

IN THE OFFICE OF THE CLERK
Supreme Court of the United States

BERNARD L. BILSKI AND RAND A. WARSAW,
Petitioners,

v.

JOHN J. DOLL, ACTING UNDER SECRETARY OF
COMMERCE FOR INTELLECTUAL PROPERTY AND
ACTING DIRECTOR OF THE UNITED STATES PATENT
AND TRADEMARK OFFICE,
Respondent.

**On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Whether the Federal Circuit erred by holding that a “process” must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing (“machine-or-transformation” test), to be eligible for patenting under 35 U.S.C. § 101, despite this Court’s precedent declining to limit the broad statutory grant of patent eligibility for “any” new and useful process beyond excluding patents for “laws of nature, physical phenomena, and abstract ideas.”

Whether the Federal Circuit’s “machine-or-transformation” test for patent eligibility, which effectively forecloses meaningful patent protection to many business methods, contradicts the clear Congressional intent that patents protect “method[s] of doing or conducting business.” 35 U.S.C. § 273.

PARTIES TO THE PROCEEDING

Pursuant to Rule 14.1(b), the parties here and in the proceeding in the U.S. Court of Appeals for the Federal Circuit are listed.

Petitioners here and appellants below are Bernard L. Bilski and Rand A. Warsaw. The real party in interest is EQT IP Ventures, LLC.

Respondent here and appellee below is the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, currently John J. Doll (Acting).

**RULE 29.6 CORPORATE DISCLOSURE
STATEMENT**

All parent corporations and publicly held companies that own 10% or more of the stock of EQT IP Ventures, LLC are: Equitable Resources, Inc.

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OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit (App., *infra*, 1a-143a) is reported at *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc). The Order of the U.S. Court of Appeals for the Federal Circuit granting a hearing en banc (App., *infra*, 144a-145a) is reported at *In re Bilski*, 264 F. App'x 896 (Fed. Cir. 2008).

The opinion of the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office (App., *infra*, 146a-205a) is reported at *Ex parte Bilski*, 2006 WL 5738364 (B.P.A.I. Sept. 26, 2006).

JURISDICTION

The en banc judgment of the U.S. Court of Appeals for the Federal Circuit was entered on October 30, 2008. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

“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 therefore, subject to the conditions and requirements of this title.” 35 U.S.C. § 101.

“The term ‘process’ means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.” 35 U.S.C. § 100(b).

“It shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims for a method in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice at least 1 year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.” 35 U.S.C. § 273(b)(1).

“[T]he term ‘method’ means a method of doing or conducting business.” 35 U.S.C. § 273(a)(3).

INTRODUCTION

This case raises the most fundamental question in patent law: what can be patented? Are patents only for manufacturing processes that are tied to a particular machine or produce some physical transformation? Or do patents also embrace modern business processes that do not depend on a particular machine or device?

A primary strength of the Patent Act is that it does not limit what can be patented by subject matter, thereby adapting to and encouraging innovation at the forefront of technology. 35 U.S.C. § 101 provides that “any” new and useful process, machine, manufacture, or composition of matter may be patented, so long as the other requirements for patentability are met. There is no exclusion for business methods or any other field of invention. The only limit this Court has imposed on the broad statutory grant is that patents may not be obtained for “laws of nature, natural phenomena, and abstract ideas.” Indeed, natural laws and phenomena can never qualify for patent protection because they cannot be invented at all. And abstract ideas are not eligible because they are not “useful” and thus must be applied to a practical use before they can be patented.

Beyond that, however, this Court has not placed restrictions on the types of inventions that can be patented, consistent with the broad statutory grant of patent eligibility in § 101. The Court has twice expressly declined to hold that a process must be tied to a particular machine or produce some physical transformation to be eligible for patenting. And the Court of Appeals for the Federal Circuit seemed to agree. While refusing patents for abstract ideas and laws of nature, the court allowed patenting of inventions that

produced a “useful, concrete and tangible result.” By adhering to the statute, which was designed to accommodate and encourage innovation, the Federal Circuit made patent protection available to such diverse fields as internet commerce, information technology, and business methods.

Tens of thousands of process patents have now issued in reliance on the Patent Act’s lack of subject matter restrictions and the decisions of both this Court and the Federal Circuit refusing to restrict patent eligibility except to exclude abstract ideas and laws of nature. The Federal Circuit has abruptly changed course, however, and held that the “machine-or-transformation” test, which this Court has never said is required for patent eligibility, is in fact not optional or merely advisory but rather “the only applicable test” for patent-eligible processes. In doing so, the Federal Circuit has essentially confined all process patents to manufacturing methods, using a test that may have been appropriate during the Industrial Age but no longer fits our modern information-based economy. Not only is the test backward-looking, but it is also inconsistent with the patent statute’s recognition that business methods are eligible for patenting. And while directed to a business method, the Federal Circuit’s decision threatens other industries as well, such as software and biotechnology, which are important to the nation’s economy. The decision has disrupted the settled expectations of patent owners and cast doubt on tens of thousands of issued patents.

This Court has not considered what is patentable subject matter since 1981, when computers were just becoming part of daily life. It is now time to do so again to prevent the Federal Circuit’s outmoded “ma-

chine-or-transformation” test, while ostensibly rooted in this Court’s decisions, from stifling innovation in our most vital industries and frustrating Congress’ intent as expressed in the Patent Act. The Court should grant the petition so that it can instruct the Federal Circuit to return to first principles and restore the law of patent eligibility for processes under § 101.

STATEMENT OF THE CASE

A. The Claimed Invention

Bernard L. Bilski and Rand A. Warsaw invented a method of hedging the consumption risk associated with a commodity sold at a fixed price for a given period. The method can be used, for example, with energy commodities like natural gas, electricity, or coal, and includes ways to compensate for the risk of abnormal weather conditions. It enables both energy suppliers and consumers to minimize the risk of fluctuations in demand during a given period. Thus, for example, a school district with a fixed tax base and budget for heating or cooling requirements can be protected from yearly fluctuations in weather, while the suppliers are protected from the opposite effect of such fluctuations.

