No. 13-298

IN THE

Supreme Court of the United States

ALICE CORPORATION PTY., LTD.,
Petitioner,

v.

CLS BANK INTERNATIONAL AND CLS SERVICES LTD.,
Respondents.

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

BRIEF OF AMICUS CURIAE INTERNATIONAL ASSOCIATION FOR THE PROTECTION OF INTELLECTUAL PROPERTY (ASSOCIATION INTERNATIONALE POUR LA PROTECTION DE LA PROPRIETE INTELLECTUELLE) IN SUPPORT OF NEITHER PARTY

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I. INTEREST OF AMICUS CURIAE

This brief is submitted on behalf of *amicus curiae* the International Association for the Protection of Intellectual Property (Association Internationale Pour la Protection de la Propriete Intellectuelle ("AIPPI"), through its United States national group, which operates as a division of the American Intellectual Property Law Association, the AIPPI-United States Division.[1]

AIPPI is an international organization, founded in 1897, dedicated to the development, improvement, and legal protection of intellectual property. AIPPI is a politically neutral, non-profit organization headquartered in Switzerland having over 8,800 members representing over 100 countries and operating mainly through National Groups, such as the AIPPI-US Division.

The members of AIPPI include intellectual property lawyers, patent, copyright and trademark attorneys, and patent agents in corporate and private practice throughout the world, as well as academics and other persons interested in intellectual property, and including members from

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[1] In accordance with Supreme Court Rule 37.6, AIPPI states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPPI or its counsel.

North America, South America, Europe, Asia, Australia and Africa. AIPPI is organized into 64 National and Regional Groups, and its members participate by joining one of these groups.

AIPPI promotes the protection of intellectual property on a national and international basis by studying and comparing existing laws and proposing new laws and international and regional treaties and agreements relating to intellectual property. In its long history, AIPPI has adopted more than 700 Resolutions and Reports. AIPPI's Resolutions are published in English, French and German, and are provided to international and national intellectual property organizations around the world. The presentation of these Resolutions and Reports to international Governmental Organizations, such as the World Intellectual Property Organization ("WIPO"), has contributed considerably to the development, improvement and harmonization of the international protection of intellectual property.

AIPPI has adopted two Resolutions that have particular relevance to the issues in this case: Resolution Q133, on the "Patenting of computer software," and Resolution Q158, on the "Patentability of Business Method[s]." These Resolutions can be found in the appendix to this brief and are discussed below.

Pursuant to this mission, AIPPI submits this brief on behalf of both resident and non-resident

AIPPI members who seek patent protection in the United States for inventors they represent.[2]

II. INTRODUCTION

The framers of the United States Constitution recognized the need to encourage innovation, and dissemination of the same, by rewarding inventors, and granted Congress the authority "To promote the Progress of Science and *useful Arts*, by securing for limited Times to Authors *and Inventors* the exclusive Right to their Writings *and Discoveries*." U.S. Const. art. I, § 8, cl. 8 (emphasis added).[3]

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[2] AIPPI sought consent to file this brief from the counsel of record for all parties, pursuant to Supreme Court Rule 37.3(a). Counsel for both parties have filed with the Clerk general consent letters to the filing of amicus briefs in support of either or neither side in this case.

[3] The framers of the Constitution actually intended to set up two systems with this clause: first, a copyright system, which would pertain to authors and would protect the dissemination of "science" in the broad sense of "knowledge" in general (rather than laboratory or experimental science) by granting rights to authors in their writings; and second, a patent system, which would promote the progress of the "useful Arts" by granting rights in their discoveries. *See In re Bergy,* 596 F. 2d 952, 958-59 (C.C.P.A. 1979) (Rich, J.), *aff'd sub nom. Diamond v. Chakrabarty,* 447 U.S. 303 (1980); *see also* H.R. Rep. No.1923, 82d Cong., 2d Sess. 4 (1952); S. Rep. No.1979, 82d Cong., 2d Sess. 3 (1952), U.S. Code Cong. & Admin. News 1952, pp. 2394, 2396 (legislative history reports accompanying the Patent Act of 1952, explaining that the purpose of the patent laws is to promote the progress of the "useful arts").

Congress followed by enacting the first United States Patent Act in 1790 requiring, *inter alia*, the applicant to "have invented or discovered any useful art, manufacture, engine, machine, or device, or any improvement therein." Act of April 10, 1790, ch. 7, § 1, 1 Stat. 109. Congress amended this Act in 1793 to require that the applicant "have invented any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement." Act of February 21, 1793, ch. 11, § 1, 1 Stat. 318. In the Patent Act of 1952, Congress amended the language of 35 U.S.C. § 101 to use the term "process,"[4] in lieu of "art," stating: "[w]hoever 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." The Patent Act of 1952 also specified that claimed inventions had to be novel (35 U.S.C. § 102), non-obvious (35 U.S.C. § 103), and be fully and particularly described (35 U.S.C. § 112).

This Court has made the threshold determination of patent-eligible subject matter

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[4] The new use of the term "process" did not alter the scope of patent eligibility over processes because "[i]n the language of the patent law, [a process] is an art." *Diamond v. Diehr*, 450 U.S. 175, 182-84 (1981). 35 U.S.C. § 100(b) defines "process" to mean "process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material."

under § 101 a broad and flexible analysis, to permit accommodation of new areas of innovation and ensure that "ingenuity should receive liberal encouragement." *See generally Bilski. v. Kappos*, 561 U.S. ___, 130 S. Ct. 3218 (2010); *Diamond v. Diehr*, 450 U.S. 175 (1981); *Diamond v. Chakrabarty*, 447 U.S. 303 (1980); *Parker v. Flook*, 437 U.S. 584 (1978); *Gottschalk v. Benson*, 409 U.S. 63 (1972). The United States has historically been a leader in innovation. Manufacturing, chemistry, electronics, biotechnology, and computer software are just a few of the technological fields that have seen tremendous commercial development within the United States. This Court's flexible determination of patent eligible subject matter has accommodated and fostered innovation in and development of all of these technologies, and has helped the United States to maintain its leadership position in the global economy, despite a waning manufacturing base.

