

Case No. 2010-1544

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

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**ULTRAMERCIAL, LLC and ULTRAMERCIAL, INC.,**

*Plaintiffs-Appellants,*

v.

**HULU, LLC,**

*Defendant,*

and

**WILDTANGENT, INC.,**

*Defendant-Appellee.*

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

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**MOTION FOR LEAVE TO FILE BRIEF OF AMICUS CURIAE  
ELECTRONIC FRONTIER FOUNDATION IN SUPPORT OF DEFENDANT-  
APPELLEE WILDTANGENT, INC.**

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August 28, 2014

## 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 Samuels, Daniel Nazer, Vera Ranieri, Electronic Frontier Foundation, San Francisco, California.

August 28, 2014

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/s/ Daniel Nazer  
Daniel Nazer  
Attorneys for Amicus Curiae  
Electronic Frontier Foundation

**MOTION FOR LEAVE TO FILE BRIEF OF AMICUS CURIAE  
ELECTRONIC FRONTIER FOUNDATION IN SUPPORT OF  
DEFENDANT-APPELLEE WILDTANGENT, INC.**

Pursuant to Federal Rule of Appellate Procedure 29, the Electronic Frontier Foundation (“EFF”) respectfully moves this Court for leave to file an *amicus curiae* brief in support of Defendant-Appellee Wildtangent, Inc. (“Wildtangent”) in the above-captioned matter. Wildtangent consents to EFF’s filing. Plaintiff-appellants Ultramercial, LLC and Ultramercial, Inc. (collectively, “Ultramercial”) has stated that Ultramercial objects to the motion.<sup>1</sup>

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 more than 27,000 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.

The scope of eligible subject matter under 35 U.S.C. § 101 is one of the most important patent issues today. EFF has filed a number of *amicus* briefs in cases considering the scope of patentable subject matter, including two previous

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<sup>1</sup> Ultramercial previously informed EFF that it consented to a motion for leave for later filing under Rule 29(e), on condition that it be permitted to file a reply. Shortly before EFF filed this motion, counsel for Ultramercial contacted EFF and stated such consent had been conditioned on EFF filing by August 27, 2014.



**CERTIFICATE OF SERVICE**

I hereby certify that on this 28th day of August, 2014, I caused copies of the foregoing Motion for Leave to File Brief of *Amicus Curiae* Electronic Frontier Foundation to be served by electronic means via the Court's CM/ECF system on all counsel registered to receive electronic notices.

/s/ Daniel Nazer

Daniel Nazer

Case No. 2010-1544

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**BRIEF OF AMICUS CURIAE ELECTRONIC FRONTIER FOUNDATION IN  
SUPPORT OF DEFENDANT-APPELLEE WILDTANGENT, INC.**

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August 28, 2014

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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 Samuels, Daniel Nazer, Vera Ranieri, Electronic Frontier Foundation, San Francisco, California.

August 28, 2014

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/s/ Daniel Nazer  
Daniel Nazer  
Attorneys for Amicus Curiae  
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## **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 more than 27,000 dues-paying members have a strong interest in helping the courts and policy-makers strike 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 *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014), *Bilski v. Kappos*, 561 U.S. 593 (2010); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); and *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).<sup>1</sup>

## **SUMMARY OF ARGUMENT**

The Supreme Court’s decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014) (“*Alice*”) marks a fundamental change in how computer-implemented inventions should be evaluated for patent eligibility. With so much of

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<sup>1</sup> Pursuant to Rule 29(c) of the Federal Rules of Appellate Procedure, EFF certifies that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. Furthermore, no person or entity, other than *amicus*, its members, or its counsel, made a monetary contribution to the preparation or submission of this brief.

today’s economic activity linked to computers, the scope of this decision is of vast importance. Under prior Federal Circuit authority, eligibility questions rarely arose for computer-implemented inventions. But *Alice* makes clear that merely tying an abstract idea to a computer or the Internet—even where complex programming might be required—is not sufficient to transform that idea into a patent-eligible invention. This appeal provides a straightforward, yet very important, application of *Alice*. Ultramercial’s patent claims an abstract idea—monetizing advertising—and ties it to the Internet. It should be found ineligible for patent protection. A proper interpretation of *Alice* will ensure that this and thousands of other abstract software patents no longer serve as landmines for innovators who create real products.

