

Case No. 2010-1544

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

ULTRAMERCIAL, LLC and ULTRAMERCIAL, INC.,

Plaintiffs-Appellants,

v.

HULU, LLC,

Defendant-Cross Appellee,

and

WILDTANGENT, INC.,

Defendant-Appellee.

Appeals from the United States District Court
for the Central District of California
in Case No. 09-cv-6918 and 06-cv-11585, Judge R. Gary Klausner

**BRIEF OF AMICI CURIAE ELECTRONIC FRONTIER FOUNDATION AND
PUBLIC KNOWLEDGE IN SUPPORT OF DEFENDANT/APPELLEE
WILDTANGENT, INC.**

Julie P. Samuels
(Principal Attorney of Record)
ELECTRONIC FRONTIER FOUNDATION
454 Shotwell Street
San Francisco, CA 94110
Tel: (415) 436-9333
Fax: (415) 436-9993
julie@eff.org
Attorney for Amicus Curiae
Electronic Frontier Foundation

September 5, 2012

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 29(a) and 47.4, counsel for Amicus Curiae certifies that:

1. The full name of the amicus represented by me is:

Electronic Frontier Foundation

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:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the amicus curiae represented by me are:

None.

4. The name 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 are expected to appear in this Court is: Julie P. Samuels, Electronic Frontier Foundation, San Francisco, California.

September 5, 2012

/s/ Julie P. Samuels

Julie P. Samuels

Attorneys for Amicus Curiae

ELECTRONIC FRONTIER FOUNDATION

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 29(a) and 47.4, counsel for Amicus Curiae certifies that:

1. The full name of the amicus represented by me is:

Public Knowledge

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:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the amicus curiae represented by me are:

None.

4. The name 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 are expected to appear in this Court is:

None.

September 5, 2012



Sherwin Siy
Vice President of Legal Affairs
PUBLIC KNOWLEDGE

TABLE OF CONTENTS

CERTIFICATES OF INTEREST i

INTEREST OF AMICI CURIAE 1

SUMMARY OF ARGUMENT 2

ARGUMENT 3

 A. Litigation Surrounding Abstract Software Patents
 Disproportionately Harms Free and Open Source Software and
 Small Businesses, Important Drivers of Innovation. 5

 B. Section 101, as a Threshold, Helps Deter Abusive Actions by Non-
 Practicing Entities. 8

 C. The Invention in this Case Does Not Meet the Current Standard
 Governing § 101 Abstractness. 10

 D. The Current Uncertainty Surrounding § 101 Threatens Innovation
 by Failing to Provide Clear Guidance and Creating False
 Boundaries..... 14

 E. The Impermissibly Abstract Nature of the ‘545 Patent Causes
 Significant Harm to the Notice Function. 17

CONCLUSION 20

CERTIFICATE OF SERVICE..... 21

CERTIFICATE OF COMPLIANCE 22

TABLE OF AUTHORITIES

Cases

<i>Amgen, Inc. v. Hoechst Marion Roussel, Inc.</i> , 469 F.3d 1039 (Fed. Cir. 2006)	15
<i>Bancorp Servs, L.L.C. v. Sun Life Assurance Co.</i> , No. 2011-1467 (Fed. Cir. July 26, 2012)	1, 13, 14, 15
<i>Bilski v. Kappos</i> , 130 S. Ct. 3218 (2010)	<i>passim</i>
<i>Classen Immunotherapies, Inc. v. Biogen IDEC</i> , 659 F.3d 1057 (Fed. Cir. 2011)	2, 13, 14, 18
<i>CLS Bank Int’l v. Alice Corp.</i> , No. 2011-1301 (Fed. Cir. July 9, 2012)	<i>passim</i>
<i>Cybersource Corp. v. Retail Decisions Inc.</i> , 654 F.3d 1366 (Fed. Cir. 2011)	2, 13, 14
<i>Dealertrack, Inc. v. Huber</i> , 674 F.3d 1315 (Fed. Cir. 2012)	2, 13, 14, 15
<i>Diamond v. Chakrabarty</i> , 447 U.S. 303 (1980)	10
<i>Diamond v. Diehr</i> , 450 U.S. 175 (1981)	10, 11, 18
<i>Duncan v. Walker</i> , 533 U.S. 167 (2001)	16
<i>Fort Properties, Inc. v. American Master Lease LLC</i> , 671 F.3d 1317 (Fed. Cir. 2012)	2, 14
<i>Inhabitants of Montclair Tp. v. Ramsdell</i> , 107 U.S. 147 (1883)	16
<i>Jacobsen v. Katzer</i> , 535 F.3d 1373 (Fed. Cir. 2008)	5