In this case, the United States Court of Appeals for the Federal Circuit ("Federal Circuit") granted CLS Bank's petition for rehearing *en banc*, seeking review of the Federal Circuit's panel holding that Alice Corp.'s asserted claims from four patents concerning an invention for a computerized system for creating and exchanging financial instruments, such as derivatives were invalid under 35 U.S.C. § 101 as patent-ineligible subject matter. In its *en banc* order, the Federal Circuit asked that the parties and amici address two questions that the

intellectual property community throughout the world hoped would clarify the jurisprudence concerning patent eligibility of computer-implemented inventions: (1) "What test should the court adopt to determine whether a computer-implemented invention is a patent ineligible 'abstract idea'; and when, if ever, does the presence of a computer in a claim lend patent eligibility to an otherwise ineligible abstract idea?", and (2) "In assessing patent eligibility under 35 U.S.C. § 101 of a computer-implemented invention, should it matter whether the invention is claimed as a method, system, or storage medium; and should such claims at times be considered equivalent for § 101 purposes?"

In its brief, one-paragraph, *per curiam* opinion, the Federal Circuit's en banc decision affirmed the district court's holding that the claims at issue were not directed to patent-eligible subject matter. Unfortunately, the Federal Circuit's six opinions that followed the *per curiam* opinion did not clarify the jurisprudence on patent eligibility of computer-implemented inventions. Rather, those opinions reflected a serious divide in the court concerning the future of patents on computer-implemented inventions. In fact, the Federal Circuit's six non-precedential opinions have created uncertainty concerning the patent eligibility of such inventions not only in the United States but also throughout the world.

This brief attempts to serve the Court by providing both a global perspective on the issue of patent-eligible subject matter for computer-implemented inventions, particularly software and business methods that are implemented through the use of computers, and a commentary on what national policies should govern the issue of when such inventions should be eligible for patenting under 35 U.S.C. § 101.

III. SUMMARY OF THE ARGUMENT

AIPPI urges this Court not to impose any bright-line or rigid rules that would apply to determining the "abstractness" of computer-implemented inventions. Rather, the Court should adopt an approach here that will allow any computer-implemented inventions that produce a useful result—which otherwise comply with the requirements for patentability (35 U.S.C. §§ 102, 103, and 112) and do not fall within one of this Court's case-imposed exceptions ("laws of nature, physical phenomena, and abstract ideas")—to be considered as patent-eligible subject matter. This approach would be consistent with the world-wide consensus that computer-implemented inventions should be treated in the same way as any other invention.

AIPPI studies and compares the way patent systems around the world protect intellectual property and makes recommendations for

harmonization and improvement of those systems. This includes how the major patent systems determine the threshold issue of what constitutes patent-eligible subject matter. Treaties, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), ratified by the United States and much of the world, espouse a flexible approach to patentability. *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, 33 I. L. M. 1197, 1869 UNTS 299 (1994). AIPPI, by passing Resolutions Q133 and Q158, has encouraged its member countries to coordinate their systems in allowing broad flexibility in establishing the standard for determining subject matter patentability for computer-implemented inventions and business methods.

With this Court's decision to grant *certiorari* in this case to clarify the standards of patentability for computer-implemented inventions, AIPPI believes the United States has the opportunity to be a world leader, by setting a flexible threshold for subject matter patentability in this area. In fact, AIPPI respectfully submits that narrowing the scope of patent eligibility for computer-implemented inventions in this case would be a step backward for the United States.

Nor should this Court require that computer-implemented inventions be claimed in any particular format (such as a method, system, or storage medium). Rather, the claim form should be dictated by the market needs, practicability, and the various manners in which such computer-implemented innovations can be commercialized and improperly copied.

Once it is clear a computer-implemented invention is able to meet this flexible standard of patent eligibility, it would still have to meet the additional statutory requirements of novelty, non-obviousness in comparison to the prior art, and adequate disclosure, in order to be entitled to patent protection.

IV. ARGUMENT

The questions before this Court include whether the Federal Circuit erred in holding that the asserted claims of Alice's four patents, which were in three forms - (1) "methods" for exchanging transaction obligations; (2) "computer readable storage media" containing a program for exchanging obligations; and "(3) systems" comprising data storage and a computer for exchanging obligations - were all not patent eligible subject matter under 35 U.S.C. § 101. In deciding those questions, the Federal Circuit again attempted to set forth some "bright-line" or rigid tests, in an effort to guide the courts and the intellectual property community in

deciding the questions of subject matter eligibility for a particular category of invention. However, the Federal Circuit was unable to reach agreement on this issue, which AIPPI believes is a reflection of the fact that a bright-line or rigid rule is indeed inappropriate.

This Court has wisely declined to place bright-line limits on the broad statutory grant of patent eligibility for "any" new and useful process, beyond excluding patents for "laws of nature, natural phenomena, and abstract ideas." *Diamond v. Diehr,* 450 U.S. 175, 185 (1981).

Consistent with AIPPI policy, reflecting an international consensus on the need to protect computer-implemented inventions, AIPPI respectfully submits that this Court should take this opportunity to state that patent-eligible subject matter under Section 101 should extend broadly to all areas of computer-implemented technology, including software programs, in any medium in which it can be commercialized. (*See* AIPPI Resolution Q133 (Appendix A hereto) at paras. 1, 4, 7 (enacted April 1997)).

This Court's past precedent on subject matter patentability for computer-implemented inventions and business methods, including *Benson, Flook, Diehr*, and *Bilski,* has consistently reflected a flexible approach. In fact, the Court has already made clear that the scope of Section 101 is not only

"expansive" and "extremely broad," but is also "*dynamic*." *See Chakrabarty*, 447 U.S. at 308; *see also J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124, 130, 135 (2001). In *Bilski*, this Court specifically rejected the Federal Circuit's attempt to draw a "bright line" rule for determining subject matter eligibility for business method processes. 561 U.S. at ___, 130 S. S. Ct. at 3227.

