No. 13-298

In The Supreme Court of the United States

ALICE CORPORATION PTY. LTD.,

Petitioner,

v.

CLS BANK INTERNATIONAL, ET AL.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF *AMICUS CURIAE* GIBBONS INSTITUTE OF LAW, SCIENCE AND TECHNOLOGY IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page

CASES

CONSTITUTIONAL PROVISIONS

OTHER AUTHORITIES

TABLE OF AUTHORITIES – Continued

TABLE OF AUTHORITIES – Continued

Page

STATEMENT OF INTEREST OF *AMICUS CURIAE*[1]

Amicus Curiae Gibbons Institute of Law, Science & Technology is an academic center at Seton Hall University Law School. The Institute provides a forum for lawyers, judges, scientists, and government officials to discuss the legal, political and social problems that will continue to arise as scientific and technological changes challenge our existing laws and legal institutions. The Institute is directed by Seton Hall Law School intellectual property faculty and is led by an Advisory Board consisting of intellectual property attorneys working in the pharmaceutical, biotechnology, computer, telecommunications, and medical device industries, as well as intellectual property attorneys in private practice. The Institute is interested in promoting sound intellectual property policy in order to maximize the creation and diffusion of new technologies.

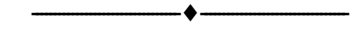
[1] No party or counsel for a party authored or contributed monetarily to the preparation or submission of any portion of this brief. The parties have filed blanket waivers consenting to the filing of this brief, and have agreed to waive their rights to receive notice of the Institute's intention to file this *Amicus Curiae* brief 10 days in advance of filing, as provided under paragraph 2(a) of Sup. Ct. R. 37. Letters reflecting such consent have been filed with the Court.

SUMMARY OF ARGUMENT

The multiplicity of opinions in the Federal Circuit's *en banc* review of this case demonstrate that the current law concerning the patentability of computer-implemented inventions is unsettled. Legal certainty is important if patents are to serve as an incentive to innovation and to innovation disclosure in consonance with Art. I, Sec. 8, Cl. 8 of the U.S. Constitution.

The Court in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) acknowledged that trade secrecy operates to curtail innovation disclosure, but suggested that innovators would not be unduly discouraged from electing to make patent disclosures in lieu of trade secrecy in cases where the innovations are believed to be "clearly patentable." *See*, *e.g.*, *Kewanee Oil*, 416 U.S. at 489-91. The decision whether to disclose innovation by patent or keep them secret necessarily involves some *ex ante* calculation about patentability.

If the basic standard for determining the patentability of computer-implemented inventions remains unsettled, diffusion of associated technologies via patent licensing markets undoubtedly will be disrupted. Moreover, while the standard is unsettled, aggressive patent assertion activities involving computer-implemented inventions of questionable patentability will continue to exact significant and unnecessary economic costs.



ARGUMENT

I. The Multiple Opinions in the Federal Circuit's *CLS Bank* Decision Undermine the Fundamental Principle of Legal Certainty, Which is Particularly Important in Patent Policy

The *Amicus* agrees with Petitioner that this case presents a fundamental and important issue of patent law that warrants this Court's attention. The Petition accurately recounts the confusing and conflicting multiplicity of opinions in the Federal Circuit's *en banc* review of this case. As Petitioner notes, "[t]he Federal Circuit has left no doubt that it is now irreconcilably fractured" concerning the patentability of computer-implemented inventions. Petition, at 3.

It is a basic principle of jurisprudence that if the law is to guide conduct, it must provide some degree of certainty concerning what is prohibited or permitted, encouraged or discouraged. *See* Kelly Casey Mullally, *Legal (Un)Certainty, Legal Process, and Patent Law*, 43 LOY. L.A. L. REV. 1109, 1112 (2010) (stating that "[c]ertainty, in terms of predictability of results, is necessary to view law-making institutions as legitimate sources of authority"). This basic principle is particularly apt in patent law. Patents promote innovation because they reward invention and discovery with an exclusive economic right. That, at least, is the reason the Constitution invested Congress with the power to create a patent statute. *See* U.S. Const. Art. I, Sec. 8, Cl. 8. Patents also promote disclosure of inventions to the public. *See*, *e.g.*,

Brenner v. Manson, 383 U.S. 519, 533-34 (1966) (stating that "one of the purposes of the patent system is to encourage dissemination of information concerning discoveries and inventions"); *Universal Oil Prods. Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944) (stating that "[a]s a reward for inventions and to encourage their disclosure, the United States offers a seventeen-year monopoly to an inventor who refrains from keeping his invention a trade secret."). But the patent system will only work if prospective inventors have some idea about what can be patented. Without some degree of *ex ante* certainty, a patent system will only serve as a barrier to innovation and a drain on the economy.