## ARGUMENT

### **I. The Supreme Court’s decision in *Alice* fundamentally altered the test for whether computer-implemented inventions are patent-eligible.**

In *Alice*, the Supreme Court held that Section 101 analysis should proceed as a two-step process. 134 S. Ct. at 2355 (citing *Mayo Collaborative Servs v. Prometheus Labs, Inc.*, 132 S. Ct. 1289 (2012)). First, courts should identify whether a claim is “directed to” a law of nature, natural phenomena, or abstract idea. *Id.* Second, courts must evaluate whether the elements of the claim, considered as a whole, contain an inventive concept sufficient to transform an abstract idea into a patent-eligible idea. *Id.*

With respect to step one, the Supreme Court clarified that abstract ideas are not limited to fundamental truths. *Id.* at 2356-57. Taking a broad approach, the Court concluded that Alice’s patent claimed the abstract idea of “intermediated settlement.” *Id.* at 2355. The Court reached this conclusion even though the claims at issue included a number of specific steps, such as creating and adjusting shadow credit records for stakeholders. *See id.* at 2352 n.2.

With respect to step two, the Court accepted that Alice’s system claims would require hardware such as a “data processing system” and a “data storage unit.” *Id.* at 2360. But the Court held that such “generic computer components” do not become patent eligible simply upon being “configured” to perform “specific computerized functions.” *Id.* This holding settles an important question regarding the status of computer-implemented inventions. Specifically, it settles this Court’s debate regarding whether *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc) remains good law.

Prior to the Supreme Court’s ruling in *Alice*, members of this Court debated the continuing validity of *Alappat*’s holding that a programmed general purpose computer was patent-eligible under Section 101. For example, then Chief Judge Rader argued that the Federal Circuit should continue to follow *Alappat*. *See CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1305, 1316 (Fed. Cir. 2013) (concurring-in-part and dissenting-in-part) (urging that “the Supreme Court has

never cast doubt on the patentability of claims such as those at issue in *In re Alappat* or the system claims at issue in this case.”). That is, if *Alappat* remained good law, as Chief Judge Rader explained, Alice’s system claims should be upheld. In contrast, five judges voted to invalidate Alice’s claims, reasoning that, in light of subsequent Supreme Court authority, they could no longer rely on *Alappat*. Judge Lourie wrote:

We are faced with abstract methods coupled with computers adapted to perform those methods. And that is the fallacy of relying on *Alappat*, as the concurrence in part does. Not only has the world of technology changed, but the legal world has changed. The Supreme Court has spoken since *Alappat* on the question of patent eligibility, and we must take note of that change.

*Id.* at 1292. The Supreme Court’s decision in *Alice* confirmed that Judge Lourie’s observation was correct. In striking down the patent’s claims under Section 101, the Supreme Court effectively overruled *Alappat*.

## **II. Under the test announced in *Alice*, the asserted claims of the ’545 Patent are not subject matter eligible.**

After the first remand, the majority reasoned that Ultramercial’s patent was not abstract because, “[b]y its terms, the claimed invention invokes computers and applications of computer technology” and would “require intricate and complex computer programming.” *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1350 (Fed. Cir. 2013). This reasoning expressly relied on the assumption that *Alappat* remained valid. *See id.* at 1348-49. Indeed, the majority assumed that “a *specific*

way of doing something with a computer, or a *specific computer* for doing something . . . likely will be patent eligible.” *Id.* at 1348 (emphasis in original). In taking this approach, the Court’s opinion is entirely contrary to the Supreme Court’s reasoning in *Alice*.

This conflict can be illustrated by comparing the claims in this case to those before the Supreme Court. Ultramercial’s patent breaks an abstract idea—monetizing advertisements—into constituent steps and directs that these steps be performed by a computer over the Internet. *See* 722 F.3d at 1337-38. This is directly analogous to the patent at issue in *Alice*, which directed that steps of intermediated settlement be performed on a computer. *See Alice*, 134 S. Ct. at 2352-53. In both cases, the patent invoked applied computer technology and would necessarily require specific programming.

