No. 18-1199

IN THE

Supreme Court of the United States

INVESTPIC, LLC,

Petitioner,

v.

SAP AMERICA, INC.,

Respondent.

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

BRIEF OF *AMICUS CURIAE* EAGLE FORUM EDUCATION & LEGAL DEFENSE FUND IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

An invention is patentable if it satisfies statutory criteria in the Patent Act and is not a judicially-excluded natural phenomenon, law of nature, or abstract idea. These judicial exceptions to statutory patent eligibility arise from this Court's concern, since 1853, that allowing preemptive patents would inhibit innovation. Accordingly, patents claiming abstract ideas are patent-eligible only if those claims include an inventive concept that offers "something more" than the abstract idea. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 217 (2014).

The Federal Circuit has added a new requirement, not found in this Court's precedent, that the claimed inventive concept must occur in the "physical realm." The Federal Circuit held below that a process is "abstract" because the process, which must be performed by a computer, does not occur in the "physical realm." The Federal Circuit therefore held the process patent-ineligible, despite finding that the process was inventive, novel, and nonobvious under the Patent Act in previous proceedings.

The question presented is:

Does the Federal Circuit's "physical realm" test contravene the Patent Act and this Court's precedent by categorically excluding otherwise patentable processes from patent eligibility?

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INTERESTS OF *AMICUS CURIAE*[1]

Founded in 1981 by Phyllis Schlafly, *Amicus Curiae* Eagle Forum Education & Legal Defense Fund ("Eagle Forum ELDF") has consistently advocated for the patent rights of small inventors, and has filed multiple *amicus curiae* briefs in defense of these rights.

Faced with an increasingly competitive world of inexpensive labor in other countries, the prosperity

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[1] No counsel for a party authored this brief in whole or in part. No person or entity other than *Amicus*, its members, or its counsel made a monetary contribution to the preparation or submission of this brief. *Amicus* files this brief after providing the requisite ten-day prior written notice to all counsel of record, who have filed blanket consent for the submission of this and other *amicus* briefs. *See* S. Ct. R. 37.2(a).

and economic opportunity in our Nation depends heavily on our patent system to encourage innovation. Eagle Forum ELDF urges this Court not to limit patentability to 19th and 20th century technology, but to foster inventiveness unlimited by archaic constraints of what is physical or tangible.

Eagle Forum ELDF submitted an *amicus* brief in support of patent rights in *Bilski v. Kappos*, 561 U.S. 593 (2010), and in multiple patent cases since then. Phyllis Schlafly was a tireless defender of small inventors, and her writings on this issue have been published in "Patents & Inventions."[2] Her book was dedicated in part to John G. Trump, an MIT professor and inventor who received the National Medal of Science from President Ronald Reagan in 1983.

For all these reasons, EFELDF has direct and vital interests in the patent issue before this Court concerning whether subject matter must be in the "physical realm" to be patent eligible.

SUMMARY OF ARGUMENT

There is no statutory "physical realm" requirement for patent eligibility. Nor should the judiciary impose one. Property value in the Information Age is not merely a function of what is tangible or physical. Information itself is abstract, and innovative ways of manipulating information are likewise abstract and intangible. It was a fundamental error of national significance for the Federal Circuit to require anachronistically that an invention be in the physical realm in order to be patentable.

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[2] Phyllis Schlafly, "Patents and Inventions" (Skellig America: 2018).

The Federal Circuit sweeps away many important future inventions in the Information Age by declaring them to be unpatentable, no matter how innovative. The lower court held as follows:

> ***No matter how much of an advance in the finance field the claims recite***, the advance lies entirely in the realm of abstract ideas, with no plausibly alleged innovation in the non-abstract application realm. An advance of that nature is ineligible for patenting. … [T]he focus of the claims is not a ***physical-realm improvement*** but an improvement in wholly abstract ideas—the selection and mathematical analysis of information, followed by reporting or display of the results.