More specifically, the Bilski patent application, entitled “Energy Risk Management Method,” describes a method in which energy consumers, such as businesses and homeowners, are offered a fixed energy bill, for example, for the winter so they can avoid the risk of high heating bills due to abnormally cold weather. An intermediary or “commodity provider” sells natural gas, in this example, to a consumer at a fixed price based upon its risk position for a given period of time, thus isolating the consumer from an un-

usual spike in demand caused by a cold winter. Regardless of how much gas the consumer uses consistent with the method, the heating bill will remain fixed.

Having assumed the risk of a very cold winter, the same commodity provider hedges against that risk by buying the energy commodity at a second fixed price from energy suppliers called "market participants." These market participants or suppliers have a risk position counter to the consumers, that is, they want to avoid the risk of a high drop in demand due to an unusually warm winter. A market participant could be, for example, someone who holds a large inventory of gas and wants to guarantee the sale of a portion of it by entering into a contract now. The risk assumed in the transactions with the market participants at the second fixed rate balances the risk of the consumer transactions at the first rate.

According to the patent application, setting the fixed price is not a simple process. The application discloses a complicated mathematical formula for calculating the price:

$$\text{Fixed Bill Price} = F_i + [(C_i + T_i + L D_i) \times (\alpha + \beta E(W_i))]$$

In this equation, $\alpha + \beta E(W_i)$ represents an approximation of the amount of consumption driven by the weather, which is estimated with a least squares statistical model. The commodity provider must take additional statistical modeling steps (Monte Carlo simulations, one-tail tests) to properly price a deal and estimate an acceptable margin over the entire portfolio of transactions.

The method of the invention does not necessarily have to be performed on a particular machine or computer, although the practice of the invention will

most likely involve both computers and modern telecommunications. The method steps are no less real, however, as they require communicating and negotiating with consumers and suppliers in a particular way to balance the risk positions. The invention is claimed in a series of steps as follows:

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.

Claim 4 of the patent application is similar to claim 1 except that it specifies precisely how the fixed price for an energy consumer transaction is determined using the mathematical formula:

4. A method for managing weather-related energy price risk costs sold by an energy provider at a fixed price comprising the steps of:

- (a) initiating a series of transactions between said energy provider and energy consumers wherein said energy consumers purchase energy at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumers, wherein the fixed price for the consumer transaction is determined by the relationship:

$$\text{Fixed Bill Price} = F_i + [(C_i + T_i + LD_i) \times (\alpha + \beta E(W_i))]$$

wherein,

F_i = fixed costs in period i ;

C_i = variable costs in period i ;

T_i = variable long distance transportation costs in period i ;

LD_i = variable local delivery costs in period i ;

$E(W_i)$ = estimated location-specific weather indicator in period i ; and

α and β are constants;

- (b) identifying other energy market participants having a counter-risk position to said consumers; and

- (c) initiating a series of transactions between said energy provider and said other energy market participants at a second fixed rate such that said series of transactions balances the risk position of said series of consumer transactions.

B. Proceedings in the Patent and Trademark Office

The examiner in the Patent and Trademark Office (PTO) rejected the Bilski application under 35 U.S.C.

§ 101, which sets forth the types of inventions that can be patented. The examiner stated that “the invention is not implemented on a specific apparatus and merely manipulates [an] abstract idea and solves a purely mathematical problem without any limitation to a practical application, therefore, the invention is not directed to the technological arts.” App., *infra*, 148a.

The Bilski applicants appealed the rejection to the PTO Board of Patent Appeals and Interferences under 35 U.S.C. § 134(a). The PTO Board had jurisdiction pursuant to 35 U.S.C. § 6(b). An expanded panel of the PTO Board affirmed the rejection in a 70-page opinion. Observing that there were “unresolved issues under § 101” for “non-machine-implemented” methods, such as claimed in the Bilski application, the Board stated that “[t]he question of whether this type of . . . subject matter is patentable is a common and important one” to the PTO, “as the bounds of patentable subject matter are increasingly being tested.” App., *infra*, 151a, 154a. The Board added that, after the Federal Circuit’s decisions in *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), the PTO “has been flooded with claims to ‘processes,’ many of which bear scant resemblance to classical processes of manipulating or transforming compositions of matter or forms of energy from one state to another.” App., *infra*, 151a.

Admitting that it was “struggling to identify some way to objectively analyze the statutory subject matter issue,” *id.* at 154a, the PTO Board analyzed the claims under various tests. The Board considered this Court’s exclusion of “abstract ideas” in *Diamond*

v. Diehr, 450 U.S. 175 (1981), the Federal Circuit's "useful, concrete, and tangible result" test from *State Street Bank*, the "transformation of physical subject matter" test discussed by the Board in *Ex parte Lundgren*, 76 U.S.P.Q.2d 1385, 2004 WL 3561262 (B.P.A.I. 2005), and the PTO's Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility, 1300 Off. Gaz. Pat. & Trademark Office 142 (Nov. 22, 2005). App., *infra*, 180a-190a. Applying these various tests, the PTO Board concluded that the Bilski claims did not recite statutory subject matter. The Board reversed the examiner's reasoning, however, affirming its earlier holding in *Lundgren* that the "technological arts" is not a separate and distinct test for statutory subject matter. *Id.* at 180a. The Board also refuted the examiner's requirement of a specific apparatus because a claim may still be patent eligible "if there is a transformation of physical subject matter from one state to another." *Id.* at 181a. Elaborating further, the Board stated: "mixing' two elements or compounds to produce a chemical substance or mixture is clearly a statutory transformation although no apparatus is claimed to perform the step and although the step could be performed manually." *Id.*