Nor should this Court impose a bright-line rule for measuring the subject-matter patent eligibility of computer-implemented inventions. Rather, the Court should adopt an approach here that allows for patent eligibility of all new and non-obvious computer-implemented inventions, including software and inventions used in industrial, commercial, and financial activities (i.e., computer-implemented business methods), so long as those inventions produce a useful result and do not fall within one of this Court's case-imposed exceptions: "laws of nature, physical phenomena, and abstract ideas." *See Bilski*, 561 U.S. at ___, 130 S. Ct. at 3225; *see also Mayo Collaborative Servs. v. Prometheus Labs.,* 566 U.S. ___, 132 S. Ct. 1289, 1293 (2012).

Further, the Court should not establish different rules for subject matter eligibility for different sorts of claims of computer-implemented inventions, such as a method, system, or storage medium. (*See* AIPPI Resolution Q133 (Appendix A

hereto) at paras. 8, 9). In addition, with the widespread use of computers to implement inventions used in industrial, commercial, or financial activities, such as the invention at the core of this case by Alice Corp., AIPPI also submits that such computer-implemented inventions on business methods should also be treated no differently, to the extent they are new, non-obvious, and meet the disclosure requirements. Such inventions when claimed too broadly would still presumably be found to be unpatentable under the existing test for "lack of usefulness," and then analyzed for novelty, non-obviousness, and adequate disclosure. (*See* AIPPI Resolution Q158 (Appendix B hereto) at paras. 1, 3 (enacted March 2001)).

A. There is a World-Wide Consensus That Computer-Implemented Inventions Should be Treated the Same as Other Inventions.

1. AIPPI believes there should be no special rules to characterize a computer-implemented invention as an "abstract idea."

The patentability of computer and software related innovations has been the subject of much debate throughout the world for over 50 years, due in no small part to both their commercial value, and relative ease of misappropriation. However, a worldwide consensus among AIPPI members has

developed that, as a matter of principle, as reflected in the TRIPs agreement and as a matter of economic reality, patents should be granted on computer software inventions on an equal footing with all other areas of technology. (See AIPPI Resolution Q133 (Appendix A hereto) at para. 1).[5]

Due to the widespread use of computers in all fields of industrial, commercial, and financial activities (i.e., "business methods"), a similar consensus has developed that patents should be granted on computer-implemented inventions for business methods. (See AIPPI Resolution Q 158, Appendix B hereto, paragraph 1).[6] And as the economies of the industrialized countries have become increasingly dependent on service industries, to which software and business method patents are important, the eligibility of patent protection for computer programs and business methods has

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[5] Question Q133, on the "Patenting of Computer Software" was a question first studied by committees of the National Groups of the members of AIPPI, then debated at the Vienna AIPPI Congress in 1997, resulting in a Final Report and Resolution that was passed in April 1997.

[6] Question Q158, on the "Patentability of Business Method[s]" was a question first studied by committees of the National and Regional Groups of the members of AIPPI, then debated at the Melbourne Congress in 2001, resulting in a Final Report and Resolution that was passed in March 2001.

become critical for the United States and world economies.

Among the reasons that the worldwide innovation community has come to this consensus is that the creation of computer-implemented inventions generally requires considerable technical complexity. (See AIPPI Resolution Q133 (Appendix A hereto), Reason A). For example, computer-software-related inventions involve by their nature the use of a computer, computer network or other programmable apparatus. The dividing line between computer hardware and software is actually becoming increasingly blurred, and it would not make sense technically to apply a special rule to any sort of computer-implemented invention simply because it was characterized as "software" or hardware. The fact that computer software itself involves merely abstract data handling operations should not exclude it from being eligible for patent protection, so long as it produces a useful result, in accordance with § 101. (*See* AIPPI Resolution Q 133 (Appendix A hereto), Reason E) Therefore, AIPPI urges that all computer-implemented inventions which produce a useful result should be considered to be subject matter eligible for patent protection under § 101, and no special test should be applied to determine whether they seek to cover an "abstract idea."

Such a broad approach to subject matter eligibility for computer-implemented inventions

would be consistent with the most relevant international treaty that addresses intellectual property laws. The TRIPS agreement, to which the United States and most European countries are signatories, defines patentable subject matter in a broad and flexible manner, consistent with Supreme Court precedent:

> Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to . . . the field of technology . . . .

TRIPS, supra Section III, at Art. 27, para. 1.[7] Article 27 provides very limited possibilities for exclusions

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[7] See also Vienna Convention on the Law of Treaties, May 23, 1969, Part III, Observance, Application And Interpretation Of Treaties, Section 3: Interpretation of Treaties, Art. 31, General Rule of Interpretation, para. 1, stating "[a] treaty shall be interpreted in good faith in

from patentability, namely, exclusions based on public order or morality, and exclusions for diagnostic, therapeutic and surgical methods, as well as for plants and animals. *Id.* at para. 2-3. The North American Free Trade Agreement ("NAFTA"), to which the United States also adheres, includes a similarly broad and flexible definition of patentable subject matter:

> 1. Subject to paragraphs 2 and 3, each Party shall make patents available for any inventions, whether products or processes, in all fields of technology, provided that such inventions are new, result from an inventive step and are capable of industrial application. For purposes of this Article, a Party may deem the terms "inventive step" and "capable of industrial application" to be synonymous with the terms "non-obvious" and "useful," respectively.
>
> 7. Subject to paragraphs 2 and 3, patents shall be available and

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accordance with the ordinary meaning to be given to the terms of the treaty in their context and in light of its object and purpose."

> patent rights enjoyable without discrimination as to the field of technology . . .

North American Free Trade Agreement, U.S.-Can.-Mex., art. 1709, para. 1, 7, Dec. 17, 1992, 32 I.L.M. 289 (1993).

