

In The  
United States Court of Appeals  
For The Federal Circuit

CLS BANK INTERNATIONAL,

*Plaintiff – Appellee,*

and

CLS SERVICES LTD.,

*Counterclaim-Defendant Appellee*

v.

ALICE CORPORATION PTY. LTD.,

*Defendant – Appellant.*

APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA  
IN CASE NO. 07-CV-0974, JUDGE ROSEMARY M. COLLYER.

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BRIEF OF *AMICUS CURIAE*  
CONEJO VALLEY BAR ASSOCIATION  
IN SUPPORT OF NEITHER PARTY

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*Dated December 7, 2012*

## CERTIFICATE OF INTEREST

Counsel for *amicus* Conejo Valley Bar Association certifies:

1. The full name of every party or *amicus* represented by me is: Conejo Valley Bar Association.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: not applicable.
3. All parent corporations and any publicly held corporations that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are: not applicable.
4. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this Court are: Steven C. Sereboff, Mark A. Goldstein, Jonathan Pearce, M. Kala Sarvaiya, SoCal IP Law Group LLP.

December 7, 2012

  
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**BRIEF OF *AMICUS CURIAE***  
**CONEJO VALLEY BAR ASSOCIATION**  
**IN SUPPORT OF NEITHER PARTY<sup>1</sup>**

**INTEREST OF THE *AMICUS CURIAE***

The Conejo Valley Bar Association hereby submits this amicus curiae brief in the above-captioned case under Federal Rule of Appellate Procedure and Federal Circuit Rule 29. The Court, in order 2011-1301, indicated that other briefs would be entertained without consent and leave of court. Our amicus brief addresses both issues:

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 patent-ineligible idea?
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?

Based in the heart of Southern California’s 101 Technology Corridor, the Conejo Valley Bar Association draws its membership from local law firms and in-house attorneys serving small, mid-market and large

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<sup>1</sup> Pursuant to Federal Rule of Appellate Procedure, Amicus states that no counsel for a party authorized this brief in whole or in part and that no person or entity other than Amicus, its members, and its counsel contributed monetarily to the preparation or submission of this brief. With the consent of the parties, the Conejo Valley Bar Association submits this amicus curiae brief in support of neither party.

companies. Our members' clients are predominantly high tech, high growth companies in fields such as software, biotech, computer networking, telecommunications and semiconductors. Our members' clients are innovators who vend in some of the world's most competitive markets.

When public policies of the patent system are at issue, the Conejo Valley Bar Association regularly participates as *amicus curiae* in cases before the Court and *en banc* panels of the Court of Appeals for the Federal Circuit. We are unconcerned with the outcome of the cases, though decidedly concerned about the issues. We wish to see the American public benefit from innovation, from technical disclosure, and from competition in product and service markets. In short, we support the purpose of the patent system. The Conejo Valley Bar Association believes that the patent laws should be interpreted in ways that best serve these important public policies.

## **INTRODUCTION AND SUMMARY OF ARGUMENT**

The underlying purpose of patent law is to encourage the development of inventions that provide value and benefit for society. The Patent Act makes clear that any new and useful process, machine or article of manufacture is patent-eligible. Whether software is claimed as a method (process), a computer/system (machine) or manufacture (storage medium) is irrelevant. None of these broad categories is "abstract" and, therefore, all are

inherently patent-eligible. As a result, any new test to determine which kinds of software are patentable under § 101 is unnecessary. Unless other sections of the Patent Act prevent a patent's issuance, all software, whether claimed as a process, machine or article of manufacture, is patentable.

Instead, through scrupulous application of other key provisions in the Patent Act, especially 35 U.S.C. §§ 102 (novelty), 103 (obviousness) and 112 (specification), by the Patent and Trademark Office and the courts protects the public from software patents that seek to take too much from society. These other provisions of the Patent Act, not § 101, serve as adequate gatekeepers to restrict patents to new and novel inventions that meet the requirements of all provisions in the Patent Act. In particular, these other provisions of the Patent Act already provide an adequate measure of whether a claimed invention is “abstract” because abstract ideas are inherently in the prior art.