According to the PTO Board, however, the Bilski claims do not involve any patent-eligible transformation because they only transform "non-physical financial risks and legal liabilities of the commodity provider, the consumer, and the market participants." *Id.* at 182a. The Board concluded that the claims merely recite an "abstract idea" since they are not "instantiated in some physical way so as to become a practical application of the idea." *Id.* at 184a. Recognizing that actual physical acts of individuals or organizations would still be required to implement

the steps of the method, the Board nevertheless held that the claims were directed to the “abstract idea’ itself” because they cover any and every possible way of performing those steps. *Id.*

C. The Federal Circuit’s En Banc Decision

The Bilski applicants appealed the PTO Board’s decision to the Court of Appeals for the Federal Circuit under 35 U.S.C. § 141. The Federal Circuit had jurisdiction over the appeal pursuant to 28 U.S.C. § 1295(a)(4)(A). In its brief to the Federal Circuit, the PTO observed that the court “has had little opportunity to address the eligibility of this brand of method inventions,” and that “the PTO has struggled to offer its examiners clear guidance on this issue.” Br. for Appellee (June 13, 2007) at 4. Further, the PTO noted that it has “been inundated with an unprecedented number of patent applications” that claim processes but “do not require any machine or apparatus for implementing the method, nor do the claims require any transformation of subject matter, tangible or intangible, from one state into another.” *Id.* The PTO therefore “welcome[d] this opportunity for [the Federal Circuit] to resolve this important question.” *Id.*

After argument before a panel of the court, but before any decision, the Federal Circuit ordered that the appeal would be heard en banc. App., *infra*, 144a. According to Circuit Judge Mayer, the court took the case en banc “in a long-overdue effort to resolve primal questions on the metes and bounds of statutory subject matter.” App., *infra*, 131a (Mayer, J.,

dissenting). In its en banc Order, the court posed five questions to be addressed in supplemental briefing:

- (1) Whether claim 1 of the [Bilski] 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?

App., *infra*, 144a-145a.

Responding to these questions and the en banc Order, thirty-eight amicus briefs were filed by patent owners, bar associations, industry associations, professors, and interested individuals. The various *amici* represented diverse industries, including financial services, management consulting, computer software, biotechnology, insurance, and tax accounting. The Federal Circuit also invited two *amici* to

participate at oral argument. Those *amici* presented vastly different views on the proper interpretation of this Court's precedent concerning patent-eligible processes under § 101.

In a fractured decision, the en banc Federal Circuit held that Bilski's claims are not eligible for patenting and set forth a single, "definitive" test for determining whether a process is patent-eligible under § 101: a process is patent-eligible only if "(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." App., *infra*, 12a. Although the Supreme Court has twice expressly declined to hold that this so-called "machine-or-transformation" test is the only test for patentable processes under § 101, *see Gottschalk v. Benson*, 409 U.S. 63, 71 (1972); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978), the Federal Circuit majority opinion seized on a sentence from *Diamond v. Diehr*, 450 U.S. 175, 184 (1981), quoted from *Benson*, 409 U.S. at 70, that "[t]ransformation and reduction of an article 'to a different state or thing' is *the* clue to the patentability of a process claim that does not include particular machines" (emphasis added). Taking this Court's description of the machine-or-transformation test as "*the*" clue literally, the majority held that this test was not "optional or merely advisory" but rather "the only applicable test" for patent-eligible processes. App., *infra*, 15a-16a, n.11, 34a.

In doing so, the Federal Circuit majority overruled its earlier decisions in *State Street Bank* and *AT&T* to the extent they relied on a "useful, concrete, and tangible result" as the test for patent eligibility under § 101. This formulation, which was originally set forth by the en banc Federal Circuit in *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994), was discarded in

Bilski as “inadequate.” App., *infra*, 24a. Although *Alappat*, *State Street Bank*, and *AT&T* all contain extensive discussions of the same Supreme Court cases now relied on in support of the “machine-or-transformation” test, the Federal Circuit observed that “useful, concrete, and tangible result” was “never intended to supplant the Supreme Court’s test.” *Id.*

The Federal Circuit majority opinion nevertheless acknowledged some doubt about its interpretation of this Court’s precedent as dictating that the “machine-or-transformation” test is the sole test for patentable processes. Citing this Court’s opinion in *Diehr*, where the Court stated (450 U.S. at 192):

[W]hen 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.

the majority admitted that “language such as the use of ‘*e.g.*’ may indicate the Supreme Court’s recognition that the machine-or-transformation test might require modification in the future.” App., *infra*, 17a-18a, n.12. The majority also recognized that this Court “may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies.” *Id.* at 17a.

The Federal Circuit majority’s holding that “the machine-or-transformation test is the only applicable test” for patent-eligible processes, *id.* at 34a, provoked several vigorous dissents. Reviewing two cen-

turies of precedent and statutory history, Circuit Judge Newman maintained in dissent that the majority's test is "a new and far-reaching restriction on the kinds of inventions that are eligible to participate in the patent system." *Id.* at 60a. The majority's decision, she wrote, introduces untold uncertainties that "not only diminish the incentives available to new enterprise, but disrupt the settled expectations of those who relied on the law as it existed." *Id.* at 61a.

Circuit Judge Rader likewise dissented because, in his view, the majority's machine-or-transformation test "disrupts settled and wise principles of law." *Id.* at 134a. In particular, he wrote, "the statute does not mention 'transformations' or any of the other Industrial Age descriptions of subject matter categories that this court endows with inordinate importance today." *Id.* at 142a-143a. According to Judge Rader, the majority's test "propagates unanswerable questions" and "links patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes." *Id.* at 134a, 142a.

Also in dissent, Circuit Judge Mayer wrote that the majority's test is "unnecessarily complex and will only lead to further uncertainty regarding the scope of patentable subject matter." *Id.* at 131a. While the PTO and the larger patent community have actively sought guidance from the Federal Circuit on this issue, Judge Mayer contended that "[t]he majority's 'measured approach' to the section 101 analysis . . . will do little to restore public confidence in the patent system." *Id.* at 132a.

