United States Court of Appeals, Federal Circuit.

In re Lewis FERGUSON, Darryl Costin and Scott C. Harris.

No. 2007-1232

October 17, 2007

Serial number 09/387,823

Appeal from the United States Patent and Trademark Office, Board of Patent Appeals and Interferences

Reply Brief for Appellants Lewis Ferguson, Daryl Costin and Scott C. Harris

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***1** The Argument
This reply brief is filed herein responsive to Appellee's main brief ("red brief") filed by Appellee on September 17, 2007. A request for extension was previously filed and granted, making this reply brief due on October 25, 2007.

Initially, the Patent Office's Solicitor's office, and especially Associate Solicitors Chen and Krauss have been very helpful throughout this process and are greatly thanked for their cooperation and help. While the undersigned disagrees with many of the points made by the Director-Appellee, no disrespect is intended by the points made in this reply, set forth herein.

I. The "Preemption Test" Raised throughout Appellee's brief, is not relevant or appropriate to assess the claimed method of Doing Business, since the claimed method does not recite any Mathematical Algorithm.

Throughout the Appellee's brief, for example, raised on page 2 of the Appellee's brief (and described other places in the Appellee's brief, including on page 23), is the allegation that "the claims [Appellants' claims] preempt all ways of ***2** carrying out Ferguson's business concept". For reasons set forth herein, the issue of "preemption" is only applicable to claims that define a mathematical algorithm or law of nature, and has no relevance to the present claims.

Many cases, such as *Diamond v Chakrabarty*, 447 US 303, 101 S. Ct 2204 (1980), made the point that an algorithm could not be patented, since patenting the algorithm would preempt all ways of carrying out the algorithm. *Chakrabarty* and other similar cases reason that the inventor did not *invent* the algorithm / law of nature; but rather only *discovered* that algorithm / law of nature. The algorithm or law of nature existed before the inventor's discovery. Therefore, it would be improper to grant a claim that preempted all ways of carrying out that algorithm or law of nature. Such a claim would cover that which the inventor(s) did not invent.
This rationale is inapplicable to a business method. The claimed business concept did *not* exist in nature prior to applicant's invention thereof. No case has ever held that a claim

cannot preempt an underlying business concept. In fact, such a holding would be contrary to the reasoning behind the preemption concept. A business method is not invented, unlike an algorithm where applicants discovered the algorithm, but did not invent it. This business concept was invented by applicants, not just discovered. Since this concept is original to the applicants, it is quite proper that all ways of carrying out the business concept could be preempted by applicant's claims. This would be claiming that which applicant ***3** invented; unlike an algorithm where it would not be proper to claim the part that applicant did not invent in the first place.

In summary, a method which "covers any and every possible way of implementing the plan" (Appellee's brief page 7, quoting from A 38) should not be unpatentable solely on the ground of preemption. A business method, unlike an algorithm, did not exist in nature.

As set forth in further detail herein, the notion that these claims recite an "abstract idea" is analogously flawed. All "abstract idea" cases require that an algorithm be recited as part of the abstract idea.

At the top of page 20 of Appellee's brief, an argument is made that the recited steps of the claims are generic to the marketing concept and "give no indication of how it would be done". In fact, a claim need not describe how the subject matter of that claim is carried out. This is in fact admitted by the Appellee, at the top of page 22 of the Appellee's brief, quoting from *AT&T Corp v Excel Communications, Inc*, 172 F.3d 1352 (Fed Cir 1999). This specification describes how something is done; the claim only has to recite what is done. No case has ever held that a claim must recite a principle of operation or the way that something is done.

***4** II. "Transformation to a different state of thing" is only relevant to a claim that recites a law of nature or mathematical algorithm.

Pages 13-14 of Appellee's brief attempts to establish that transformation of something to a different state or thing is required in order for a claimed process to be subject matter-eligible. With all due respect, however, "transformation" is only to relevant to a claim that recites, directly or indirectly, a law of nature/mathematical algorithm. That is not recited here.