Therefore, if a patent application passes muster under all provisions of the Patent Act, the inventor receives a patent – but only for the “limited times” of the grant mandated by the Constitution and embodied in 35 U.S.C. § 154. Limiting the form of patent-eligible software will reduce the incentive to patent and decrease the number of patentable inventions, causing vital and

important inventions to be lost or otherwise secreted from society contrary to the purpose of patent law.

## ARGUMENT

“The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in ‘Science and the useful Arts.’”<sup>2</sup>

### **I. The Statutory Language of § 101 and the Legislative Intent Support a Broad Interpretation of § 101’s Processes, Machines, Manufactures and Compositions of Matter**

The Constitution grants Congress broad power to legislate to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>3</sup> The Constitution expresses a public policy of promoting innovation. In exchange for innovation, the inventor receives the exclusive right to commercialization of the claimed invention for a limited time.

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<sup>2</sup> *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

<sup>3</sup> *Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980) (citing Art. I, § 8, cl. 8).

Abraham Lincoln stated in his “Second Lecture on Discoveries and Inventions:”

Next came the Patent laws. These began in England in 1624; and, in this country, with the adoption of our constitution. Before then, any man might instantly use what another had invented; so that the inventor had no special advantage from his own invention. The patent system changed this; **secured to the inventor, for a limited time, the exclusive use of his invention; and thereby added the fuel of interest to the fire of genius, in the discovery and production of new and useful things.** (emphasis added)

The Patent Act embodies these ideals by striking a careful balance between competing public and private interests in order to promote innovation. In this regard, the statute promises:

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.<sup>4</sup>

The central inquiry in this case turns on how broadly to construe “*process*,” “*machine*,” and “*manufacture*,” when determining what constitutes patentable subject matter. The Supreme Court in *Bilski v. Kappos*,<sup>5</sup> *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*<sup>6</sup> and in

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<sup>4</sup> 35 U.S.C. § 101 (emphasis added).

<sup>5</sup> *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2009).

<sup>6</sup> *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124 (2001).

*Diamond v. Chakrabarty*<sup>7</sup> recognized that § 101 has broad scope.<sup>8</sup> The Court in *Chakrabarty* stated:

The 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. Broad general language is not necessarily ambiguous when congressional objectives require broad terms.<sup>9</sup>

In the middle of the 19<sup>th</sup> Century, the Court stated: “[A process] is included under the general term ‘useful art.’ An art may require one or more processes or machines to produce a certain result or manufacture.”<sup>10</sup> Many years later, the Court explained: “A process is an act or mode of acting, . . . a conception of the mind, seen only by its effects when being executed or performed.”<sup>11</sup> Though these cases do not address the term “process” in § 101, they demonstrate the historically broad interpretation of § 101.

In addition, the legislative intent calls for a broad interpretation of § 101. In *Chakrabarty*, the Court noted that by choosing expansive terms such as “manufacture,” “compositions of matter” and the comprehensive modifier “any” in § 101, Congress intended that the patent laws would

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<sup>7</sup> *Chakrabarty*, 447 U.S. at 303.

<sup>8</sup> *J.E.M. Ag Supply, Inc.*, 534 U.S. 130-131.

<sup>9</sup> *Chakrabarty*, 447 U.S. at 315.

<sup>10</sup> *Corning v. Burden*, 56 U.S. 252, 267 (1854).

<sup>11</sup> *Tilghman v. Proctor*, 102 U.S. 707, 728 (1881).

receive broad scope.<sup>12</sup> Similarly, Congress' intent in choosing an expansive word such as "process" ensured that § 101 would be construed broadly for processes that could be patented.

Section 100(b) also supports a broad construction of "process." The section states that "process" "means process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material."<sup>13</sup> If Congress intended a narrow interpretation of "process," it could have defined the term with limiting language. However, Congress nowhere expressed such intent. Instead, §§ 100(b) and 101 use expansive language to define "process." Thus, any narrow interpretation of § 101 is contrary to the language of § 101.

Further, the Court in *Chakrabarty* explained that the legislative history also supported a broad construction of the § 101.<sup>14</sup> In particular, the Court stated:

The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject matter as "any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof]." The Act embodied Jefferson's philosophy that "ingenuity should receive a liberal encouragement." Subsequent patent statutes in 1836, 1870, and 1874 employed

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<sup>12</sup> *Chakrabarty*, 447 U.S. at 308.

<sup>13</sup> 35 U.S.C. § 100(b).