What emerges from reading the relevant provisions of these treaties, as well as the AIPPI resolutions discussed above, is a sound patent policy developed by international intellectual property experts and users of the patent system on subject matter patentability. That policy does not prescribe rigid eligibility rules or special tests to be applied to any area of technology, including computer software or computer-implemented business methods. Rather, patents should be available in all fields, and sound patent policy advises that more granular limitations on patentability may be imposed through the novelty, non-obviousness ("inventive step"), and disclosure (written description, enablement, and indefiniteness) requirements. These requirements, properly policed by the Patent Office and courts, all must be met for patentability, and enjoy time-tested analogues in other major patent systems around the world that demonstrate the advisability of using these granular tools for granular analysis, rather than attempting to rely on the statutory subject matter test—by design a very general, coarse test not suited for granular analysis—for more precision that it can deliver.

In fact, the international consensus that there should be no rigid rule restricting patent eligibility for patents on computer-implemented inventions dates back to at least 1997, when AIPPI passed its resolution on computer software. If this Court were to establish a rigid rule here, it would not only be a step backward, but it would also make the United States one of the only industrially advanced countries moving in that direction (*see, e.g.*, section III.C. 2. *infra*, discussing software patent eligibility in Europe, Canada, and Japan).

Some of the vague tests suggested by the Federal Circuit opinions in its *en banc* decision in this case fail to recognize these realities. There is no reason to presume that computer-implemented inventions are necessarily more prone to "abstractness" than other sorts of inventions. The tests proposed in the Federal Circuit's opinions have not articulated a principled basis for applying a different set of rules for computer software, as compared to other fields of technology, or for distinguishing between the different types of computer-implemented inventions or software. AIPPI thus respectfully submits that any test for patent-eligible subject matter set forth by this Court that would function as any sort of "bright line" or rigid filter to exclude broad categories of computer-implemented inventions should be rejected as a threat to innovation.

2. AIPPI believes that computer-implemented inventions should not be restricted to any particular form of claims.

The Federal Circuit also asked the *en banc* parties to brief whether, in assessing patent eligibility under 35 U.S.C. § 101, it should matter if a computer-implemented invention is claimed as a method, system, or storage medium? Consistent with Resolutions Q133 and Q158, AIPPI respectfully submits that patents on all areas of computer-implemented technology, including computer software and inventions concerning industrial, commercial and financial activities implemented using a computer, regardless of how those inventions are claimed,[8] should be eligible subject matter, so long as they meet the other conditions of patentability. Computer software should be patent-eligible in any medium in which it can be commercialized, and patentability should not hinge on the type of software or the medium on which the software resides or is carried. (AIPPI Resolution Q133 (Appendix A hereto), paras. 5, 7). Likewise, the same criteria should be used to evaluate the patentability of all inventions, including methods used in all fields of industrial, commercial and

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[8] Any claim must still be within one of the statutory categories allowed under 35 U.S.C. § 101: process, machine, manufacture, or composition of matter.

financial activities. (AIPPI Resolution Q158 (Appendix B hereto), para. 3). In other words, inventions claimed as computer-implemented business methods should not be considered to be necessarily inherently "more abstract" or more likely abstract than inventions claimed as a "system" or "storage medium."

Applying unduly-restrictive criteria to certain technical fields is antithetical to innovation. This applies to computer-implemented inventions in software and business methods (*See* AIPPI Resolution Q133 (Appendix A hereto), para. 8, Reason B; *see also* AIPPI Resolution Q 158 (Appendix B hereto), paras. 3, 6). An inventor should have the freedom to protect innovations in ways that reflect market needs, practicability, and the various manners in which such innovations can be commercialized and misappropriated. Limiting patent-eligibility of computer-implemented inventions to a certain form may force such inventors to rely on theories of indirect infringement to protect their inventions, which would involve additional evidentiary burdens.[9] This could relegate

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[9] *See* 35 U.S.C. §§ 271(a)-(c); *see also Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1335 (Fed. Cir, 2008) (holding the sale of disc drives that include "software containing instructions to perform a patented method does not infringe the patent under § 271(a)" because infringement of a method claim requires performing the actions described in the claim and "software is not itself a

some computer-implemented inventions to a less effective form of protection than that available for other types of inventions.

Therefore, AIPPI respectfully submits that this Court should hold that computer-implemented inventions, in whatever form such inventions are claimed (method, system, or storage medium), should be broadly considered statutory subject matter under 35 U.S.C. § 101.

B. This Court Should Establish a Simple, Flexible Test for Determining Patent Eligibility for Computer-Implemented Inventions.

So long as they meet the other statutory criteria of patentability under 35 U.S.C. § 102 (novelty), § 103 (non-obviousness), and § 112 (adequate disclosure), AIPPI submits that all computer-implemented inventions that produce a useful result should be considered eligible for patent protection, in the same manner given to other advances in technology.

1. This Court's historic flexibility in subject matter jurisprudence has

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sequence of actions, but rather it is a set of instructions that directs hardware to perform a sequence of actions.")

allowed the patent law to adapt to evolving technologies.

The determination of whether an invention is patent-eligible subject matter under Section 101 has historically been met with a flexible analysis sufficient to accommodate new technologies. *See Chakrabarty*, 447 U.S. at 307. Thus, the Court has applied a flexible approach to determining patent-eligibility of articles of manufacture and compositions of matter, two of the other enumerated statutory classes in Section 101. In doing so, the Court stressed that Section 101 was meant to be interpreted broadly to accommodate innovation. *Chakrabarty*, 447 U.S. at 308-09.