It is entirely irrelevant whether or not the necessary programming would be “intricate and complex.” *Ultramercial*, 722 F.3d at 1350.<sup>2</sup> In *Alice*, a unanimous Supreme Court expressly rejected Judge Rader’s argument that the claims were “patent eligible because they involve computer ‘hardware’ that is ‘specifically programmed to solve a complex problem.’” *Alice*, 134 S. Ct. at 2353 (quoting *CLS Bank Int’l*, 717 F.3d at 1307). The same reasoning must apply to this case. Indeed,

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<sup>2</sup> Whether the ’545 Patent actually requires “complex” computer programming is debatable. *See* Brief of Public Knowledge as Amicus Curiae Supporting Petitioner, *Wildtangent, Inc. v. Ultramercial, LLC* (2013) (No. 13-255), 2013 WL 5400249, \*6 (implementing the claimed invention in just 16 lines of Javascript code).

this case is an excellent example of why implementation of an abstract idea through programming does not support patent eligibility. This is because the '545 patent's specification *does not contain a single line of code*. As with so many abstract software patents, it leaves the project of writing the necessary code to the person of ordinary skill. The actual code must therefore be merely “purely conventional,” *Alice*, 134 S. Ct. at 2358; otherwise the patent would be invalid under 35 U.S.C. § 112(b) for lack of enablement. Accordingly, the programming required to practice Ultramercial's purported invention—regardless of its complexity—cannot provide the “inventive concept” to transform the claims into a patent-eligible application. *Alice*, 134 S. Ct. at 2357.

**III. *Alice* does not require waiting for formal claim construction before ruling on subject matter eligibility.**

If a patentee is able to defeat a motion to dismiss based on Section 101 simply by raising the *prospect* of a claim construction dispute, then the issue will rarely be raised at the pleading stage. Patentees asserting abstract claims would then be able to use the extraordinary cost of patent litigation to pressure defendants to settle. See Brian T. Yeh, *An Overview of the “Patent Trolls” Debate*, Cong. Research Serv., R42668, at 1 (2013) (noting that the vast majority of suits brought by patent assertion entities (PAEs) “end in settlements because litigation is risky, costly, and disruptive for defendants, and PAEs often offer to settle for amounts

well below litigation costs”). *Alice* must be applied early and efficiently if it is to provide a meaningful benefit for the victims of abstract patents.

In this case, there is no claim construction or other factual dispute that bars a ruling on subject matter eligibility. As explained above, it is irrelevant whether or not the claims actually require “complex” programming. Several similar cases have properly decided Section 101 issues at an early stage, either by summary judgment or on a motion to dismiss. *See, e.g., Bancorp Servs., LLC v. Sun Life Assurance Co.*, 687 F.3d 1266, 1273-74 (Fed. Cir. 2012), *cert denied* 134 S. Ct. 2870 (June 30, 2014); *Uniloc USA, Inc. v. Rackspace Hosting, Inc.*, 12-CV-375, 2013 WL 7393173 (E.D. Tex. Mar. 27, 2013); *OIP Techs., Inc. v. Amazon.com, Inc.*, C-12-1233 EMC, 2012 WL 3985118 (N.D. Cal. Sept. 11, 2012); *Glory Licensing, LLC v. Toys “R” Us, Inc.*, 09-4252 FSH, 2011 WL 1870591 (D.N.J. May 16, 2011). Indeed, in *Alice* the District Court ruled on summary judgment prior to formal claim construction. *See CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 768 F. Supp. 2d 221, 236 n.6 (D.D.C. 2011). This trend should be encouraged, and this case serves as a proper vehicle to do just that.

### **CONCLUSION**

For the foregoing reasons, EFF respectfully requests that the Court find the ’545 patent invalid under 35 U.S.C. § 101.

Dated: August 28, 2014

Respectfully submitted,

By:       /s/ Daniel Nazer      

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**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 *Amicus Curiae* Electronic Frontier Foundation complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B). The brief is seven pages long, one half of the length of the fifteen page limit imposed by the Court's order for supplemental briefing. The brief is printed in proportionally spaced 14-point type, and there are 1,679 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.

August 28, 2014

/s/ Daniel Nazer

Daniel Nazer  
Attorneys for *Amicus Curiae*  
Electronic Frontier Foundation

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/s/ Daniel Nazer  
Daniel Nazer