

No. 11-962

IN THE
Supreme Court of the United States

WILDTANGENT, INC.,

Petitioner,

v.

ULTRAMERCIAL, LLC, *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF ELECTRONIC FRONTIER FOUNDATION,
THE COMPUTER & COMMUNICATIONS INDUSTRY
ASSOCIATION AND RED HAT, INC. AS *AMICI
CURIAE* IN SUPPORT OF PETITIONER**

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INTEREST OF AMICI CURIAE¹

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 16,000 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).

The Computer & Communications Industry Association (“CCIA”) is a non-profit trade association dedicated to open markets, open systems, and open networks. CCIA members participate in many sectors of the computer, information technology, and telecommunications industries and range in size from small entrepreneurial firms to the largest in the industry. A list of CCIA’s members is available at <http://ccianet.org/members>. CCIA

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amici curiae*, or their counsel, made a monetary contribution intended to fund its preparation or submission. Pursuant to Supreme Court Rule 37.2(a), *amici curiae* provided at least ten days’ notice of their intent to file this brief to counsel of record for all parties. The parties have consented to the filing of this brief and such consents are being submitted.

members use the patent system regularly, and depend upon it to fulfill its constitutional purpose of promoting innovation. CCIA is increasingly concerned that the patent system has expanded without adequate accountability and oversight.

Red Hat, Inc. is the world's leading provider of open source software and related services to enterprise customers. Its software products are used by Wall Street investment firms, hundreds of Fortune 500 companies, and the United States government. Headquartered in Raleigh, North Carolina, Red Hat has offices in 33 countries.

SUMMARY OF ARGUMENT

This Court's decision in *Bilski v. Kappos* has been cited by nearly 50 district and appellate courts since it was handed down not 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). The Federal Circuit alone, for example, has issued six rulings in the past seven months² that appear to contradict each other, and—when read together—could be understood to inappropriately imply a stringent rule not contemplated by this Court in

2. See *MySpace, Inc v. Graphon Corp.*, No. 2011-1149, slip op. at 5 (Fed. Cir. Mar. 2, 2012); *Fort Properties, Inc. v. American Master Lease LLC*, 2009-1242, slip op. at 13 (Fed. Cir. Feb. 27, 2012); *Dealertrack, Inc. v. Huber*, Case No. 2009-1566, -1588, 2012 WL 164439, at *17 (Fed. Cir. Jan. 20, 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).

Bilski, namely, that an otherwise abstract invention is patentable subject matter when tied to the Internet or other computerized material.

The threshold question of whether an invention is impermissibly abstract is one of great and growing importance before the courts. Because the decision below conflicts with the decisions of this Court, and because it will negatively impact potential litigants and others affected by patent rights, this Court should grant certiorari.

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 they and their 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 by the Federal Circuit, § 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 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, litigation concerning software patents 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, which 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, an Important Driver 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, *amicus* 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.

B. Current Law Governing § 101 Abstractness Threatens Innovation by Failing to Provide Clear Guidance and Creating False Boundaries.

Section 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. 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.

The invention claimed in the patent at issue (the “‘545 Patent”) does not meet the § 101 standard set forth in *Diehr*. When taken together, the claims contain nothing more than an abstract process, at best solely tied “to a particular technological environment.” 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, LLC v. Hulu, LLC*, 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.

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.³ Given this reality, merely tying an

3. 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

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 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.”

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 not even two years old, and yet we already face inconsistent rulings from the Federal Circuit and the district courts. See Brief for Petitioner at 19-21, *WildTangent, Inc. v. Ultramercial, LLC sub.*

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).

nom. Ultramercial, LLC v. Hulu, LLC 657 F.3d 1323 (Fed. Cir. 2011), *petition for cert. filed*, 2011 U.S. Briefs 962 (U.S. Feb. 2, 2012) (No. 11-962). This case, *Classen*, *Cybersource*, and the recently-decided *Dealertrack* and *MySpace* rulings are irreconcilable. *See Id.* at 11. *See generally Classen Immunotherapies, Inc. v. Biogen IDEC*, 659 F.3d 1057 (Fed. Cir. 2011); *Cybersource Corp. v. Retail Decisions Inc.*, 654 F.3d 1366 (Fed. Cir. 2011); *Dealertrack, Inc. v. Huber*, Case No. 2009-1566, -1588, 2012 WL 164439, at *17 (Fed. Cir. 2012); *MySpace, Inc v. Graphon Corp.*, No. 2011-1149, slip op. at 5 (Fed. Cir. Mar. 2, 2012).

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 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); *MySpace, Inc v. Graphon Corp.*, No. 2011-1149, slip op. at 5 (Fed. Cir. Mar. 2, 2012) (“GraphOn cannot avoid the strictures of section 101 simply because its claimed method discloses very specific steps for allowing users to create and modify database entries.”). 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 strained reading required for these cases to coexist provides potential litigants with little guidance as to the contours of impermissibly abstract subject matter under § 101. 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, e.g., MySpace, Inc v. Graphon Corp.*, No. 2011-1149, slip op. at 17 (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.”).

C. 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. Ortmayer*, 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 35 U.S.C. § 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.⁴ Rather, they simply recite that the method should take place “over the Internet” three times⁵ and merely once mention the word “computer” (in a dependent claim).⁶ 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,

4. 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.

5. “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).

6. “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).

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.

CONCLUSION

The standard for patentability under 35 U.S.C. § 101 is an important issue of nationwide importance. The Federal Circuit below misinterpreted this Court’s precedent on the issue. The petition for writ of certiorari should be granted or, in the alternative, held pending the decision in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, No. 10-1150 (Argued Dec. 7, 2011).

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