<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012)	<i>passim</i>
<i>McClain v. Ortmyer</i> , 141 U.S. 419 (1891)	16
<i>MySpace, Inc. v. GraphOn Corp.</i> , 672 F.3d 1250 (Fed. Cir. 2012)	2, 9, 14, 15
<i>PSC Computer Prods. v. Foxconn Int’l</i> , 355 F.3d 1353 (Fed. Cir. 2004)	16
<i>Ultramercial, LLC v. Hulu, LLC</i> , 657 F.3d 1323 (Fed. Cir. 2011)	2, 11, 14, 15
<i>United States v. Menasche</i> , 348 U.S. 528 (1955)	16

Statutes

35 U.S.C. § 101	<i>passim</i>
35 U.S.C. § 102	8, 9
35 U.S.C. § 103	8, 9
35 U.S.C. § 112	8, 9, 17

Other Authorities

Brian T. Yeh, <i>An Overview of the “Patent Trolls” Debate</i> , Congressional Research Service (Aug. 20, 2012)	7, 8
Fed. Trade Comm’n, <i>Competition Perspectives on Sustainable Standards of Patentability, in To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy</i> (Fed. Trade Comm’n ed., 2003)....	4
Fed. Trade Comm’n, <i>The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition</i> (2011)	17

James Bessen & Michael J. Meurer, <i>Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk</i> (2008).....	3, 17
James Bessen, <i>et al.</i> , <i>The Private and Social Costs of Patent Trolls</i> (Boston Univ. Sch. of Law, Working Paper No. 11-45, 2011).....	3
John R. Allison, Mark A. Lemley & Joshua Walker, <i>Patent Quality and Settlement Among Repeat Patent Litigants</i> , 99 GEO. L.J. 677 (2011)	8
Yochai Benkler, <i>The Wealth of Networks: How Social Production Transforms Markets and Freedom</i> (2006).....	5

INTEREST OF AMICUS CURIAE

The Electronic Frontier Foundation (“EFF”) is a non-profit civil liberties organization that has worked for more than 20 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its nearly 20,000 dues-paying members have a strong interest in helping the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest. As part of its mission, EFF has often served as *amicus* in key patent cases, including *Microsoft Corp. v. i4i Ltd. P’ship, et al.*, 131 S. Ct. 2238 (2011); *Bilski v. Kappos*, 130 S. Ct. 3218 (2010); *Quanta Computer, Inc. v. LG Electronics Corp.*, 128 S. Ct. 2109 (2008); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); and *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2005).

Public Knowledge is a non-profit public interest organization devoted to protecting citizens’ rights in the emerging digital information culture and focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in patent and other intellectual property cases that threaten consumers, trade, and innovation.¹

¹ No party’s counsel authored this brief in whole or in part. Neither any party nor any party’s counsel contributed money that was intended to fund preparing or

SUMMARY OF ARGUMENT

The Supreme Court's decision in *Bilski v. Kappos* has been cited by nearly 70 district and appellate courts since it was handed down just over two years ago. Some of those cases, unfortunately, fail to heed Justice Stevens' warning that in "the area of patents, it is especially important that the law remain clear and stable." *Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010) (Stevens, J., concurring). This Court alone, for example, has issued at least eight rulings in the past year² that appear to contradict each other, and—when read together—could be understood to inappropriately imply a stringent rule not contemplated by the Supreme Court's guidance in *Bilski* and, more recently, in *Prometheus v. Mayo*, namely, that an otherwise abstract invention is patentable subject matter when tied to the Internet or other computerized material. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012). Indeed, *Mayo*, in clarifying § 101's important screening role, should have put the matter to rest. Unfortunately, however, only

submitting this brief. No person other than amici, their members, or their counsel contributed money that was intended to fund preparing or submitting this brief.