<sup>14</sup> *Chakrabarty*, 447 U.S. at 308.

this same broad language. In 1952, when the patent laws were recodified, Congress replaced the word “art” with “process,” but otherwise left Jefferson’s language intact. The 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.”**

Even more recently, the Court declined to impose limitations on the meaning of “process” in 35 U.S.C. § 100(b).<sup>15</sup> The Court also made clear that the machine-or-transformation test was insufficient to act as the sole arbiter of whether a “process” was statutory.<sup>16</sup> Instead, the Court held that “the § 101 patent-eligibility inquiry is only a threshold test.”<sup>17</sup>

Thus, an examination of the patent laws and the legislative intent all indicate that § 101 ensures that any process, machine or manufacture is patentable so long as it withstands the Patent Act’s other requirements.

## **II. The Patent Act Already Limits What Inventions May Be Patented**

Instead of the courts inventing their own restrictions on patentable subject matter through interpretation of § 101, the public policy of promoting innovation is best served by allowing the rest of the Patent Act,

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<sup>15</sup> *Bilski*, 130 S. Ct. at 3128.

<sup>16</sup> *Id.* at 3226.

<sup>17</sup> *Id.* at 3225.

§§ 102, 103 and 112,<sup>18</sup> to provide the only limits on the types of patentable processes.

**a. Inventions Must Be Novel**

Section 102 describes the statutory novelty required for patentability:

A person shall be entitled to a patent unless --  
(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or  
(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country more than one year prior to the date of application for patent in the United States. . .<sup>19</sup>

In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,<sup>20</sup> the Court stated:

Sections 102(a) and (b) operate in tandem to exclude from consideration for patent protection knowledge that is already available to the public. They express a congressional determination that the creation of a monopoly in such information would not only serve no socially useful purpose,

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<sup>18</sup> *Id.* at 3229. (“[Sections 102, 103 and 112] serve a critical role in adjusting the tension, ever present in patent law, between stimulating innovation by protecting inventors and impeding progress by granting patents when not justified by the statutory design.”).

<sup>19</sup> 35 U.S.C. §§ 102(a) and (b); *see also In re Bergstrom*, 427 F.2d 1394, 1401 (C.C.P.A. 1970) (holding “[T]he criteria for determining whether given subject matter is ‘new’ within the meaning of § 101 are no different than the criteria for determining whether that subject matter possesses the ‘novelty’ expressed in the title of § 102.

<sup>20</sup>489 U.S. 141 (1989).

but would in fact injure the public by removing existing knowledge from public use.<sup>21</sup>

Further, in *Pfaff v. Wells Elecs., Inc.*<sup>22</sup> the Court stated:

Consistent with these ends, § 102 of the Patent Act serves as a limiting provision, both excluding ideas that are in the public domain from patent protection and confining the duration of the monopoly to the statutory term.

That is, § 102 ensures that even patentable subject matter under § 101 nonetheless may not deserve patent protection because the subject matter is not “novel” under § 102. Thus, § 102 serves as one constraint that ensures not *all* patent-eligible subject matter receives patent protection.

**b. Inventions Cannot Be Obvious Variations of the Prior Art**

Section 103’s “nonobviousness” requirement further limits patent protection to material that cannot be readily created from publicly available material.<sup>23</sup> Specifically, § 103(a) forbids issuance of a patent when “the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to

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<sup>21</sup> 489 U.S. at 148.

<sup>22</sup> 525 U.S. 55 (1998).

<sup>23</sup> *Bonito Boats* at 150.

which said subject matter pertains.”<sup>24</sup> Thus, § 101 patentable subject matter may not receive patent protection when it is incapable of withstanding the nonobviousness requirements of § 103. In this way the Patent Act provides another necessary limit on the broad term “process” used in § 101.

The Court’s recent decision in *KSR* further protects the public from the over breadth concerns that may arise from construing § 101 patent eligibility broadly:

The principles underlying these cases are instructive when the question is whether a patent claiming the combination of elements of prior art is obvious. When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.<sup>25</sup>

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<sup>24</sup> *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007), quoting 35 U.S.C. § 103.

<sup>25</sup> *Id.* at 417.