REASONS FOR GRANTING THE PETITION

I. THE FEDERAL CIRCUIT'S RIGID "MACHINE-OR-TRANSFORMATION" TEST CONFLICTS WITH THIS COURT'S PRECEDENT AND CONGRESSIONAL INTENT

In its last two decisions on § 101, the Supreme Court set forth the proper test for patentable subject matter: "anything under the sun that is made by man" except "laws of nature, natural phenomena, and abstract ideas." *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980); *Diamond v. Diehr*, 450 U.S. 175, 182, 185 (1981). The Court should grant the petition so that it can instruct the Federal Circuit to return to these first principles and restore the law of patent eligibility for processes under § 101.

Section 101 of the Patent Act provides patent eligibility for "any" new and useful process. In *Chakrabarty*, this Court noted that "Congress plainly contemplated that the patent laws would be given wide scope." 447 U.S. at 308. Indeed, the Court was informed by Congressional intent that statutory subject matter "include anything under the sun that is made by man." *Id.* at 309 (quoting S. REP. NO. 82-1979, at 5 (1952), as reprinted in 1952 U.S.C.C.A.N. 2394, 2399; H.R. REP. NO. 82-1923 at 6 (1952)). The Court observed, however, that "laws of nature, physical phenomena, and abstract ideas have been held not patentable." *Id.*

Diamond v. Diehr then set forth the broad framework for analyzing the eligibility of process claims for patenting under § 101. The Court again acknowledged Congress' intent that statutory subject matter "include anything under the sun that is made by man," and that "laws of nature, natural phenomena,

and abstract ideas” are excluded from protection. 450 U.S. at 182, 185. Under *Diehr*, a process claim that includes one of these fundamental principles is eligible for patenting so long as the process, taken as a whole, represents “an *application* of a law of nature or mathematical formula.” *Id.* at 187. The *Diehr* Court likened a process including an abstract idea to the discovery of an unknown phenomenon of nature: “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.” *Id.* at 188 n.11 (quoting *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948)). This distinction between a practical application and an abstract principle should be the dividing line for patentable subject matter—not the Federal Circuit’s rigid “machine-or-transformation” test.

The Supreme Court has twice expressly declined to hold that the “machine-or-transformation” test is the only test for determining whether a process is eligible for patenting under § 101, as the Federal Circuit majority has now done. In *Gottschalk v. Benson*, 409 U.S. 63, 71 (1972), the Court wrote:

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.

The Court reaffirmed this position in *Parker v. Flook*:

The statutory definition of “process” is broad. An argument can be made, however, that this Court has only recognized a process as within the statutory definition when it either was tied to a

particular apparatus or operated to change materials to a “different state or thing.” 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.

437 U.S. 584, 588 n.9 (1978) (citations omitted).

Contrary to this Court’s precedent, the Federal Circuit majority held that the machine-or-transformation test is not “optional or merely advisory” but rather “the only applicable test” for patent-eligible processes. App., *infra*, 15a-16a, n.11, 34a. In doing so, the Federal Circuit majority misread the cases, relying on a statement in *Diehr*, 450 U.S. at 184 (quoting *Benson*, 409 U.S. at 70), that transformation is “*the*” clue to patentability as mandating the rigid “machine-or-transformation” test. App., *infra*, 15a-16a. But *Benson* itself expressly did not hold that a process must be tied to a machine or transform subject matter to be eligible for patenting. 409 U.S. at 71. And *Diehr* cited the transformation test as only an example (using the signal “*e.g.*”) of a process that would satisfy § 101. 450 U.S. at 192.

Less than ten years ago, the Federal Circuit considered these very same Supreme Court cases in *State Street Bank* and *AT&T* and reached a different conclusion. At that time, instead of imposing a mandatory “machine-or-transformation” requirement for patent eligible processes under § 101, the court used a “useful, concrete, and tangible result” as the test for patent eligibility. *State Street Bank*, 149 F.3d at 1373; *AT&T*, 172 F.3d at 1361; *see also In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994) (en banc). Now, the Federal Circuit majority has simply changed course with no new guidance from this Court or Con-

gress, thereby disrupting what were previously “settled and wise principles of law.” App., *infra*, 134a (Rader, J., dissenting).

Absent clear legislative guidance that process patents must be tied to a particular machine or transform subject matter, the courts should not impose such limitations. This Court has more than once cautioned that “courts ‘should not read into the patent laws limitations and conditions which the legislature has not expressed.’” *Chakrabarty*, 447 U.S. at 308 (quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933)); *Diehr*, 450 U.S. at 182. A primary strength of the Patent Act is the lack of subject matter exclusions, leaving the door open for emerging technologies. By design, “Congress employed broad general language in drafting § 101 precisely because such inventions are often unforeseeable.” *Chakrabarty*, 447 U.S. at 316.

Most recently, Congress embraced the Federal Circuit’s holding in *State Street Bank*, 149 F.3d at 1373, that a process involving an abstract idea is patentable if it produces a “useful, concrete, and tangible result,” as the proper interpretation of § 101. Enacting 35 U.S.C. § 273 to provide a prior inventor defense to infringement of business method patents, Congress explained: “[a]s the Court [in *State Street Bank*] noted, the reference to the business method exception had been improperly applied to a wide variety of processes, blurring the essential question of whether the invention produced a ‘useful, concrete, and tangible result.’” 145 Cong. Rec. S14696-03, S14717 (daily ed. Nov. 17, 1999). As acknowledged by Congress, the “essential question” for process patenting is whether a process applies a fundamental principle to a useful end result, not whether the proc-

ess is tied to a particular machine or transforms articles.