² See *CLS Bank Int'l v. Alice Corp.*, No. 2011-1301, slip op. at 20 (Fed. Cir. July 9, 2012); *Bancorp Servs, L.L.C. v. Sun Life Assurance Co.*, No. 2011-1467, slip. Op. at 21 (Fed. Cir. July 26, 2012); *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250 (Fed. Cir. 2012); *Fort Properties, Inc. v. American Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011); *Cybersource Corp. v. Retail Decisions Inc.*, 654 F.3d 1366 (Fed. Cir. 2011); *Classen Immunotherapies, Inc. v. Biogen IDEC*, 659 F.3d 1057 (Fed. Cir. 2011).

one of two rulings from this Court that issued after *Mayo*³ heeded the Supreme Court's instructions, leaving litigants facing more confusion surrounding § 101 than before.

The threshold question of whether an invention is impermissibly abstract is one of great and growing importance before the courts. Because the ruling in this case conflicts with the Supreme Court precedent and other rulings of this Court, and because it will negatively impact potential litigants and others affected by patent rights, this Court should agree to rehear it *en banc*.

ARGUMENT

Amici are particularly concerned that there be clear and understandable boundaries for patentable subject matter under 35 U.S.C. § 101 because the rise in patent litigation has disproportionately affected the areas in which it and its members work. In the United States, for example, software patents are more than twice as likely to be the subject of a lawsuit than other patents and account for one quarter of all patent lawsuits. James Bessen & Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* 22, 192 (2008). As interpreted, § 101 leaves parties unable to discern a patent's metes and bounds or assess its validity. As a result, the patent system fails "[i]nnovators deciding to

³ In light its *Mayo* ruling, the Supreme Court vacated the panel's decision in this case and remanded it to this Court to reconsider. *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1328 (Fed. Cir. 2011), *vacated by WildTangent, Inc. v. Ultramercial, LLC*, 132 S. Ct. 2431 (2012).

invest in new technology [who] have to consider the risk of inadvertent infringement as a cost of doing business.” James Bessen, *et al.*, *The Private and Social Costs of Patent Trolls* 4 (Boston Univ. Sch. of Law, Working Paper No. 11-45, 2011). Further, the costs associated with litigating software patents (in the form of diminution of market value resulting from that litigation) vastly exceed their benefits. From 1996 to 1999, for example, software patent litigation cost U.S. companies \$3.88 billion (in 1992 dollars) in market value *per annum*. During this same period, the aggregate annual profits attributable to patented software—profits beyond what would be generated without patents—were only \$100 million (again in 1992 dollars). *Id.* at 143-44. *See also* Fed. Trade Comm’n, *Competition Perspectives on Sustainable Standards of Patentability*, in *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* ch. 4, 1 (Fed. Trade Comm’n ed., 2003), *available at* <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (hereinafter “FTC Report”) (noting that patent litigation can result in millions of dollars in legal costs). These costs are only exacerbated by unclear law surrounding § 101. That uncertainty drives parties to litigate cases that might otherwise settle and blunts an otherwise powerful tool to dispose of cases at the summary judgment stage, before the need to engage in expensive and lengthy discovery.

**A. Litigation Surrounding Abstract Software Patents
Disproportionately Harms Free and Open Source Software and
Small Businesses, Important Drivers of Innovation.**

An unstable § 101 standard disproportionately harms Free and Open Source Software (“FOSS”) projects. In recent years, FOSS projects—which involve the open development and exchange of source code—have become mainstream and are now critical to computer and Internet technology. Most FOSS projects are voluntary public efforts undertaken by informal associations of developers, and thus necessarily tend to lack substantial stand-alone litigation budgets. *See* FTC Report, *supra*, ch. 3, at 51 (“[S]oftware patentability has introduced new costs, such as the cost of obtaining a patent, determining whether a patent is infringed, defending a patent infringement suit, or obtaining a patent license [. . .] may disproportionately affect small firms and individual programmers and the open source community.”). By impeding FOSS growth in particular, the upward trend in patent litigation serves as a detriment to innovation in general.