For example, *Gottschalk v. Benson*, 409 US 63 (1972) referred to transformation as a test for subject matter eligibility, but did so in the context of a claim that recited a mathematical algorithm. All of the cases discussed on pages 13-14 of Appellee's brief related to cases that recited mathematical algorithms, and used the transformation test as a determination of whether the claim preempted the algorithm. That is, this test of transformation to a different state or thing is one way of determining whether 1) the algorithm is merely being used as part of the claim, or 2) is preempting that algorithm. The rationale of these cases is that when an item is changed, it indicated that the algorithm is being used to do something, rather than preempting the algorithm. *Diamond v Diehr*, 450 U.S. 175, 101 S.Ct 2204 (1980) is wholly consistent.
The present claims include no mathematical algorithms therein, directly or indirectly.

Neither the Patent Office, nor the Appellee has suggested that there is a ***5** mathematical algorithm recited within any of these claims. Hence, the issue of transformation is irrelevant to the present claims since these present claims do not recite, directly or indirectly, a mathematical algorithm.

III. "Concrete, Useful and Tangible result" is only relevant to a claim that recites a law of nature or mathematical algorithm.

Page 15 of Appellee's brief attempts to establish that a Concrete, Useful and Tangible result is required in order for a claimed process to be subject matter eligible. With all due respect, however, this has never been required unless the claim recites, directly or indirectly, a law of nature/mathematical algorithm. These present claims do not recite such a law of nature/ mathematical algorithm.

Appellee's brief, page 15, subheading 3, appears to contend this point -- by stating that the "useful concrete and tangible result" test is about "the eligibility of machines and machine-implemented methods *employing mathematical algorithms*" (emphasis added). This is further confirmed on page 18 of Appellee's brief. All of the cases cited in favor of the Appellee's arguments, however, were in the context of a claim that recited a mathematical algorithm.

Changes in legal and financial obligations certainly is an invention under the sun that was made by man, and should be patentable for these reasons. ***6** *Diamond v. Chakrabarthy,* supra.

IV. The abstract idea exception in is only applicable to cases that apply to mathematical algorithms.

As above, the rationale behind Abstract idea cases is that if such an idea was patented, it would "in practical effect ... be a patent on the algorithm itself." *Benson* at 71-72. The rationale for the abstract idea exception is wholly inapplicable to the present claims, in which no mathematical algorithm is directly or indirectly recited.

V. The examples given in Appellee's brief are not relevant to the present claims.
With all due respect, the examples of hypothetical subject matter that might become patentable based on a holding of this case, are all wholly irrelevant to the presently claimed subject matter. The extreme examples noted by the Appellee should each be considered on their own merits.

The present claims specifically define claiming a specific feature that does carry out certain kinds of changes, for example legal and financial obligations (Appellee's main brief page 18). The examples given at the bottom of page 22 through the top of page 23, the bottom of page 24, and the middle of page 28 are ***7** irrelevant to the present claims. Moreover, even if one could argue that these hypothetical examples were somehow relevant, one must consider the specific guidelines presented by *Diamond v Chakrabarty,* that anything under the sun that is made by man is patentable. Business methods are made by man (not discovered like a mathematical algorithm).

VI. The attempt to characterize the present claims as not representing "technology" is incorrect and inconsistent with Supreme Court law.

At the top of page 28, the Appellee's brief attempts to characterize patentability as extending only to "technology", and further attempts to characterize our claims as "lacking any technological application. This statement is unsupported by case law or statute, is contrary to Supreme Court law, and is wholly incorrect.

As noted in the Appellee's brief, *Gottschalk vBenson* held, among other things, that computer science and programming was technology. The *Benson* court did not intend to freeze patents to the existing technology, but attempted to leave room for new and onrushing technology.

The presently claimed method and paradigm allows certain new options and ways of operating, within computer programming and computer science. Hence, ***8** since these claims are usable with computer science, by that alone, it becomes 'technology' under the holding of *Benson.*

Moreover, 'technology' has never been strictly limited to operations of a machine. Consider the engineered mouse in *Chakrabarty* that was held patentable by the Supreme Court. This mouse was not conventional 'technology', but the court had no problem finding this patentable.