For example, in *Chakrabarty*, the Court held that a genetically-engineered bacterium was a patentable manufacture or composition of matter under Section 101. *Chakrabarty*, 447 U.S. at 310. In doing so, the Court stressed that "[i]n 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." *Id.* at 308. The Court emphasized the goals of the patent system, noting that "[t]he Act embodied Jefferson's philosophy that 'ingenuity should receive a liberal encouragement.'" *Id.* (citations omitted). To that end, the Court, in dealing with this cutting-edge technology, rejected the argument that the bacterium was "a hitherto unknown natural phenomenon." *Id.* at 309. Rather

Chakrabarty's "discovery is not nature's handiwork, but his own; accordingly it is patentable subject matter under § 101." *Id.* at 310. *Chakrabarty* cited with approval the statement in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481 (1974), that the authority conveyed under Art. I, § 8, cl. 8 of the Constitution is exercised in the hope that "the productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes." *Chakrabarty*, 447 U.S. at 307 (citations omitted). *Chakrabarty* likewise emphasized that "[t]he Committee Reports accompanying the 1952 Act inform us that Congress intended statutory subject matter to 'include anything under the sun that is made by man.'" *Id.* at 309 & n.6 (citing S. Rept. No. 1979, 82d Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1923, 82d Cong., 2d Sess., 6 (1952)).

The judgment on which the *Chakrabarty* decision was based, and which was appealed to this Court, included another patent-eligible subject matter case, *In re Bergy*, 596 F.2d 952 (C.C.P.A. 1979). The Court of Customs and Patent Appeals opinion in *Bergy* explained the importance of a flexible approach to determining the question of subject matter patentability, by framing the issue in the context of the "Anatomy of the Patent Statute."

The Court of Customs and Patent Appeals' explanation of this "statutory scheme," written by Judge Giles Rich, one of the drafters of the Patent

Act of 1952, used an analogy of "three doors" that must be passed through by inventors. *Bergy*, 596 F.2d at 960. Section 101 is the "first door," and inquires "what kind of invention or discovery" the inventor seeks to patent. Only if the invention "falls into any one of the named categories" is the inventor "allowed to pass through to the second door," novelty, and then through the "third door," non-obviousness. *Id.* at 960-961.[10] Although not mentioned by Judge Rich in *Bergy,* there is also a critical "fourth door" that must be included in this regard – Section 112 of the US patent statute, which has close analogies in the disclosure requirements of many other countries. Section 112 is principally composed of the enablement, written description, and indefiniteness tests, designed to dovetail with Section 101, to filter overbroad, unclear claims that are not so blatantly deficient as to cross over the broad "abstract" or "mathematical algorithm" or "law of nature" lines provided by Section 101. AIPPI respectfully submits that whatever deficiencies this

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[10] The underlying opinion in *In re Bergy*, at 596 F.2d 952, was actually affirmed by this Court under the caption *Diamond v. Chakrabarty*, 447 U.S. 303 (1980). The Commissioner of Patents and Trademarks sought certiorari of the *Bergy* decision, which this Court granted with respect to appeals concerning both Bergy and Chakrabarty, which were consolidated. 444 U.S. 924 (1979). Later, Bergy's appeal was dismissed as moot, 444 U.S. 1028 (1980), leaving only *Chakrabarty* as the case that was listed in this Court's opinion, which affirmed the C.C.P.A.

Court might find with the patents at bar under Section 101 could be rooted out with greater precision and much less collateral damage using Sections 102, 103, and 112.

AIPPI suggests that the statutory scheme of "doors" to be passed through, explained in the *Bergy* opinion of the Court of Customs and Patent Appeals, which is analogous to the "coarse filter" or first filter applied by the European Patent Office to the subject matter patentability question (described below), may be a useful analogy for this Court, as it ponders a standard for establishing how computer-implemented inventions should be evaluated by courts for subject-matter patentability under 35 U.S.C. § 101.

The *Chakrabarty* decision has been widely credited as being the foundation for the biotechnology industry, as well as investments in numerous medical therapies, technologies for increasing crop yields, and renewable fuels. In all of these fields the United States is now the unquestioned world's leader. This Court has an opportunity to make sure the United States maintains its leadership in computer-implemented technology as well, by ensuring that no rigid rule stifles innovation by limiting patentability in that field.

2. Other countries have developed *flexible solutions for considering*

patent eligibility of computer-implemented inventions.

This Court may find some useful analogies in the solutions that the other major patent systems around the world have used in their approach to the issue of subject matter eligibility of computer-implemented inventions. Like the United States, the European Patent Convention has a broad general statute for subject matter eligibility: "European patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application." European Patent Convention of 1973, as amended, Art. 52, paragraph (1), *available at* http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf (the "EPC"). But Article 52 paragraph 2 of the EPC expressly excludes certain things which "shall not be regarded as inventions," including "discoveries, scientific theories and mathematical theories," and "schemes, rules and methods for performing mental acts, playing games or doing business, and *programs for computers*" (emphasis supplied). Article 52, paragraph 3 of the EPC modifies the express exclusions of paragraph 2 somewhat, stating that "Paragraph 2 shall exclude the patentability of the subject-matter or activities referred to therein only to the extent to which a European patent application or European patent

relates to such subject-matter or activities *as such*" (emphasis supplied).

The use of the term "as such" in paragraph 3 has been interpreted to allow computer programs to be eligible subject matter for patents within the meaning of Article 52, paragraph (1) if the claimed invention "goes beyond the 'normal' physical interactions between the program (software) and the computer (hardware) on which it is run." Case T-1173/97, Computer Program Product/IBM, 1999 O.J. EPO 609, *available at* http://www.epo.org/law-practice/case-law-appeals/recent/t971173ex1.html.

According to the practice in Europe, an "invention" within the meaning of Article 52 paragraph 1 must have a "technical character." With respect to computer-implemented inventions, case law of the European Patent Office Boards of Appeal has gradually established several avenues for claimed inventions to meet the "technical character" requirement. A claimed invention can lie in the underlying problem, in the means (technical features) forming the solution to the underlying problem, in the effects achieved by solving the problem, or can be present if technical considerations (or technical knowledge) are required in order to realize a computer program. Case T-0468/03, Clipboard formats V/Microsoft, EPO (2006) (unreported), available at http://www.epo.org/law-practice/case-law-appeals/recent/t030468eu1.html (a method implemented in a computer system (e.g.

having a memory) has "technical character" and is thus an invention); Case T-0258/03, Auction Method/Hitachi, EPO (2004) (unreported), *available at* http://www.epo.org/law-practice/case-law-appeals/recent/t030258ep1.html (a method involving technical means is an invention within the meaning of Article 52, paragraph 1). Thus any claim for a computer-implemented invention that incorporates technical means in the claims, even if the technical means are commonly known, would likely be patentable subject matter in Europe if it is claimed in the form of an apparatus, a method, a program or a computer-readable storage medium.