The Federal Circuit majority's "machine-or-transformation" test is unnecessarily restrictive on patent-eligible subject matter under § 101 and contrary to the plain language of the statute that "any new and useful process" is eligible for patenting. The *Diehr* test, excluding only "laws of nature, physical phenomena, and abstract ideas," has proven flexible enough to adapt to emerging technologies, such as a data processing system for managing a financial services configuration of a portfolio, *State Street Bank*, 149 F.3d at 1373 ("In *Diehr*, the Court explained that certain types of mathematical subject matter, standing alone, represent nothing more than abstract ideas until reduced to some type of practical application."), a method for automatically routing interexchange calls in a telecommunications system, *AT&T*, 172 F.3d at 1356-57 ("In *Diehr*, the Court expressly limited its two earlier decisions in *Flook* and *Benson* by emphasizing that these cases did no more than confirm the 'long-established principle' that laws of nature, natural phenomena, and abstract ideas are excluded from patent protection."), and a method for analyzing electrocardiograph signals to detect heart problems, *Arrhythmia Research Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1057 (Fed. Cir. 1992) ("In *Diamond v. Diehr* the Court explained that non-statutory status under section 101 derives from the 'abstract', rather than the 'sweeping', nature of a claim that contains a mathematical algorithm."), among many others.

The *Bilski* invention, while not meeting the Federal Circuit's rigid "machine-or-transformation" test, is not merely an "abstract idea." It should be eligible

for patenting under § 101 and fully examined for patentability under the other provisions of the Patent Act. Attempts to fuse § 101 with other requirements of patentability, such as whether the invention is novel (§ 102), unobvious (§ 103), or sufficiently described (§ 112), are improper. This Court has explained that:

Section 101 . . . is a general statement of the type of subject matter that is eligible for patent protection “subject to the conditions and requirements of this title.” Specific conditions for patentability follow The question therefore of whether a particular invention is novel is “wholly apart from whether the invention falls into a category of statutory subject matter.”

Diehr, 450 U.S. at 189-90 (quoting *In re Bergy*, 596 F.2d 952, 961 (C.C.P.A. 1979)). Barring the *Bilski* invention at the door of § 101 based on the “machine-or-transformation” test is contrary to the statute and this Court’s precedent.

II. CERT. SHOULD BE GRANTED TO PREVENT THE FEDERAL CIRCUIT AND THE PTO FROM LIMITING PROCESS PATENTS TO MANUFACTURING METHODS

With the *Bilski* decision and more recent decisions that follow it, both the Federal Circuit and the PTO have essentially limited process patents to manufacturing methods and excluded business methods, contrary to the patent statute. Although the plain language of § 101 extends patent eligibility to “any new and useful process, machine, manufacture, or composition of matter,” both the Federal Circuit and the PTO now insist that a patent-eligible “process” must be tied to one of the other statutory categories. Cir-

cuit Judge Newman admonished that “the United States Supreme Court has never held that ‘process’ inventions suffered a second-class status under our statutes, achieving patent eligibility only derivatively through an explicit ‘tie’ to another statutory category.” App., *infra*, 89a (Newman, J., dissenting).

Nonetheless, a panel of the Federal Circuit recently conferred such second-class status on process inventions. *In re Comiskey*, ___ F.3d ___, 2009 WL 68845, at *8 (Fed. Cir. Jan. 13, 2009). In *Comiskey*, the Federal Circuit held that “a claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates on, transforms, or otherwise involves another class of statutory subject matter, i.e., a machine, manufacture, or composition of matter.” *Id.* In other recent decisions, the PTO Board of Patent Appeals and Interferences listed only manufacturing processes from the 19th and early 20th centuries as examples of processes sufficiently transformative to be eligible for patenting. *Ex parte Langemyr*, 2008 WL 5206740, slip op. at 9, n.3 (B.P.A.I. May 28, 2008); *Ex parte Wasynczuk*, 2008 WL 2262377, slip op. at 12-13, n.3 (B.P.A.I. June 2, 2008).

Requiring transformation of subject matter improperly restricts patent-eligible processes to manufacturing methods and “freeze[s] process patents to old technologies, leaving no room for the revelations of the new, onrushing technology,” despite this Court’s precedent to the contrary. *See Benson*, 409 U.S. at 71. This flies in the face of the long-held tenet that “the inventions most benefitting mankind are those that ‘push back the frontiers.’” *Chakrabarty*, 447 U.S. at 316 (quoting *Great A. & P. Tea Co. v. Supermarket Corp.*, 340 U.S. 147, 154 (1950)).

While the Federal Circuit majority purported to reject a categorical exclusion of business method patents, App., *infra*, 25a, its holding has the practical effect of precluding most patents on business methods. Many business methods relate to human behavior or the flow of information, neither of which would satisfy the Federal Circuit's "machine-or-transformation" test. The *Diehr* test, on the other hand, can be applied to modern-day business processes as readily as to by-gone manufacturing processes, or even to the paper-based business innovations from the earliest days of the patent system.¹

Restricting process patents to manufacturing methods that satisfy the "machine-or-transformation" test is not only backward-looking, it is inconsistent with the patent statute's recognition that business methods are eligible for patenting. See 35 U.S.C. § 273(a)(3) ("[T]he term 'method' means a method of doing or conducting business."). The American Inventors' Protection Act of 1999 enacted a prior user defense to infringement of business method patent claims to protect those who had mistakenly thought commercialized business methods are not patentable. 35 U.S.C. § 273. In this act, Congress embraced both business methods and the Federal Circuit's *State Street Bank* "useful, concrete, and tangible result" test. 145 Cong. Rec. S14696-03, S14717 (daily ed. Nov. 17, 1999) ("As the Court [in *State Street Bank*] noted, the reference to the business method exception had been improperly applied to a wide variety of

¹ See, e.g., U.S. Patent No. 480,423 ("Method of Preventing Fraud in the Sale of Newspapers and Other Publications" (1892)); U.S. Patent No. 575,731 ("Insurable Property Chart" (1897)); U.S. Patent No. 138,891 ("Revenue Stamps" (1873)).

processes, blurring the essential question of whether the invention produced a ‘useful, concrete, and tangible result.’”).