Similarly here, the statement that marketing products is not technological in nature nor a "revolutionary discipline" is quite simply fanciful, and unsupported by evidence or case law. There were certainly many mice at the time of the *Chakrabarty* holding; however, it was patentable subject matter even though it was similarly not "revolutionary". Appellants know of no requirement that patented subject matter be "revolutionary". Moreover, consider the advantages that would be obtained by the present claims. The inventors noticed that as technology improves, it becomes possible to very easily write a software package that can carry out new and revolutionary features. Someone working in their own home might be able to make such a software package independently. However, marketing that software package, that is, bringing that software package to the world, is entirely a different skillset. Marketing of software often requires special skills which are not possessed by the writer of the software. For example it may require technical support, the ability to ***9** write contracts, the ability to sell, and other features discussed throughout the specification. These skills are not necessarily possessed by the software writer, but the software writers certainly (by definition) must have the ability to write software. So, this invention is made from that point of view: how does one help people who have written software to market that software. Who knows how many great programs have been written, but never marketed for exactly this reason?

At the time of *Benson*, one could scarcely have imagined that people would be able to write software packages in their own home, much less packages that could carry out sophisticated functions. Even if this could have been predicted, it seems likely that the *Benson* court would have believed that the ability and means to disseminate the technology to others must be considered as part of the technology itself.

To summarize, the conclusion that our claims are "wholly lacking in any technological application" is unsupported by even a scintilla of support. In fact, selling software is part of the technology of software, and must be considered as such.

Applicants also take issue with the statement that the patent office has only been receiving patent applications for business methods "recently". In fact, the Appellee's brief at page 20 cites *In re Patton*, 127 F.2d 324 (CCPA 1942) in favor of the notion that there is a business method exception. This shows that such cases ***10** were being filed in 1942. Clearly, this contradicts the Appellee's claim that these have only recently been received. The word "paradigm" is irrelevant to the analysis, and in fact the only proper analysis is whether the claims are statutory. Here, our paradigm claims refer to a marketing company that markets a product and gets a share of the royalties. A company is a "thing", and as such, a patentable construct.

VII. New section 101 cases since main brief

Finally, since the time of our original main brief, two additional cases were decided by the Federal Circuit, the significance of which will be discussed herein.

The first case, *In re Cominsky,* Appeal number 2006-1286 (Fed Cir 2007) questions whether a method of arbitrating is patentable. *Cominsky* refers to the patenting of abstract ideas, and on page 17 supports exactly Appellant's point above, that the abstract idea analysis is applicable only in the presence of a mathematical formula.

Cominsky holds that mental processes standing alone are not patentable even if they have practical application (*Cominsky* at 19), and that claiming a purely mental process is not possible even if it has purely practical applications (*Cominsky* at 20). *Cominsky* at 23 holds that when unpatentable mental processes are combined with a machine, the combination may be patentable.

***11** The present claims do not define mental processes. There is no argument in this case that these claims relate to mathematical formulas in any way, and the mental process exception is wholly irrelevant to these claims. Hence, *Comiskey* does not change the analysis of whether the present claims are statutory.

The second case, *In re Petrus A.C.M. Nuitjen,* Appeal number 2006-1371 (Fed Cir 2007), questions whether a signal is itself patentable. The Court held in the negative, holding that a claim must be a process, machine, manufacture or composition of matter. This case holds that a process is an act or series of acts, see *Nuitjen* at page 13. *Nuitjen* held that the signals were not processes or machines, However, the definition of a process in *Nuitjen* applies squarely to the present claims which define a marketing company, which is formed of "a concrete thing consisting of parts".

With all due respect, therefore, these new cases do not change any analysis of the present claims.

For all of these reasons, it is respectfully suggested that each of the claims on appeal define statutory subject matter, and as such that the Director of the United States Patent Office be ordered to issue a patent to Appellants.

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Briefs and Other Related Documents **(Back to top)**

• 2007 WL 4102278 (Appellate Brief) Brief and Supplemental Appendix for Appellee Director of the United States Patent and Trademark Office (Sep. 17, 2007)