As technologies continue to advance, a new threshold will be used to determine whether the innovation is ordinary or nonobvious.<sup>26</sup> Specifically, the Court stated:

We build and create by bringing to the tangible and palpable reality around us new works based on instinct, simple logic, ordinary inferences, extraordinary ideas, and sometimes even genius. These advances, once part of our shared knowledge, define a new threshold from which innovation starts once more. And as progress beginning from higher levels of achievement is expected in the normal course, the results of ordinary innovation are not the subject of exclusive rights under the patent laws. Were it otherwise patents might stifle, rather than promote, the progress of useful arts. See U.S. Const., Art. I, § 8, cl. 8. These premises led to the bar on patents claiming obvious subject matter established in *Hotchkiss* and codified in § 103. **Application of the bar must not be confined within a test or formulation too constrained to serve its purpose.**<sup>27</sup>

As the Court recognized in *KSR*, imposing constraints risks not achieving their purpose. Just as the “teaching, suggestion, motivation” (TSM) test for nonobviousness is too constraining, a narrow interpretation of § 101 also will be too constraining when deciding what constitutes patentable subject matter.

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<sup>26</sup> *Id.* at 427.

<sup>27</sup> *Id.* (emphasis added).

**c. The Patent Act Requires Full Disclosure of the Invention**

Section 112 limits patents to those which provide full disclosure of the invention:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.<sup>28</sup>

Thus, through § 112, Congress limited patent protection to those patents having a clear and complete description of the invention. The patent must provide enough description to enable others to make and use the invention. And the patent must disclose the best mode of carrying out the invention. These requirements ensure that patentees do not receive overly broad scope in patent protection. Instead, patentees receive protection only for what they really invented. Consequently, the public receives a full and fair disclosure in exchange. Therefore, *any* process, machine, article of manufacture or composition of matter may constitute patentable subject matter, but it will receive patent protection only if it meets all other requirements of the Patent Act, including §§ 102, 103 and 112.

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<sup>28</sup> 35 U.S.C. § 112, ¶ 1.

#### d. Inventions Must Be Useful

In *Brenner v. Manson*,<sup>29</sup> the Court explained:

The basic *quid pro quo* contemplated by the Constitution and the Congress for granting a patent monopoly is the benefit derived by the public from an invention with substantial utility. Unless and until a process is refined and developed to this point - where specific benefit exists in currently available form - there is insufficient justification for permitting an applicant to engross what may prove to be a broad field.<sup>30</sup>

Section 101 explicitly limits patent protection to inventions with utility by requiring, “Whoever invents or discovers any new and *useful* process, machine [or] manufacture “ should be entitled to patent protection.<sup>31</sup> As such, § 101 does not allow all inventions to receive patent protection – only those that provide some *utility*. The Court in *Brenner* recognized that allowing inventors to receive a patent on a process that has no utility would enable inventors to obtain a hunting license.<sup>32</sup> That is, it would reward them merely for searching for some invention, regardless of whether the invention provided any benefit to the public.<sup>33</sup> This utility requirement is another constraint on patentable subject that is built into § 101.

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<sup>29</sup> *Brenner v. Manson*, 383 U.S. 519 (1966).

<sup>30</sup> *Id.* at 534-35.

<sup>31</sup> 35 U.S.C. § 101

<sup>32</sup> *Brenner*, 383 U.S. at 534-35.

<sup>33</sup> *Id.*

### **III. The Twenty Year Term is an Absolute Limit on Any Patent that Overcomes the Hurdles of Novelty, Nonobviousness and Disclosure**

Patents are not diamonds: they do not last forever. In time, patents expire. Through the simple mechanism of expiration, the framers in the Constitution and Congress in the Patent Act provided absolute limits on what is patented. Under § 154, most patents expire twenty years after the inventor first applied for patent protection. Thus, even if an invention passes the novelty, nonobviousness and usefulness tests, and the patent specification satisfies the disclosure requirements, no matter how big or small the invention, the patent will expire.

The PTO's published statistics demonstrate that examination of applications for patents in some areas of technology take longer than applications in other areas. Congress and the PTO through resource allocation have in effect controlled the patent term of different types of inventions. The time from filing of a patent application to its grant for business methods is the longest. Pendency grows for many different reasons. The PTO's own backlog leads to deferral of the start of examination on many patent applications. PTO procedures requiring several patent examiners to review allowance of patents in some fields has also delayed the grant of patents and limited the scope of their claims. Although informal,

these procedures suppress some types of patents and, at times, have been particularly effective against software-related applications. This is long-standing practice, and one that Congress can control. Court intervention is unnecessary.