Enacting § 273, Congress further recognized that patents protect pure business methods that produce a useful end result, including:

methods used in connection with internal commercial operations as well as those used in connection with the sale or transfer of useful end results—whether in the form of physical products, or in the form of services, or in the form of some other useful results; for example, results produced through the manipulation of data or other inputs to produce a useful result.

Id. Since enacting § 273, Congress has declined several opportunities to legislate in the area of business method patents. Three recent Congresses have considered bills to curtail business method patenting, but none has been enacted. *See* H.R. 5364, 106th Cong. (2000); H.R. 1332, 107th Cong. (2001); H.R. 5299, 108th Cong. (2004). Where Congress has declined to place limitations on patent-eligible subject matter, the courts should not impose them. *Chakrabarty*, 447 U.S. at 308; *Diehr*, 450 U.S. at 182.

Review by this Court is needed to stop the Federal Circuit and its “machine-or-transformation” test from confining business method patents to the manufacturing processes of America’s past. To ensure liberal encouragement to the innovators of America’s information economy, the petition for certiorari should be granted.

III. INTERPRETATION OF SECTION 101 IS A QUESTION OF EXCEPTIONAL IMPORTANCE TO BOTH THE PATENT SYSTEM AND THE NATION'S ECONOMY

The Federal Circuit's decision legislates new public policy that endangers innovation and upsets the settled expectations of patent owners and the inventing public. By narrowing patent eligibility to only those processes that satisfy the "machine-or-transformation" test, the Federal Circuit "links patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes." App., *infra*, 134a (Rader, J., dissenting). This policy shift calls into question the validity of thousands of issued patents and threatens to stifle innovation in emerging technologies that drive today's information-based economy. Moreover, mounting uncertainty over how the PTO and courts will apply the "machine-or-transformation" test threatens innovation in established fields that are central to the U.S. economy, such as computer software and biotechnology.

1. Patents encourage innovation. The intentional breadth of the Patent Act "embodie[s] Jefferson's philosophy that 'ingenuity should receive a liberal encouragement.'" *Chakrabarty*, 447 U.S. at 308-09 (quoting 5 WRITINGS OF THOMAS JEFFERSON 75-76 (Washington ed. 1871)). A recent study of global intellectual property protections found that eight of the top ten most innovative countries were also among the top ten in strength of patent protection. Edwin Lai, *Intellectual Property Protection in a Globalizing Era: Insights from the Federal Reserve Bank of Dallas*, ECONOMIC LETTER, Vol. 3, No. 3, at 5 (Mar. 2008). The study concluded that inadequate patent protection "greatly discouraged" innovation. *Id.* at 4.

With the decision below, the Federal Circuit threatens to impede innovation by retreating from its formerly technology-neutral position that “[t]he use of the expansive term ‘any’ in § 101 represents Congress’s intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in § 101 and the other parts of Title 35.” *In re Alappat*, 33 F.3d 1526, 1542 (Fed. Cir. 1994) (en banc). This reversal is contrary to “U.S. law and policy [that] have embraced advances without regard to their subject matter. That promise of protection, in turn, fuels the research that, at least for now, makes this nation the world’s innovation leader.” App., *infra*, 137a (Rader, J., dissenting). See also Robert Greene Sterne & Lawrence B. Bugaisky, *The Expansion of Statutory Subject Matter Under the 1952 Patent Act*, 37 AKRON L. REV. 217, 225 (2004) (arguing that its lack of subject matter exclusions is the strength of the Patent Act).

Requiring processes to be tied to a machine or transform articles limits the patent incentives available to breakthroughs at the forefront of technology in fields known (*e.g.*, internet commerce, information technology, industrial engineering, bioinformatics) and unknown. Frontier innovations have always challenged the PTO and the courts, but their value has long been recognized. Innovations such as the telephone and telegraph were at first declared unpatentable by the PTO. See Sandra Szczerbicki, *The Shakedown on State Street*, 79 OR. L. REV. 253 (2000). Computer software and man-made bacterium faced similar obstacles. *Id.* at 254; see also *Chakrabarty*, 447 U.S. at 306. The Patent Act, however, was designed to accommodate and encourage just such unanticipated inventions. “Congress employed broad general language in drafting § 101 precisely because

such inventions are often unforeseeable.” *Chakrabarty*, 447 U.S. at 316. Indeed, “[a] rule that unanticipated inventions are without protection would conflict with the core concept of the patent law that anticipation undermines patentability.” *Id.*

2. The Federal Circuit decision is particularly harmful to innovations of the knowledge economy, which have been dominant contributors to economic growth. The “machine-or-transformation” test “excludes many of the kinds of inventions that apply today’s electronic and photonic technologies, as well as other processes that handle data and information in novel ways. Such processes have long been patent eligible, and contribute to the vigor and variety of today’s Information Age.” App., *infra*, 60a (Newman, J., dissenting). Innovation in the knowledge economy thrives beyond the traditional scientific and engineering fields and includes new and useful business-related processes, which may or may not be implemented on a machine.

Some have estimated that denying patent protection to the innovations of the knowledge economy would exclude as much as seventy percent of the U.S. economy from patent protection. Jeffrey R. Kuester & Lawrence E. Thompson, *Risks Associated with Restricting Business Method and E-Commerce Patents*, 17 GA. ST. U. L. REV. 657, 683 (2001). Businesses related to the management of companies and enterprises contributed \$271.3 billion to the U.S. gross domestic product in 2007, while the information technology industry contributed \$586.3 billion. SOO JEONG KIM ET AL., U.S. DEPT’ OF COM., ANNUAL INDUSTRY ACCOUNTS: SURVEY OF CURRENT BUSINESS 32 (Dec. 2008). Internet-based commerce reached \$1 trillion in 2002 and was expected to increase to

nearly \$6 trillion in 2006. JOHN GANTZ, ENABLING TOMORROW'S INNOVATION: AN IDC WHITE PAPER AND BSA CEO OPINION POLL *ii*. (Oct. 2003). Innovations in these fields involve organizations, human beings, and the flow of information. The "machine-or-transformation" test lacks the flexibility to adapt to these developments and provide the encouragement intended by the patent laws.