SAP Am., Inc. v. InvestPic, LLC, 890 F.3d 1016, 1018, 1022 (Fed. Cir. 2018) (emphasis added). But marvelous advances are to be encouraged by the patent system, whether in the physical realm or not, and otherwise patentable subject matter is not to be disqualified merely for not being physical.

In between the physical realm and genuinely abstract ideas is a vast domain of subject matter that should be patentable, including complex algorithms, software, computer operating systems, clever business processes, website innovations, e-commerce inventions, medical diagnostic techniques, data compression, error detection, signal processing. *See Bilski*, 561 U.S. at 605. All this should remain patentable subject matter to continue the beneficial incentives for attaining ongoing prosperity in a Nation that cannot compete with the rest of the world based on wages alone.

As this Court emphasized in *Bilski*, limiting patents to "inventions grounded in a physical or other tangible form" may have made more sense in the Industrial Age. *Id.* at 605. Property law has advanced beyond the primitive distinctions between the tangible and intangible which existed when Charles Dickens was writing novels. The most valuable property today is not what can be touched or held, but rather is intellectual property. This property includes abstract words, software, and internet search algorithms far afield from any "physical realm." The arbitrary physical distinction for patentability harkens back to an era of inferior prosperity and shorter lifespan. Courts should not create law more archaic than what Congress enacted.

The erroneous "physical realm" test is spreading among courts which welcome simplistic ways to reject patents. Not every innovation is patent eligible, but the test cannot rationally hinge whether an invention lies in the so-called physical realm. Such a primitive approach to intellectual property contravenes the very incentives that the patent statute exists to promote.

The decision below erred on a matter of significance to our national prosperity, and the Petition should be granted.

ARGUMENT

I. THE JUDGE-MADE "PHYSICAL REALM" TEST CONTRAVENES THIS COURT'S TEACHING IN *BILSKI*, WHICH STANDS AGAINST SUCH AN AUTOMATIC LIMITATION ON PATENTABILITY.

Reminiscent of the *Bilski* litigation, the Federal Circuit has created a new, non-statutory bar to

patentability. Just as this Court granted *certiorari* in *Bilski* to clarify what is patentable subject matter, this Court should grant the Petition here to reverse a bright line test for patent eligibility that mistakenly depends on the physical realm.

In *Bilski* the Federal Circuit relied on and affirmed a machine-or-transformation test to patentability, and on appeal this Court declined to adopt that test as follows:

> The machine-or-transformation test may well provide a sufficient basis for evaluating processes similar to those in the Industrial Age – for example, inventions grounded in a physical or other tangible form. But there are reasons to doubt whether the test should be the sole criterion for determining the patentability of inventions in the Information Age. As numerous *amicus* briefs argue, ***the machine-or-transformation test would create uncertainty as to the patentability of software, advanced diagnostic medicine techniques, and inventions based on linear programming, data compression, and the manipulation of digital signals***.

Bilski v. Kappos, 561 U.S. 593, 605 (2010) (emphasis added).

The "physical realm" test created by the Federal Circuit appears to be a resurrection of the "machine-or-transformation" test rejected by this Court in *Bilski*. Both require something tangible or concrete in an invention before allowing its patentability. But these approaches overlook the increasingly abstract nature of 21st century inventions, which the Federal

Circuit should be encouraging rather than declaring to be non-patentable.

The ruling below – on which other lower court rulings have relied – departs from the teachings by this Court in *Alice Corp. Pty Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1296-97 (2012). Neither countenanced rejecting patentability based on a threshold physical-realm test.

While both *Alice* and *Mayo* rejected the patent eligibility of the subject matter at issue there, neither support a judge-made physical realm test as a threshold requirement for patentability. As this nearly unanimous Court explained in *Alice*:

> At some level, "all inventions ... embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." Thus, an invention is not rendered ineligible for patent simply because it involves an abstract concept. "[A]pplication[s]" of such concepts ***"'to a new and useful end,'"*** we have said, ***remain eligible for patent protection***. *Gottschalk* v. *Benson*, 409 U.S. 63, 67, 93 S. Ct. 253, 34 L. Ed. 2d 273 (1972).