Rooted in the earliest days of computing, FOSS has blossomed into a valuable and large segment of the information technology industry, with companies such as IBM, Red Hat, and others offering products based on software produced through the FOSS development process. That process “invite[s] computer programmers from around the world to view software code and make

changes and improvements to it. Through such collaboration, software programs can often be written and debugged faster and at lower cost than if the copyright holder were required to do all of the work independently.” *Jacobsen v. Katzer*, 535 F.3d 1373, 1379 (Fed. Cir. 2008). Technologies based on FOSS projects are now widely used by public and private entities, from the United States government to corporations such as IBM, Microsoft, Amazon, Hewlett Packard, Google, and CNN. *See, e.g.,* Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom* 64 (2006).

In FOSS projects software develops openly and transparently. The conversations, the computer code, and each stage of development are accessible and open to the public, maximizing access to scientific and industrial knowledge in the community and spurring further productivity and innovation. In addition, most FOSS collaborations involve contributors from a wide variety of companies, groups, and countries, many of whom volunteer their time and ingenuity out of passion and dedication instead of desire for financial reward.

FOSS’ collaborative nature, while integral to its success, creates several problems when FOSS gets embroiled in patent litigation (or the threat of litigation), even where the basis of the threat may be an invalid patent. Because these collaborations are forged primarily through community rather than capital

investment, many FOSS projects lack the funding to pay for patent counsel, much less litigation.

For many of the same reasons the FOSS community is disproportionately negatively affected by the rise in patent litigation surrounding abstract software patents, so too are small businesses. Because so many cases settle early, often before a complaint is even filed, it is difficult if not impossible to ascertain just how many small businesses face threats of litigation. Sending more cases to settlement to avoid litigation is often a laudable goal, yet this is not so when done at the expense of litigating meritorious positions. This is particularly true when small businesses and those with limited means are deterred from making invalidity and noninfringement arguments and instead are pushed into taking settlements when facing the specter of expensive litigation. Indeed, patent litigation is far from cheap—“[i]t costs \$1.5 million just to get through discovery and \$2.5 million in all for suits where there is \$1 million to \$25 million at stake. In suits where over \$25 million is at stake, it is \$3 million through discovery and \$5 million total.” Brian T. Yeh, *An Overview of the “Patent Trolls” Debate*, Congressional Research Service (Aug. 20, 2012), available at <https://www.fas.org/sgp/crs/misc/R42668.pdf> at n.98 (“CRS Report”).

B. Section 101, as a Threshold, Helps Deter Abusive Actions by Non-Practicing Entities.

That the high costs of patent litigation deter parties from making meritorious claims cannot be disputed, particularly when the litigation (or threat thereof) is brought by non-practicing entities.⁴ As the Congressional Reporting Service recently noted:

Studies suggest that [non-practicing entities] rarely prevail on the merits. Their win rate in cases decided on the merits is just 8 percent, versus 40 percent for other entities But they persist with litigation nonetheless, apparently supported by the licensing fees obtained by posing a credible threat of extended litigation.

CRS Report at 5 (*citing* John R. Allison, Mark A. Lemley & Joshua Walker, *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677, 694 (2011)).

Widespread agreement exists that the harm from non-practicing entities outweighs any benefit they provide. CRS Report at summary. Despite this, there is an apparent lack of consensus as to the best way to fix the problem. One crucial way to stem abuse by non-practicing entities is to create incentives for those facing

⁴“Skyrocketing rates of patent litigation since the turn of the 21st century have often been tied to the rise of ‘patent assertion entities’ (PAEs) [or non-practicing entities], businesses modeled on ‘purchasing and asserting patents against manufacturers who may be using the technology’ rather than developing or commercializing the technologies themselves. They are frequently accused of being classic arbitrageurs, taking advantage of the ‘large gap between the cost of getting a patent and the value that can be captured with an infringement action’ in the information technology (IT) sector.” CRS Report at 4.

litigation (or litigation threats) to pursue their meritorious defenses of noninfringement and invalidity. Indeed, the most troubling aspect of the non-practicing entities' business model—the push to deter meritorious litigation in lieu of cheaper licensing deals—is necessarily discouraged by additional opportunities for potential defendants to make their case at early stages of litigation (particularly before expensive discovery). Moreover, the ability to address § 101 issues at early stages of litigation will not harm the rights of any non-practicing entity (or of any plaintiff) who attempts to enforce a patent that is sufficiently non-abstract.