First, legal certainty is important if the prospect of a patent is to serve as an incentive to innovation. If the basic question of whether a technology represents patentable subject matter remains unsettled, individuals, firms, and investors may hesitate to pour resources into that technology. At the very least, any resources devoted to that technology will be deployed *in spite of* the patent system and not at all *because* of it. In contrast, if it is clear that a technology at least falls within the contours of patentable subject matter, the patent system may serve as a motivation for allocating resources towards that technology. *See* Justus Baron et al., *Essential Patents and Standard Dynamics*, Northwestern University Law School Working Paper, March 2013, available at http://www.law.northwestern.edu/faculty/programs/searlecenter/events/entrepreneur/

documents/Baron_Pohlmann_Blind_Essential_Patents_Standard_Dynamics.pdf.

Second, legal certainty is important if the prospect of a patent is to serve as an incentive to disclosure. The traditional alternative to patent protection is trade secrecy. The traditional view is that an inventor will disclose his or her invention if the potential value of a patent exceeds the value of keeping the invention secret. *See*, *e.g.*, *Kewanee Oil*, 416 U.S. at 481.

The *Kewanee* Court discussed at length the relationship between trade secrets and patents. With respect to "clearly unpatentable" inventions or information, the Court suggested that trade secret protection plays a useful gatekeeping function by helping to keep the patent office from becoming overwhelmed. *Id.* at 485. The Court believed that trade secret protection for inventions that are "clearly patentable" does not unduly discourage inventors from making patent disclosures. *Id.* at 489-91. The Court reasoned that patents provide stronger protection than trade secrets and that patent law's statutory bars pressure inventors to seek patent protection for potentially valuable inventions. *Id.* As for trade secrets concerning inventions of "questionable" patentability, the Court suggested that the inventor can gauge the risks as between the competing alternatives of secrecy and patent disclosure. *Id.* at 487-88.

If the *Kewanee* Court's observations concerning the relationship between trade secrecy and patent

disclosures are to retain any purchase at all, there must be some possibility of determining when something is "clearly unpatentable" or "clearly patentable." If *all* inventions fall into the "questionable" category, the gatekeeping and incentive functions of the patent law discussed by the *Kewanee* Court will dissolve. Even the *Kewanee* Court's "questionable" category presumes some stable principles upon which the odds of successfully prosecuting a patent claim could be at least roughly assessed.

Indeed, it is already the case that the decision whether to disclose or keep secret is often far more complex than the traditional view suggests. *See generally* David W. Opderbeck, *Social Network Analysis of Trade Secrets and Patents as Social Relations*, 43 A.I.P.L.Q. 1 (2013) (forthcoming); Douglas Lichtman et al., *Strategic Disclosure in the Patent System*, 53 VAND. L. REV. 2175, 2179 (2000) (discussing the incentives for strategic disclosure for both firms that are trailing and those leading in a given patent race); Gideon Parchomovsky, *Publish or Perish*, 98 MICH. L. REV. 926, 927 (2000) (discussing strategic publication of research findings). Recent articles on strategic disclosures demonstrate that possessors of information might choose to publish portions of information for strategic reasons. *See* Oren Bar-Gill & Gideon Parchomovsky, *The Value of Giving Away Secrets*, 89 VA. L. REV. 1857, 1860-61 (2003); Scott Baker & Claudio Mezzetti, *Disclosure as a Strategy in the Patent Race*, 48 J.L. & ECON. 173, 177, 189 (2005). This can occur, for example, when cumulative innovations

are developed over time and combined to form a patentable invention. Bar-Gill at 1860-61. Early innovators might not be in a position *ex ante* to make the investment needed to develop all the technology necessary for the final, patentable invention. *Cf. id.* at 1858 ("The ex post perspective . . . presumes the existence of the cumulative invention – an existence which cannot be taken for granted. Generally, the cumulative inventor would need to sink substantial development costs before she can approach the original inventor and bargain for a license."). Under such circumstances, an early innovator might decide to publish his discrete findings in the hope that a later inventor will combine them with other findings to produce a cumulative invention. *Cf. id.* at 1861 ("Moreover, publication has the salutary effect of blazing the trail for cumulative innovators. Publication of certain aspects of a discovery may provide the impetus for subsequent improvements of the original invention.").