#### **IV. Limiting the Kinds of Patentable Processes Can Only Be Overreaching Judicial Legislation**

Any tests by the judiciary to limit processes deemed patentable are directly contrary to the language and intent of the Patent Act. The Patent Act says what it means and means what it says when it states that a patent may be obtained for “**any** new and useful process, machine, article of manufacture or composition of matter.”

The Patent Act does not recite that only chemical processes or machine-based may be patented and the Act does not recite that business methods and software may not be patented. It simply recites that “**any** new and useful process, machine, article of manufacture or composition of matter” may be patented.

Nothing in the Patent Act or its history hints that the kinds of inventions that are patentable subject matter should be less than “any.”

Reading limitations that Congress did not intend into the statute risks stifling instead of encouraging innovation. Inventors and investors need encouragement to invest in research and innovation. They should know their

successful research and innovation will be rewarded. Limiting the ways in which an inventor can claim software and software-related inventions hinders inventors from passionately pursuing their ideas since there would be no reward for investing time, capital, resources and effort in pursuing their innovative ideas.

The Patent Act reflects a balance created by Congress between public and private interests, one which this Court has been loath to alter.<sup>34</sup> By excluding software inventions from patentability or by requiring that such inventions be claimed in specific forms, companies will be forced to maintain more valuable knowledge in secrecy. This will decrease the pool of prior art and will create little incentive for inventors to disclose their inventions. The underlying Constitutional purpose of the patent system and Congress' balances will be upset. "Calibrating rational economic incentives, however, like fashioning new rules in light of new technology is a task primarily for Congress not the courts."<sup>35</sup>

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<sup>34</sup> See *Stewart v. Abend*, 495 U.S. 207, 230 (1990) ("[I]t is not our role to alter the delicate balance Congress has labored to achieve").

<sup>35</sup> *Eldred v. Ashcroft*, 537 U.S. 186, 207 (2003).

It is within the purview of Congress to change what constitutes patentable subject matter.<sup>36</sup> This is not a judicial task.

### CONCLUSION

In sum, a broad interpretation of § 101 is essential to maintain the public policy of promoting innovation. If an invention passes the tests Congress established in §§ 102, 103 and 112, it is patentable. The Patent Act neither expresses nor mandates any further test. “[T]he applicant whose invention satisfies the requirements of novelty, nonobviousness, and utility, and who is willing to reveal to the public the substance of his discovery and ‘the best mode . . . of carrying out his invention,’ is granted ‘the right to exclude others from making, using, or selling the invention throughout the United States’ for a limited time.”<sup>37</sup> Accordingly, the public policy of promoting innovation is best served by maintaining the entire breadth of § 101 intended by Congress. Let §§ 102, 103, and 112 remain the primary limitations on patentable subject matter.

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<sup>36</sup> In addressing changes to the Copyright Act, the Court reached the same conclusion: “The [Copyright Term Extension Act] reflects judgments of a kind Congress typically makes, judgments we cannot dismiss as outside the Legislature’s domain.” *Id.* at 205.

<sup>37</sup> *Bonito Boats*, 489 U.S. at 150 (citation omitted).

For the foregoing reasons, we, the Conejo Valley Bar Association, urge the Court to not establish any new test for determining whether software is “abstract” and further to place no additional limit on the form in which software may be claimed, except those already expressed in the Patent Act.

Respectfully submitted,

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Two handwritten signatures in blue ink are positioned above a horizontal line. The first signature is a stylized 'S' and 'C' for Steven C. Sereboff, and the second is a stylized 'M' and 'A' for Mark A. Goldstein.

December 7, 2012

## CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 7th day of December, 2012, two bound copies of the Brief of Amicus Curiae were served, via UPS Ground Transportation, to the following:

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I further certify that on this 7th day of December, 2012, the required number of bound copies of the Brief of Amicus Curiae were hand-filed at the Office of the Clerk, United States Court of Appeals for the Federal Circuit.

The necessary filing and service were performed in accordance with the instructions given me by counsel in this case.



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