During patent examination, as a preliminary step, the European Patent Office first assesses the claimed subject matter to determine whether there is the required technical character.[11] If so, the European Patent Office moves on to examine patentability under the other criteria of paragraph (1) of Article 52, whether the claimed invention is "new" and involves an "inventive step" (i.e., would the claimed invention have been non-obvious). The "inventive step" analysis for computer-implemented inventions also includes a "technical contribution" analysis. If the European Patent Office concludes that a computer-implemented invention does indeed

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[11] This is what has sometimes been called a "coarse filter" or first filter for subject matter eligibility, before the finer filter for "technical contribution" is applied.

demonstrate a "technical contribution," it is then deemed to be patentable.

Under this approach, the European Patent Office has clarified the law of patentability for computer-implemented inventions. The issue of which categories of computer-implemented inventions will be eligible for patent protection is generally clear, and the focus of the European Patent Office and the courts has shifted to examining these sorts of inventions for their "technical contribution," rather than whether they are eligible for patent protection in the first instance.

Canada, like the United States, has a statute that defines patent eligible subject matter very broadly: "Invention' means any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, manufacture or composition of matter." Canadian Patent Act, R.S.C. 1985, c. P-4. And, as in the United States, this statute has historically been interpreted expansively, except that the Section 27 (8) of the Canadian patent statute expressly provides that "No patent shall be granted for any mere scientific principle or abstract theorem."

The issue of subject matter eligibility of computer-implemented inventions was most recently explicitly considered by Canada's Federal Court of Appeal in *Canada (Attorney General) v.*

Amazon.com, Inc., 2011 F.C.A. 328 (2011) (Can.). In that decision, the Federal Court of Appeal[12] endorsed the trial court decision holding that there is no stand-alone requirement for an invention to be scientific or technological in nature in order to be eligible subject matter. *Id.* at para. 56-58. Nor did the Federal Court of Appeal recognize any Canadian jurisprudence which stated conclusively that business methods cannot be patentable subject matter. *Id.* at paras. 59-63. And inventions relating to software and business methods, depending on the construction of the claimed inventions, may qualify as an "art" or "process" in the enumerated classes of inventions. *Id.* at para. 50. However, to determine whether or not such an invention qualifies as an "art" or "process," the court adopted the three-part test articulated by the Supreme Court of Canada in *Shell Oil Co. v. Commissioner of Patents*, 2 S.C.R. 536 (1982) (Can.):

> " .... i) it must not be a disembodied idea but have a method of practical application; ii) it

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[12] The Federal Court of Appeal is the intermediate appellate court. It has jurisdiction over appeals from the Federal Court, which has exclusive jurisdiction to hear and determine appeals from decisions of the Commissioner of Patents. The trial decision in the *Amazon.com* case resulted from an appeal of a Commissioner's decision. Decisions of the Federal Court and the Federal Court of Appeal are binding on the Canadian Patent Office. Decisions of the Federal Court of Appeal are subject to review by the Supreme Court of Canada.

> must be a new and inventive method of applying skill and knowledge; and iii) it must have a commercially useful result."

Id. at paras. 50-51.

The Federal Court of Appeal additionally held that "patentable subject matter must be something with physical existence, or something that manifests a discernible effect or change." *Amazon.com, Inc.*, 2011 F.C.A. 328 at para. 66. Thus in Canada, which has a statutory definition for patent-eligible subject matter that is very similar to that of the United States, the Federal Court of Appeal has concluded that it will require that a computer-implemented invention must either be something with physical existence, or something that manifests a discernible effect or change. In other words, the Canadian Federal Court of Appeal was articulating a test that is a somewhat more flexible version of the "machine or transformation" test advocated by the Federal Circuit before this Court's *Bilski* decision (but which does not seem to require a physical transformation or change, but rather just a "discernible effect or change"). Therefore Canada, like the European Patent Office, has attempted to accommodate computer-implemented inventions through a flexible standard for subject matter patentability.

Even the Japanese patent law, which is probably the least similar to the United States law, has evolved to allow flexibility in its interpretation

to accommodate computer-implemented inventions. The Japanese patent statute defines statutory subject matter as the "highly advanced creation of *technical ideas* by which a *law of nature* is utilized." Tokkyohō [Patent Act], Law No. 121 of 1959, art. 2, para. 1 (Japan) (emphasis supplied). With respect to software related inventions, the Japan Patent Office interprets this to mean that if information processing by software is realized in a "concrete manner" using computer hardware resources and is claimed as such, then such a software-related invention is considered to be eligible subject matter. *See e.g.,* Japan Patent Office, Examination Guidelines for Patent and Utility Model in Japan, pt. 7, ch. 1 (Computer Software-Related Inventions), Sec. 2.2.2 at p. 11 (2013), *available at* http://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/1312-002_e.htm. Further, for computer-implemented business methods, which themselves are not technical ideas, but rather economic ideas, patentability requires the business method to include a "technical" aspect, which the Japan Patent Office has interpreted to mean the business method must use computer hardware that provides "concrete means" in cooperation with software steps to implement the invention. *Id.* at Sec. 1.1 at 2-3; exs. 5-7 at 5-6. In other words, so long as it is explicitly made clear in a claim that a computer-implemented invention processes information by software in cooperation with hardware resources, or a business method is implemented as software steps that utilize, as claimed, hardware resources in a specific

manner, a computer-implemented invention will be considered patent eligible subject matter in Japan. Notably, the Japanese patent claim drafting guidelines advise that "human intervention," such as an operator inputting an instruction to a computer, be clearly excluded from every step in a claim, in order to make the claimed inventions clear that it is hardware resources that are being used as the means for "concrete realization" of the invention. *Id.* at Sec. 2.2.2; exs. at 27-50.

