practice, The Simple Test Must Nevertheless Be the Test

Applying the two question test of the Supreme Court precedents to claims directed to computer-implemented inventions is no doubt difficult. In the specific instance, since all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas, all claims may in one form or another raise the two question test, especially claims to computer-implemented inventions. And the Supreme Court has differed with this Court and its predecessor court in its final decisions as to specific claims several times. It differed in *Mayo*. It differed in *Bilski*. It differed in *Gottschalk*.

The simple two question test, however, must nevertheless be the test under section 101. The rule of law through Congress and the Supreme Court precedents do not allow otherwise. They do not allow of a “manifest evidence” test or a focused “inventive concept” test.


CONCLUSION

For the foregoing reasons, IPLAC respectfully request that the Court harmonize Supreme Court precedents and see that the Supreme Court has

simply been attempting to distinguish the laws of nature and the abstract from the works of man and the specific. It has said, *inter alia*, that the abstract may not be patented, and that the non-abstract may be patented. That is, patent claims which define subject matters such that they do not wholly preempt their subject matters are patentable. This is the test already adopted and to which this Court should be true.

Respectfully submitted,

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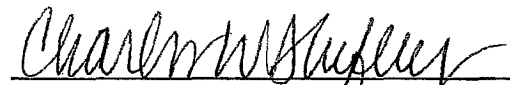
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Dated: December 4, 2012



Charles W. Shirley

**United States Court of Appeals
for the Federal Circuit**
CLS BANK v. ALICE CORPORATION, 2011-1301

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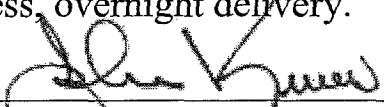
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