In either case – whether under the traditional view or under more economically subtle contemporary views – the decision whether to disclose or keep secret involves some *ex ante* calculation about patentability. If the basic standard for patentable subject matter remains undefined, any such calculation will be thrown into utter confusion.

Finally, legal certainty is important if patents are to serve as vehicles for the exchange of technology through licensing. Ideally, patents encourage the *diffusion* of technology by defining rights that establish licensing markets. As the U.S. Federal Trade

Commission and Justice Department's Antitrust Guidelines for the Licensing of Intellectual Property note,

> Licensing, cross-licensing, or otherwise transferring intellectual property (hereinafter "licensing") can facilitate integration of the licensed property with complementary factors of production. This integration can lead to more efficient exploitation of the intellectual property, benefiting consumers through the reduction of costs and the introduction of new products. Such arrangements increase the value of intellectual property to consumers and to the developers of the technology. By potentially increasing the expected returns from intellectual property, licensing also can increase the incentive for its creation and thus promote greater investment in research and development.

U.S. Department of Justice, Federal Trade Commission, *Antitrust Guidelines for the Licensing of Intellectual Property*, April 6, 1995, available at http://www.justice.gov/atr/public/guidelines/0558.htm#t23. Licensing is particularly important in the computer and consumer technology industries, where there are often multiple patents covering discrete methods, devices, and processes. Under these circumstances, groups of related patents sometimes are combined into patent pools that facilitate the adoption of common technological standards and support related markets. For example, the "One-Blue" patent pool aggregates and licenses patents essential to the Blu-Ray home video technology. *See*, *e.g.*, One-Blue, *One-Blue*

License Programs, 2011, available at http://www.one-blue.com/. Participants in the One-Blue pool include Philips, Sony, Hitachi, Samsung, Cyberlink, Dell, Fujitsu, JVC Kenwood, Hewlett-Packard, LG Electronics, Pioneer, Sharp, Taiyo Yuden and Yamaha. *See* Columbia Technology Ventures, *One-Blue Patent Pool Seeks to Enforce Blu-Ray, Other IP*, available at http://techventures.columbia.edu/news/one-blue-patent-pool-seeks-enforce-blu-ray-other-ip. Patent pools facilitated the growth of the sewing machine, aircraft, radio, and DVD industries. *See* U.S. Patent & Trademark Office, *Patent Pools: A Solution to the Problem of Access in Biotechnology Patents?*, December 5, 2000, at 4-5, available at http://www.uspto.gov/web/offices/pac/dapp/opla/patentpool.pdf. If the basic standard for patentable subject matter remains undefined, licensing markets also will become hopelessly confused and the economic benefits noted in the FTC-DOJ Licensing Guidelines will rarely be realized.

The need for certainty in licensing markets is particularly acute with respect to computer-implemented inventions because of a trend not noted in the FTC-DOJ Guidelines: the phenomenon of "patent assertion entities" or "patent trolls." The President's Council of Economic Advisors recently issued a report on this issue, which noted that "[s]ome firms that own patents but do not make products with them play an important role in U.S. innovation ecosystem, for example by connecting manufacturers with inventors, thereby allowing inventors to focus on what they do best." Executive Office of the President, *Patent Assertion and U.S. Innovation* (June 2013), at 1, available

at http://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf. That Report also argued, however, that some non-practicing patent assertion entities have engaged in excessively aggressive litigation tactics, particularly over software patents, which have hindered innovation. The Report notes that "[b]ecause of rapid technological change and the special characteristics of software, it has been hard to define clear boundaries for patents, and hard to set an appropriate bar for non-obviousness." *Id.* at 2. Based on this Report, the Obama Administration issued a set of Executive Actions designed to limit some of the activities of these entities. *See* The White House, *White House Task Force on High-Tech Patent Issues (Fact Sheet)*, June 4, 2013, available at http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues.

The lack of clear standards from the Federal Circuit for the patentability of computer-implemented inventions further muddies the waters of this already clouded debate. It is impossible even to begin to ascertain the line between economically useful patent licensing intermediaries and predatory patent "trolls" if the basic question of patentability under Section 101 remains so hopelessly confused. The importance of this issue alone suggests that the Court should clarify whether, and to what extent, computer-implemented inventions are patent eligible subject matter.

CONCLUSION

Alice Corporation's petition for a writ of certiorari should be granted.

Respectfully submitted,

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