The Federal Circuit's decision denies patent eligibility to the very industries that are leading today's economic growth. At a time of a "widespread deceleration" in durable-goods manufacturing, the information technology and communications industries grew by 13%. KIM ET AL., *supra*, at 21, 23. Indeed, in 2007, overall GDP growth was led by industries including professional and business services and information technology. *Id.* at 23. Restricting § 101 to exclude patent eligibility in these fields runs counter to this Court's direction that "[t]he subject-matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting 'the Progress of Science and the useful Arts' with all that means for the social and economic benefits envisioned by Jefferson." *Chakrabarty*, 447 U.S. at 315.

3. The decision below ushers in a new, restrictive view of § 101, introducing uncertainties that "not only diminish the incentives available to new enterprise, but disrupt the settled expectations of those who relied on the law as it existed." App., *infra*, 61a (Newman, J., dissenting). Furthermore, "[a]dherence to settled law, resulting in settled expectations, is of particular importance 'in cases involving property . . . rights, where reliance interests are involved.'" *Id.* at 95a (Newman, J., dissenting) (quoting *Payne v. Ten-*

nessee, 501 U.S. 808, 828 (1991)). Congressional action is required to change such well-settled rules because “[f]undamental alterations in these rules risk destroying the legitimate expectations of inventors in their property.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 739 (2002).

The Federal Circuit’s adoption of the “machine-or-transformation” test calls into question countless process patents issued before the PTO and Federal Circuit began applying this more restrictive test. This Court has more than once admonished that “courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.” *Id.* at 739 (citing *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 28 (1997)).

Like the doctrine of equivalents issue in *Festo*, the patentability of processes that apply a fundamental principle to produce a useful result was settled. Business methods were patentable before *State Street Bank*, and they remain patentable in accordance with Congress’s intent, as evidenced by 35 U.S.C. § 273. *See State Street Bank*, 149 F.3d at 1375 (stating that a “business method exception has never been invoked by this court, or the CCPA, to deem an invention unpatentable”). Tens of thousands of patents have issued for business methods, software and information processes, and biotechnology methods. Just as this Court warned in *Festo*, “[t]o change so substantially the rules of the game now could very well subvert the various balances the PTO sought to strike when issuing the numerous patents which have not yet expired and which would be affected by our decision.” 535 U.S. at 739 (quoting *Warner-Jenkinson*, 520 U.S. at 32 n.6). By requiring that process patents produce some physical transformation or be tied to a machine,

the Federal Circuit has ventured into territory reserved for the legislature and disrupted the settled expectations of patent owners and inventors alike.

4. While directed to a “business method,” the Federal Circuit’s decision threatens many of the nation’s fundamental industries, including software and biotechnology.² The software industry is fundamental to the U.S. economy, representing billions of dollars and millions of jobs. A recent report by the Software and Information Industry Association revealed that the software and information industry generated \$564 billion in 2005, outpacing traditional brick and mortar industries such as food manufacturing and computer and electronic products manufacturing. SOFTWARE & INFO. INDUS. ASS’N, SOFTWARE AND INFORMATION: DRIVING THE GLOBAL KNOWLEDGE ECONOMY 7-8 (2008).

As the software industry has grown, tens of thousands of software patents have issued and are currently in force. Indeed, the software industry report noted that “[t]he U.S. software and information industries depend on a meaningful international framework to protect the industries’ intellectual property” *Id.* at 11. The *Bilski* decision casts doubt on these protections. Software patents that were examined and issued under a different standard for eligibility under § 101 are left vulnerable to attack. In a recent survey, software industry execu-

² The importance of the question presented and its broad application beyond business methods is further evidenced by the extensive participation in the Federal Circuit by amicus curiae from diverse industries including financial services, management consulting, computer software, biotechnology, insurance, and tax accounting.

tives cautioned that adequate intellectual property protection is one of the top challenges to technology-based innovation. GANTZ, *supra*, at 12 (warning that “[i]f commercial software companies can’t protect their work, investors won’t invest, innovators won’t invent and the IT sector won’t be able to achieve its full economic potential.”).

The *Bilski* decision also creates uncertainty for the biotechnology and pharmaceutical industries, which rely on patent protection to recoup hundreds of millions of dollars spent on research and development. The Federal Circuit has already relied on *Bilski* to invalidate claims in an issued patent for an immunization method. *Classen Immunotherapies, Inc. v. Biogen IDEC*, 2008 WL 5273107 (Fed. Cir. Dec. 19, 2008). Similarly, the PTO Board of Appeals has rejected an application for a diagnostic method involving an individual cornea of an eye. *Ex parte Roberts*, 2008 WL 2754746 (B.P.A.I. July 15, 2008). The uncertainties caused by the “machine-or-transformation” test are the “enemy of innovation.” App., *infra*, 61a (Newman, J., dissenting).

5. The urgency of the issues involved in this case is underscored by the PTO’s continuing struggle to apply the “machine-or-transformation” test. The PTO, in the Board’s opinion and its Federal Circuit brief, acknowledged that it is struggling with the influx of patent applications for processes. App., *infra*, 151a; Br. for Appellee (June 13, 2007), at 4. It further recognized the importance of the issue and the need for guidance. App., *infra*, 151a, 154a; Br. for Appellee (June 13, 2007), at 4. The Federal Circuit majority opinion, however, and its adoption of the “machine-or-transformation” test, has not provided the needed guidance on this important issue.