Not only does preserving § 101 as a threshold matter discourage frivolous suits, but it complies with recent Supreme Court precedent. Indeed, in its recent ruling in *Mayo v. Prometheus*, the Supreme Court explicitly “decline[d] ... to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101.” *Mayo*, 132 S. Ct. at 1304 (rejecting the argument that §§ 102, 103, and 112 could perform § 101’s “screening function”).

Essentially ignoring this admonition from the high court, the panel’s ruling in *CLS Bank v. Alice* relies extensively on *MySpace v. GraphOn* for the proposition that a district court may decide *when* to consider § 101 challenges. *CLS Bank Int’l v. Alice Corp.*, No. 2011-1301, slip op. at 13 (Fed. Cir. July 9, 2012) (*citing MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012)). Yet *MySpace* was decided before *Mayo*, and the latter makes clear that § 101 indeed

serves a “screening function”—one which must come first. Otherwise, “to shift the patent-eligibility inquiry entirely to these later sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do.” *Mayo*, 132 S. Ct. at 1304. The Supreme Court spoke clearly in *Mayo*; this Court should respectfully rehear this case *en banc* and correct course accordingly.

C. The Invention in this Case Does Not Meet the Current Standard Governing § 101 Abstractness.

As *Mayo* made clear, § 101, which defines what subject matter that may be patented, serves as the primary threshold to limit the grant of exclusive rights where those rights are unnecessary and harmful. *See* 35 U.S.C. § 101 (2006). The law provides “three specific exceptions to § 101’s broad patent-eligibility principles: ‘laws of nature, physical phenomena, and abstract ideas.’” *Bilski*, 130 S. Ct. at 3225 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)). The threshold question of abstractness serves as an important check on inventions that could “pre-empt use of [an abstract] approach in all fields, [] . . . effectively grant[ing] a monopoly over an abstract idea.” *Id.* at 3231. In *Bilski*, this Court made clear that it is more important now than ever to ensure that this bar to patentability remains high:

The Information Age empowers people with new capacities to perform statistical analyses and mathematical calculations with a speed and sophistication that enable the design of protocols for more efficient performance of a vast number of business tasks. If a high enough bar is not set when considering patent applications of this sort, patent examiners and courts could be flooded with claims that would put a chill on creative endeavor and dynamic change.

Id. at 3229.

Processes can be patentable subject matter, but only where those processes “detail a step-by-step method for accomplishing” the claimed invention. *Diamond v. Diehr*, 450 U.S. 175, 184 (1981). In *Diehr*, for example, this Court held that incorporating an equation—“not patentable in isolation”—would not render an abstract invention patentable. *Id.* at 188. Thus, the Court drew an important line in the sand: one cannot claim a monopoly over an abstract idea (*e.g.*, the equation), but may patent a larger process that might include the application of that idea. The *Diehr* Court further warned against circumventing the prohibition on patenting abstract ideas “by attempting to limit the use of the formula to a particular technological environment.” *Id.* at 191. In *Mayo*, the Supreme Court reinforced its holding in *Diehr* and stated that a claim of unpatentable subject matter cannot be saved by “additional steps ... of well-understood, routine, conventional activity already engaged in by the scientific community.” *Mayo*, 132 S. Ct. at 1298.

The invention claimed in the patent at issue (“the ‘545 Patent”) does not meet the § 101 standard set forth in *Diehr* and *Mayo*.⁵ When taken together, the claims contain nothing more than an abstract process, at best solely tied “to a particular technological environment.” *Mayo*, 132 S. Ct. at 1294 (internal quotations omitted). The panel held that the patent was not impermissibly abstract because many of claimed steps “*are likely* to require intricate and complex computer programming” and that “certain of these steps clearly require specific application to the Internet and a cyber-market environment.” *Ultramercial*, 657 F.3d 1323, 1328 (Fed. Cir. 2011) (emphasis added). But claims that are “likely” required to tie the claimed invention to the Internet are simply not enough to find that the invention in the ‘545 patent—“a method for monetizing and distributing copyrighted products,” essentially using advertising—not impermissibly abstract. Even if the claims are “likely” to require programming, in fact they do *not* recite any programming steps, and even if they did recite such steps, the ‘545 patent would still be impermissibly abstract under § 101. *See, Mayo*, 132 S. Ct. at 1300 (“simply appending conventional steps, specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable.”).