V. CONCLUSION

The Federal Circuit's conflicting opinions concerning the patent-eligibility of computer-implemented inventions have sown confusion in the technology industry, domestically and abroad. The AIPPI, the world's leading international non-government organization for research into, and formulation of policy for, the law relating to the protection of intellectual property, respectfully encourages this Court to reaffirm the breadth of Section 101, and encourages this Court to use the opportunity presented by this case to set forth a flexible test that will allow for broad patent eligibility of computer-implemented inventions, and thus foster innovation in undeveloped, nascent, and yet to be discovered computer-implemented technologies, software, and business methods that are implemented using a computer.

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APPENDIX

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APPENDIX

AIPPI Resolution Question 133
Patenting of Computer Software

Yearbook 1997/III, pages 299 - 303
Q133
Executive Committee of Vienna, April 18 - 22, 1997

Question Q133
Patenting of computer software

Resolution

AIPPI
considering its previous positions and resolutions adopted since 1974 recognising the need to protect creations embodied in computer software in general;
considering that copyright protection for computer software was initially recommended by AIPPI due to such type of protection being immediate and able to take benefit from already existing international conventions;

considering that copyright protection has been recognised by AIPPI as being inadequate as a sole system for protecting computer software;

considering the increasing technical and economic importance of computer software and the fact that effective protection for computer software developers is critical;

considering that the TRIPS Agreement requires patent protection without restriction for any inventions in all areas of technology; and

considering the **reasons** appended to this resolution, Resolves that:

1. As a question of principle clearly reflected in the TRIPS Agreement and taking into account other reasons of a legal, economic and practical nature, patents should be granted without discrimination in all areas of technology, including that of computer software, such as programmes.

2. Computer software should be considered patentable provided that the claimed subject matter meets the traditional patentability requirements of novelty, inventive step (non-obviousness) and utility or industrial applicability.

3. The technical character of computer software should be generally acknowledged and its industrial applicability should be construed in

a broad manner so as to embrace the concept of enabling a useful practical result.

4. In spite of increasingly liberal interpretations by the national and regional Patent Offices and Courts, modifications in many national and regional laws regarding patents are recommended to provide or ensure adequate patent protection for computer software; this including the abolition of any limitations in the laws or treaties relating to industrial property, as well as to promote legal certainty.

5. All computer software meeting the patentability requirements should be considered patentable in the same manner and with equality of treatment with no distinction being drawn between the different types of software.

6. Patent protection and copyright protection for computer software are of a different nature and relate to different aspects of the software. They may co-exist notwithstanding their different terms of protection.

7. Computer software should be inherently patentable in any medium in which it can be commercialised.

8. The establishment of special rules for different technologies is undesirable in general with respect to the presentation of the specification (description) and the drafting of the claims and the same principle should apply to patents relating to computer software, it being as usual the responsibility of the applicant to ensure that he meets the relevant national or international requirements. Moreover, special rules should not be encouraged as a solution to other problems, such as the difficulty to effect prior art searches. In this respect, AIPPI encourages all efforts by Patent Offices and all other interested parties to make prior art searches more reliable in the area of software without resorting to the adoption of special rules that could impose undue or unnecessary burden on patent applicants.

9. The concept of inventive step or non-obviousness should be applicable to the patentability of computer software, notwithstanding any practical difficulties that may exist.

10. The exercise of patent rights in the case of computer software is no different in principle from that in the case of other types of invention.

Reasons:

A) Principle of patentability

Independently of the terms of any specific national legislation, there is no doubt that the creation of computer software is of considerable technical complexity. In principle, therefore, there is no reason to deny patent protection to inventions in the area of computer software. Such a position is integrally in accordance with Article 27 of the TRIPS Agreement.

The creation of computer software is basically as lengthy and expensive a process as the software is simple to copy. A literal copy may be prohibited under copyright. However, the functional concept behind a given software may be copied without such an evident infringement of the copyright. Functional concepts translated into products or processes are the proper subject matter of patents and an efficient system of protection is highly desirable in order to protect investment and to encourage development in this particular technical area.

To exclude computer software from patent protection would be arbitrary and discriminative with respect to a technology of ever increasing importance and which merits concrete protection. In addition the dividing line between hardware and software is becoming increasingly blurred and it is

discriminative to consider one patentable and the other not.

B) Conditions of patentability

If software is to be patentable, it is most appropriate that the same conditions apply as they do for other types of invention. Apart from novelty and inventive step (or non-obviousness), the law in most jurisdictions requires patentable inventions to have a technical character or technical applicability. Software can take many types of form, may be machine-integrated or not and new types of software will certainly appear with new technological development. It is therefore not appropriate to distinguish between the different types which should all be treated on an equal footing, the question of patentability depending on the invention meeting the traditional requirements.

With respect to technical or industrial character or applicability, basically all computer software is technical in nature and this alone should meet this requirement. However, it is important that some useful practical result be obtained. Moreover, the difference between a technical result and, for example an aesthetic result is not pertinent to the generally technical nature of the software in itself. In considering the patentability of any given software, therefore, any legal requirement regarding technical character should be construed broadly so

as to embrace the concept of obtaining a useful practical result.

It should also be observed that the requirement of technical nature is open to many interpretations, as has been demonstrated by the many decisions on the matter. It is recommended that there only be a requirement for inventions to enable a useful practical result.

C) Legal Certainty and changes in legislation

The tendency of the courts in many countries that require inventions to have a technical character, including the European Patent Office, has become progressively less strict in construing the requirement as applied to software related inventions.

The laws of a large number of countries contain prohibitions to the patenting of software "per se". This is contrary to the TRIPS Agreement, contrary to the position given above and it is not useful.

Alterations in the relevant national and regional legislations, removing the software "per se" prohibition and eliminating the technical character requirement are therefore recommended to ensure the universal recognition of the patentability of computer software and to provide legal certainty.