Alice, 573 U.S. at 217 (citations omitted, emphasis added).

The "new and useful end" for patentability need not be in the physical realm. As technologies rapidly develop and the Information Age advances in sometimes unexpected ways, it is essential for the patent system to encourage useful innovations of many types, regardless of whether they have a direct physical manifestation.

The ruling in *Alice* was expressly based "in particular" on the precedent set in *Bilski*. "It follows from our prior cases, and *Bilski* in particular, that the claims at issue here are directed to an abstract idea." *Alice*, 573 U.S. at 219. *Alice* thereby echoed the longstanding principle that patentability under 35 U.S.C. § 101 contains "an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable." *Id.* at 216 (quotation and citation omitted).

As Congress made clear in Section 101:

> Whoever invents or discovers ***any new and useful process***, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title [35 U.S.C. §§ 1 *et seq.*]

35 U.S.C. § 101 (emphasis added). A "new and useful process" need not be physical under this statute, and neither *Alice* nor *Mayo* created such a requirement.

A vast amount of beneficial innovation today is in the form of improvements in processes, from medical diagnostics to search engines to shipping algorithms. "[A] process is not unpatentable simply because it contains a law of nature or a mathematical algorithm." *Mayo*, 566 U.S. at 71. Yet the misguided "physical realm" test resurrects a threshold requirement to patentability similar to the discredited machine-or-transformation test. The Petition should be granted to clarify that there are no impediments beyond what Congress has expressly required for the patent eligibility of innovation.

II. THE "PHYSICAL REALM" TEST IS ARCHAIC, AND DETERS MODERN INNOVATIONS.

Perhaps a "physical realm" test for patentability would have made more sense in the 19th century when the gun revolver, the light bulb, and the telephone were at the frontiers of human creativity. In the 20th century, the tremendous inventions of transistors and airplanes and lasers would also have fit within a rudimentary "physical realm" requirement as a condition of patent eligibility.

But in the 21st century, "physical realm" is as anachronistic now as horse-and-buggy and carbon paper for typewriters. A large number of new inventions would be tremendously useful but arguably fail the physical realm test. These inventions relate to the processing of communication signals, the arrangement or compression of data in databases, and the manipulation of money. Increasingly prevalent artificial intelligence which helps answer questions is arguably not in the physical realm either. Congress wisely does not require a physical-realm test for an invention to be patent eligible, and the judiciary should not create such an archaic test from the bench.

One of the leading pediatric cancer hospitals – St. Jude's Children's Research Hospital – has been compelled by the hostility to patentability to adopt a strategy of seeking patents overseas rather than in the United States. As recently explained by its Director, Office of Technology Licensing:

> ***Current patent eligibility concerns tend to tip the scales against patenting***. Uncertainty about being able to get a patent and license it ***weighs against pursuing diagnostics and computer-***

> ***implemented inventions—at least in the United States***.
>
> The situation is different outside of the United States, so we have entertained the notion of pursuing some of these inventions outside the United States instead. That is a sea change for us, and for most U.S. academic institutions. ….

Eileen McDermott, "Scott Elmer, St. Jude Children's Research Hospital on the 'Sea Change' in Diagnostics Patent Strategies" (April 8, 2019) (emphasis added).[3]

The horse-and-buggy mindset of the Federal Circuit is contributing to the forces compelling patent applications to be filed overseas rather than here. The Founders would be dismayed at how our patent system, once the envy of the world, has been stuck by judge-made law in the "physical realm" of yesteryear.

CONCLUSION

For the foregoing reasons, the Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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[3] http://www.ipwatchdog.com/2019/04/08/scott-elmer-st-jude-childrens-research-hospital-midst-sea-change-diagnostics-patent-strategies/id=108079/ (viewed April 13, 2019).