Despite the Federal Circuit's holding that the "machine-or-transformation" test is the applicable test to determine whether a claim is drawn to a patent-eligible process under § 101, the PTO Board of Appeals has applied the test to non-method claims in several cases. *See, e.g., Ex parte Godwin*, 2008 WL 4898213 (B.P.A.I. Nov. 13, 2008) (rejecting claims directed to a "portal server system" and a "portal server"); *Ex parte Noguchi*, 2008 WL 4968270 (B.P.A.I. Nov. 20, 2008) (rejecting claims to a "program for causing a computer connected to an external network to perform the functions of . . ."). The Board of Appeals has also interpreted *Bilski* as requiring that a process that transforms data must also be tied to a machine to establish patent eligibility, essentially applying a machine-and-transformation test. *See, e.g., Ex parte Godwin* ("[T]he purported transformation of data, without a machine, is insufficient to establish patent-eligibility under § 101."); *Ex parte Noguchi* ("To the extent that Appellants' claims may transform data, we note that transformation of data, without a machine, is insufficient to establish patent-eligibility under § 101.")

In its attempt to find a "definitive" test for process patent eligibility, the Federal Circuit has disrupted settled expectations and called into question the validity of thousands of issued patents in industries central to the nation's economy. The issue in this case, i.e., the proper scope of patentable subject matter under § 101, is not only important to the nation's economy, it is "one of the broadest, most sweeping issues in patent law." *In re Comiskey*, __F.3d__, 2009 WL68845 at *16 n.2 (Fed. Cir. Jan. 13, 2009) (en banc) (order granting limited reh'g) (Moore, J., dissenting). The gravity of this issue warrants review by this Court.

IV. THIS CASE IS A GOOD VEHICLE FOR RESOLVING THE QUESTIONS PRESENTED

In the nearly thirty years since the Court last considered what can be patented under § 101, the U.S. economy has evolved from one tied to manufacturing to one based on information. Rather than allowing the flexible *Diehr* test to adapt to innovations of today's knowledge economy, the *Bilski* majority anchored patentable processes with its rigid "machine-or-transformation" test. As Circuit Judge Rader lamented, "as innovators seek the path to the next techno-revolution, [the Federal Circuit] ties our patent system to dicta from an industrial age decades removed from the bleeding edge." App., *infra*, 134a (Rader, J., dissenting). To restore the broad flexibility of § 101, this Court's review is needed.

This case presents the opportunity for the Court to address process claims under § 101, which it appeared ready to do when it granted, then dismissed, certiorari in *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124 (2006). *Bilski* now provides a good vehicle for such review. Unlike *Lab. Corp.*, the issue of patentable processes under § 101 was properly raised and thoroughly analyzed in both the PTO and the Federal Circuit.

The PTO has acknowledged that this is a good case for review. When the *Bilski* applicants appealed the patent examiner's rejections under § 101 to the PTO Board of Appeals, a three-judge panel of the Board heard oral arguments. Rather than decide the case based on that hearing, the Board held a second hearing before an expanded five-judge panel. App., *infra*, 146a & n.2. In its 70-page opinion, the enlarged panel explained that "[t]he question of whether this type of non-machine-implemented sub-

ject matter is patentable is a common and important one to the [PTO], as the bounds of patentable subject matter are increasingly being tested.” *Id.* at 151a. In its brief to the Federal Circuit, the PTO welcomed the opportunity to resolve the “important question” presented and acknowledged that “the PTO has struggled to offer its examiners clear guidance on this issue.” Br. for Appellee (June 13, 2007), at 4.

The Federal Circuit likewise chose this case as the vehicle to decide the important question of patent eligibility for processes and to overrule its prior decisions in *State Street Bank* and *AT&T*. The court recognized the broad applicability of the questions presented when it stayed other pending § 101 cases while deciding *Bilski*. See *In re Comiskey*, ___ F.3d ___, 2009 WL 68845 (Fed. Cir. Jan. 13, 2009) (staying consideration of petition for rehearing in case involving business method claims); *Prometheus Labs., Inc. v. May Collaborative Srvs.*, No. 2008-1403 (Fed. Cir. July 29, 2008) (staying briefing in case involving diagnostic method claims). When the court finally decided *In re Comiskey*, ___ F.3d ___, 2009 WL 68845 (Fed. Cir. Jan. 13, 2009), the decision modified an earlier decision, 499 F.3d 1365 (Fed. Cir. 2007), which had been vacated by the en banc court and returned to the panel for correction. Although the need for correction alone might suggest some confusion at the Federal Circuit, the court ended up issuing four separate concurring and dissenting opinions from the denial of a more broad rehearing en banc. In dissent, Circuit Judge Newman objected that, even after *Bilski*, “[t]he court continues to present a broad and ill-defined exclusion of ‘business methods’ from access to the patent system, an exclusion that is poorly adapted to today’s new and creative modalities of data handling and knowledge utilization.” 2009 WL 68845

at *21. Simply put, the Federal Circuit's *Bilski* decision has not laid to rest the issues concerning patenting of business methods.

Because the Federal Circuit has exclusive jurisdiction over patent cases, there can be no split in the circuits on this issue. The several opinions below, however, have comprehensively explored the issues and the competing policies, so there is no need to wait for further development of the law. Rather, the sharply-divided opinions of the Federal Circuit show that what is needed now is guidance from this Court. Indeed, the en banc court essentially invited Supreme Court review of the "machine-or-transformation" test, acknowledging that the Court "may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies." App., *infra*, 17a.

Moreover, there is unlikely to be a better case presented any time soon. As the PTO Board noted in this case, "[o]nly a very small fraction of the cases examined by the Examining Corps are ever appealed to the [PTO Board], and only a very small fraction of the rejections affirmed by the Board will ever be appealed to the Federal Circuit." App., *infra*, 153a; see also *Ex parte Lundgren*, 76 U.S.P.Q.2d 1385, 1389 (B.P.A.I. 2005) (Smith, J., dissenting) ("Unfortunately, the federal judiciary cannot get jurisdiction of this issue [i.e., patent eligibility for business methods] unless someone takes the issue to it."). The Court should take this opportunity to restore the law for patent eligibility of processes under 35 U.S.C. § 101.

CONCLUSION

For these reasons, the petition for a writ of certiorari should be granted.

Respectfully Submitted,

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