It is emphasised that the removal of the software "per se" prohibition does not mean that all software is patentable. It only means that the mere fact that a claimed invention relates to software "per se" should not be a reason in itself for rejection. Naturally, it must fulfil the normal requirements of patentability,

D) The co-existence of patent and copyright protection

In spite of the difficulties that may arise

- in attempting to draw a line of demarcation between the aspects of computer software that can be protected under copyright and by means of a patent;

- with regard to the differences there may be between the proprietary rights under copyright and patent law; and

- with regard to the different durations of copyright and patent protection, especially with regard to problems that may arise in determining which aspects of the computer software cease to be protected when the patent rights expire,

there appears to be no decisive reason against the co-existence of patent and copyright protection. The

apparent problem appears to be analogous to the difference between patents and models or registered designs which have historically existed side by side. Similarly, there appears to be no overriding reason why the expiry of a patent relating to software should have any effect on the protection under copyright that may continue to be in force.

E) Purely abstract data handling operations

The fact that a computer software invention involves merely abstract data handling operations should not exclude it from patentability, provided that it enables a useful practical result.

F) Software in machine-readable form

Considering that software in combination with a known general purpose computer may be patentable when a useful practical result is obtained, and furthermore that it is the software itself that represents the true technical and economic importance of the creation, it is arbitrary to consider the product that is commercialised to be excluded from protection. It would be the same thing as to say that a novel nut can only be patented when claimed in combination with its bolt or that a spark plug can only be claimed in combination with an internal combustion engine. Consequently, it is reasonable to consider computer software to be inherently patentable in any medium in which it can

be commercialised, provided that it is novel and inventive and, furthermore, that when used appropriately, i.e. in combination with a computer, it produces a useful practical result.

G) The specification (description) and claims

It is a basic position of AIPPI that specific rules or norms for the drafting or presentation of the specification or claims of patents should be avoided wherever possible. There would appear to be no convincing reason for this to be different with respect to software inventions. The applicant for a patent should have the choice of presenting and claiming his invention as he thinks fit. Whether a patent does or does not meet the requirements of disclosure and patentability will always arise in the case of any technology and each applicant has to assume the responsibility of deciding how he meets the requirements. The meeting of very specific rules could well be an undue, unnecessary and possibly expensive burden on the applicant.

The only plausible reason for special rules for the presentation of the specification appears to be to facilitate prior art searches. However, this would not appear to justify the burden or the lack of liberty imposed on the applicant.

At the same time, AIPPI encourages Patent Offices and other interested parties to continue to make all

efforts to devise manners, such as the development of classification systems and data-bases, to facilitate prior art searching.

H) The exercise of computer software patent rights

Notwithstanding the difficulties that may arise in the exercise of rights, in particular the questions of territoriality in the case of computer software used in international communications networks, no convincing reason has been found in principle for the exercise of software patent rights to be different from the exercise of patent rights in any other technical field. Exceptions to rights, such as with respect to interoperability (e.g. the communication between one software and another) are not approved, without prejudice to parallel laws or regulations that may already exist in other areas, including those relating to commercialisation, anti-trust and others.

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AIPPI Resolution Question 158
Patentability of Business Method[s]

Yearbook 2001/II, pages 243 - 244
Q158
38th Congress of Melbourne, March 23 - 30, 2001

Question Q158
Patentability of Business Methods

Resolution

AIPPI

Considering that:

(a) The patent system is designed to compensate fairly research as well as the creation of new inventions.

(b) The right to protect inventions arising out of economic activities is guaranteed by article 1 of the Paris Convention.

(c) Pursuant to article 27 of the TRIPS treaty, a patent may be obtained for any invention in all fields of technology.

(d) The question of protection of business methods has been raised due to the

widespread use of computers and the development of software.

(e) During the 1997 meeting of the Executive Committee held in Vienna, which considered Question 133 "The Patentability of Computer Software" the AIPPI formally declared it was in favour of patent protection of computer software.

And whereas:

(f) Since its origins, patent law has progressively adapted to new subject matter,

(g) Problems resulting from this expansion have nevertheless been resolved without the necessity of substantially modifying the criteria for the granting of patents,

(h) Creations of a purely abstract nature are generally excluded from the scope of protection of patents,

(i) In several legal systems, inventions, in order to be protected by patents, must not only be useful but must also possess a technical content,

(j) The TRIPS treaty has not specified how it intends the term "fields of technology" appearing in article 27 to be defined with

respect to the definition of patentable subject matter,

(k) The expansion of patentable subject matter, which has not yet been considered by different national laws may raise practical problems, particularly with respect to procedures and rules of examination before patent offices.

Adopts the following resolution:

1 Inventions including methods used in all fields of industrial, commercial and financial activities, herein referred to for purposes of simplification as "business methods", should be entitled to patent protection provided that the invention as defined in the claims has a technical content,

2 If such an invention as a whole has a technical content, that should be sufficient for patentability even though the point of novelty and inventive step (non-obviousness) does not lie in the technical content.

3 Further, the protection of such inventions by patents should be assessed or based upon the same criteria as other inventions, and no new or special criteria should be applied,

4 The assessment of inventive step for such inventions should be made on a case-by-case

basis and even known methods may, if their application to a new field is inventive, be granted patent protection.

5 Merely transforming a known method into software form does not give rise to a presumption that such an invention has an inventive step.

6 Patents for business methods should be treated in the same way as patents in other fields. In particular:

a. The scope of protection granted by patents with respect to business methods should be the same as the protection granted to other inventions.

b. Where evidentiary methods allow for a reversal of the burden of proof, this should be available for business method patents as well.

c. The term for such patents should be the same as for patents in other fields.

d. The remedies for infringement of such patents, such as damages and injunctions, should be the same as for patents in other fields.

7 In the granting of such patents, AIPPI encourages the improvement of search and examination procedures by patent offices, particularly by the creation of databases in connection with prior art.

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