⁵ *Amici* are concurrently submitting a brief in support of rehearing *en banc* in *CLS Bank v. Alice*, which it likewise believes was wrongly decided. But the ‘545 Patent would not even meet the impermissibly high abstractness standard set forth in that case. *CLS Bank*, No. 2011-1301, slip op. at 20.

Of course, much of the business we conduct on a daily basis now takes place on the Internet. For example, 79% of the U.S. population used the Internet in 2010. *Internet Users as Percentage of Population*, Google (Feb. 16, 2012), <http://tinyurl.com/7wr32o3>. Increasingly, the public uses the Internet for everyday commercial activities formerly done on Main Street.⁶ Given this reality, merely tying an otherwise abstract business method to that environment cannot be sufficient to make that method patentable, any more than tying such a method to a public road. Likewise, a general business process of displaying ads to viewers

⁶ See, e.g., *2008 E-Stats*, U.S. Census Bureau, 2-3 (May 27, 2010), <http://www.census.gov/econ/estats/2008/2008reportfinal.pdf> (\$3.7 trillion in total e-commerce revenue in 2008; \$142 billion in retail e-commerce); *Trend Data*, Pew Internet & Amer. Life Project, <http://www.pewinternet.org/Trend-Data/Online-Activites-Total.aspx> (last updated Feb. 2012) (37% of adult Internet users “get financial info online, such as stock quotes or mortgage interest rates” (survey on May 1, 2010); 81% “go online just for fun or to pass the time” (survey on Aug. 1, 2011); 64% “Use an online social networking site like MySpace, Facebook or LinkedIn.com” (survey on Aug. 1, 2011); 61% “look online for news or information about politics” (survey on Aug. 1, 2011)); Solarina Ho, *Do You Find Yourself Going Online More and More?*, Reuters.com (Nov. 5, 2007), <http://www.reuters.com/article/2007/11/06/us-internet-poll-idUSN0559828420071106> (indicating 79% of adults, or 178 million, go online); Cecily Hall, *Consumers Find a Friend in the Internet*, Pew Internet (Aug. 19, 2009), <http://pewinternet.org/Media-Mentions/2009/Consumers-Find-a-Friend-in-the-Internet.aspx> (stating 69% of U.S. adults log onto the web to aid decision making). Indeed, Americans rely on the web for activities ranging from dating to finance. See Susannah Fox, *Online Banking 2005*, Pew Internet (Feb. 9, 2005), <http://www.pewinternet.org/Reports/2005/Online-Banking-2005.aspx> (stating a quarter of adults use online banking); Sharon Jayson, *Online Daters Report Positive Connections*, Pew Internet (Mar. 5, 2006) <http://pewinternet.org/Media-Mentions/2006/Online-daters-report-positive-connections.aspx> (finding 16 million people use online dating services).

prior to the showing of copyrighted content on the Internet is no less abstract than using television or radio for the same purpose. Indeed, since using the Internet usually requires at least some amount of computer programming, any claim that recites “Internet” could satisfy the panel decision’s test of “likely to require intricate and complex computer programming.”

D. The Current Uncertainty Surrounding § 101 Threatens Innovation by Failing to Provide Clear Guidance and Creating False Boundaries.

Not only is the threshold issue of abstractness as it relates to Internet-based inventions one of exceptional importance, but it is also recurring. The *Bilski* ruling is just barely two years old, and yet we already face inconsistent rulings from the Federal Circuit and the district courts. This case, *Classen*, *Cybersource*, *Dealertrack*, *CLS Bank*, and *Bancorp* rulings are irreconcilable. See generally *CLS Bank*, No. 2011-1301, slip op. at 20 (Fed. Cir. July 9, 2012); *Bancorp Servs, L.L.C. v. Sun Life Assurance Co.*, No. 2011-1467, slip. Op. at 21 (Fed. Cir. July 26, 2012); *MySpace*, 672 F.3d 1250; *Fort Properties, Inc. v. American Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *Ultramercial*, 657 F.3d 1323; *Cybersource Corp. v. Retail Decisions Inc.*, 654 F.3d 1366 (Fed. Cir. 2011); *Classen Immunotherapies, Inc. v. Biogen IDEC*, 659 F.3d 1057 (Fed. Cir. 2011).

For example, *Dealertrack* found claims impermissibly abstract when they were: “silent as to how a computer aids the method, the extent to which a computer aids the method, or the significance of the computer to the performance of the method,” even though the patent at issue limited the claims to “computer-aided.” *Dealertrack*, 2012 WL 164439, at *17. The Federal Circuit, left with the task of explaining why tying an otherwise abstract idea to a computer does not render the invention non-abstract, but tying an otherwise abstract invention to the Internet does, claimed that the *Dealertrack* patent failed to “specify[] any level of involvement or detail.” *Id.* See also *Bancorp*, No. 2011-1467, slip op. at 22 (“Using a computer to accelerate an ineligible mental process does not make that process patent-eligible.”); *Fort Properties, Inc. v. American Master Lease LLC*, 2009-1242, slip op. at 13 (Fed. Cir. Feb. 27, 2012) (“operating an electronic device that features a central processing unit” is not a “meaningful” limitation). Yet, the patent at issue here merely includes claims that “*are likely* to require intricate and complex computer programming” and that “certain of these steps clearly require specific application to the Internet and a cyber-market environment.” *Ultramercial*, 657 F.3d at 1328 (emphasis added). Like the patent in *Dealertrack*, the ‘545 Patent does not detail what the “specific application” is, but instead merely presumes that it exists.

The Supreme Court's ruling in *Mayo* addressed this concern, and, indeed, seemed to put an end to the question. The Court, in reaffirming the importance of the § 101 inquiry, even addressed the need for certainty:

Courts and judges are not institutionally well suited to making the kinds of judgments needed to distinguish among different laws of nature. As so the cases have endorsed a bright-line prohibition against patenting laws of nature, mathematical formulas and the like, which serves as a somewhat more easily administered proxy for the underlying “building-block” concern.

Mayo, 132 S. Ct. at 1303.

Despite *Mayo*, the failure of this Court's post-*Bilski* § 101 cases to coexist provides potential litigants with little guidance as to the contours of impermissibly abstract subject matter under § 101. Recent rulings in cases such as *CLS Bank* and *Bancorp*, both of which came down after *Mayo*, in fact made the problem worse and not better. This raises litigation costs and discourages settlement. *See Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1040 (Fed. Cir. 2006) (Michel, C.J., dissenting from denial of petition for rehearing en banc). It also impermissibly threatens to render § 101 meaningless in its entirety. *See, supra* at 13-14; *see also, e.g., MySpace*, 672 F.3d at 1260 (Fed. Cir. Mar. 2, 2012) (urging courts to avoid determinations under § 101 in effort to make “patent litigation more efficient, conserve judicial resources, and bring a degree of certainty to the interests of both patentees and their competitors in the marketplace.”). *See also United States v. Menasche*, 348 U.S. 528, 539 (1955) (citing *Inhabitants of*

Montclair Tp. v. Ramsdell, 107 U.S. 147, 152 (1883)) (courts should “give effect, if possible, to every clause and word of a statute,’ rather than to emasculate an entire section.”); *Duncan v. Walker*, 533 U.S. 167, 174 (2001) (it is “a cardinal principle of statutory construction” that “a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.”).

E. The Impermissibly Abstract Nature of the ‘545 Patent Causes Significant Harm to the Notice Function.

Not only does the panel decision threaten to give some kind of § 101 blessing to virtually every invention that allegedly takes place on the Internet, but it also threatens to further degrade the notice function of patents. The notice function serves an important role in the larger patent bargain: in order to obtain a limited monopoly, a patent owner must teach the public how to practice the technology and also “apprise the public of what is still open to them.” *McClain v. Ortmyer*, 141 U.S. 419, 424 (1891); *PSC Computer Prods. v. Foxconn Int’l*, 355 F.3d 1353, 1359 (Fed. Cir. 2004).

While important, the public notice function of software patents is notoriously ineffective, even for those skilled in the relevant art. For example, as noted by the FTC, because little clarity exists in claim language typically used in software patents, many in the IT sector have acknowledged “frequently” not

performing clearance searches and even simply ignoring patents. Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 80 (2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf> (“the notice function ‘is not well served at all.’”). *See also* Bessen & Meurer, *supra*, at 157, 187, 194 (2008) (“software patents suffer notice problems [from inventors being unable to determine the metes and bounds of a particular patent]” and “have unclear boundaries” which results in “opportunistic litigation” as well as high costs when litigation ensues.)

While § 112 requires a patent owner to set out its invention “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 . . .,” the § 101 limits on patentability likewise serve as an important incentive for careful claim drafting. “If § 101 causes the drafting of careful, concrete, specific claims over abstract, conceptual claims, I see no harm. The world will have clear notice of the scope of such patent rights.” *Classen*, 659 F.3d at 1081 n.3 (Moore, J., dissenting).

To the extent § 101’s limits on patentability are directed to careful claim drafting, they have failed here. The ‘545 patent’s claims include no detail on how

to practice the invention online.⁷ Rather, they simply recite that the method should take place “over the Internet” three times⁸ and merely once mention the word “computer” (in a dependent claim).⁹ While § 101 contains no explicit requirement regarding drafting *per se*, it does require that the patent’s *claims* be considered. *See, e.g., Diehr*, 450 U.S. at 188 (“In determining the eligibility of respondents’ claimed process for patent protection under section 101, their *claims* must be considered as a whole.”) (emphasis added). The claims at issue here do nothing more than tie the alleged invention to the Internet the same way that businesses are conducted on the Internet everyday. They fail to put potentially infringing parties on notice of what the invention *actually is* without explaining how it differs from the mere abstract idea of exchanging advertising views for access to protected content. This failure of notice is a direct result of a set of impermissibly abstract claims.

⁷ The patent does include flow charts, but those charts have no mention of “intricate and complex computer programming.” Rather, the flow charts merely set forth an abstract process.

⁸ “A method for distribution of products over the Internet” (cl. 1); “a third step of providing the media product for sale at an Internet website” (cl. 1); “a first step providing a product list on an Internet website” (cl. 8).

⁹ “The method of claims 1 or 8, wherein the media product accessed by the consumer is downloaded to the memory of a personal computer of the consumer.” (cl. 16).

CONCLUSION

The standard for patentability under 35 U.S.C. § 101 is an important issue of nationwide importance. The panel below misinterpreted the Supreme Court's recent precedent on the issue. The petition for rehearing *en banc* should be granted.

Dated: September 5, 2012

Respectfully submitted,

By: /s/ Julie P. Samuels
Julie P. Samuels

ELECTRONIC FRONTIER
FOUNDATION
454 Shotwell Street
San Francisco, CA 94110
Tel: (415) 436-9333
Fax: (415) 436-9993
julie@eff.org

Attorney for *Amicus Curiae*
Electronic Frontier Foundation

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of September, 2012, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system, which will send a notification of such filing (NEF) to all counsel of record.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on September 5, 2012 in San Francisco, California.

/s/ Julie P. Samuels
Julie P. Samuels

**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME
LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE
REQUIREMENTS PURSUANT TO FED. R. APP. P. 32(a)(7)(C)**

I hereby certify as follows:

1. The foregoing Brief of Amici Curiae Electronic Frontier Foundation and Public Knowledge complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B). The brief is printed in proportionally spaced 14-point type, and there are 4,670 words in the brief according to the word count of the word-processing system used to prepare the brief (excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii), that is, the tables of contents and citations, and certificates of counsel, and by Fed. Cir. R. 32(b), that is, the certificate of interest, the statement of related cases, and the addendum in an initial brief of an appellant).

2. The brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5), and with the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft® Word for Mac 2011 in 14-point Times New Roman font.

September 5, 2012

/s/ Julie P. Samuels
Julie P. Samuels
Attorney for Amicus Curiae
Electronic Frontier Foundation