No. 13-255

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 COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* ELECTRONIC FRONTIER FOUNDATION IN SUPPORT OF PETITIONER

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BRIEF OF *AMICUS CURIAE* ELECTRONIC FRONTIER FOUNDATION IN SUPPORT OF PETITIONER

STATEMENT OF INTEREST

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 24,000 active members have a strong interest in helping the courts and policy-makers to 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 *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 Elecs. Corp.*, 553 U.S. 617 (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).[1]

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 *amicus curiae*, or its counsel, made a monetary contribution intended to fund its preparation or submission. Pursuant to Supreme Court Rule 37.2(a), *amicus curiae* provided at least ten days' notice of its intent to file this brief to counsel of record for all parties. The parties have consented to the filing of this brief. Web sites cited in this brief were last visited on September 19, 2013.

SUMMARY OF ARGUMENT

This Court has repeatedly made clear that Section 101 of the Patent Act should serve as a meaningful limit on what inventions make up patentable subject matter. Despite this Court's guidance in *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289 (2012), the Federal Circuit has failed to implement a workable standard—or, frankly, any standard at all—as to what computer- and Internet-implemented inventions are patentable. The resulting legal instability has driven up the already-ballooning costs of patent litigation and has discouraged district courts from using Section 101 as a meaningful tool to slow that trend.

This case is an especially suitable vehicle to provide guidance on how Section 101 applies to computer-implemented inventions. In *Mayo*, this Court held that "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." *Id.* at 1300. This rule applies directly to the facts of this case: appending conventional steps (such as using the Internet) to an otherwise abstract idea (such as displaying an advertisement before a consumer can access content), without more, is not enough to make the abstract idea patentable.

The Court previously granted certiorari in this very case and remanded for reconsideration in light of *Mayo*. Yet, rather than applying *Mayo*, the Federal Circuit's majority opinion lays out an independent view of Section 101 and holds the patent valid. In addition to its

substantive disagreement with the holdings of this Court, the Federal Circuit's opinion creates procedural hurdles that will prevent district courts from applying Section 101 to weed out abstract patents. This Court's intervention is critical to restore Section 101 as a meaningful limit on patentability.

Because the decision below conflicts with the decisions of this Court, because rulings from the Federal Circuit are inconsistent, and because it will negatively impact potential litigants and others affected by patent rights, this Court should grant certiorari.

ARGUMENT

Amicus is 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) ("Patent Failure"). As interpreted by the Federal Circuit, Section 101 leaves parties unable to discern a patent's scope 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).[2] Further, the costs associated with litigating software patents vastly exceed their benefits. Patent Failure 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)[3] ("FTC Report") (noting that patent litigation can result in millions of dollars in legal costs). These costs are only exacerbated by unclear law surrounding Section 101, which drives parties to litigate cases that might otherwise settle and blunts an otherwise powerful tool to dispose of cases at the early stages of litigation before the need to engage in expensive and lengthy discovery.

I. INNOVATORS NEED CLEAR STANDARDS TO DETERMINE PATENT VALIDITY

A. The Amount of Patent Litigation Has Been Drastically Increasing, Particularly Cases Brought By NPEs and Litigation Surrounding Software Patents.

In recent years, the amount of patent litigation has dramatically increased. Chris Barry, *et al.*, PricewaterhouseCoopers, *2012 Patent Litigation Survey* 6 (2012) ("PWC 2012").[4] There were 4,015 patent actions filed

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2. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1930272.

3. Available at http://www.ftc.gov/os/2003/10/innovationrpt.pdf.

4. Available at http://www.pwc.com/us/en/forensic-services/publications/2012-patent-litigation-study.jhtml.

in 2011, compared to fewer than 3,000 such actions filed in in 2009. *Id.* That number continues to rise; it reached 5,189 in 2012. Chris Barry, *et al.*, PricewaterhouseCoopers, *2013 Patent Litigation Survey* 6 (2013) ("PWC 2013").[5] In particular, patent cases brought by non-practicing entities (NPEs), also known as patent assertion entities (PAEs), patent monetizers, or colloquially, "patent trolls," have significantly increased. PWC 2012 at 7.

NPEs accounted for only about five percent of patent litigation in 2000-2002. Bessen 2011 at 6-7. This figure increased to about 22 percent in 2007, and then to almost 40 percent in 2011. Sara Jeruss, Robin Feldman & Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 Duke L. & Tech. L. Rev 357, 361, 381 (2012).[6] In 2012, *sixty-one percent* of new patent actions were brought by NPEs. Colleen V. Chien, *Patent Assertion Entities*, presentation to the December 10, 2012 DOJ/FTC Hearing on PAEs, slides 23-24.[7]

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5. Available at http://www.pwc.com/en_US/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf.

6. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2158455.

7. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2187314. As slide 24 points out, because of the September 2011 passage of the America Invents Act, the 2011-2012 figures might be somewhat inflated. There has still been a drastic increase since five years ago.

A recent study by the General Accounting Office suggests that the percentage of new patent actions filed by NPEs is much lower. The discrepancy would appear to be due to a different definition of NPE (a much narrower definition in the GAO's case).

As Judge Posner of the Seventh Circuit put it, NPEs "are companies that acquire patents not to protect their market for a product they want to produce—patent trolls are not producers—but to lay traps for producers, for a patentee can sue for infringement even if it doesn't make the product that it holds a patent on." Richard A. Posner, *Why There Are Too Many Patents in America*, The Atlantic (July 12, 2012).[8] Chief Judge Randall Rader of the Federal Circuit has stated that "[t]he onslaught of litigation brought by 'patent trolls'... has slowed the development of new products, increased costs for businesses and consumers, and clogged our judicial system." Randall R. Rader, Colleen V. Chien, David Hricik, *Make Patent Trolls Pay in Court*, The New York Times (June 7, 2013).[9]

Patent trolls have even garnered a mention from President Obama, who stated that NPEs "don't actually produce anything themselves" and instead "leverage and hijack" the ideas of others to "see if they can extort some money out of them." Mike Masnick, *President Obama Admits That Patent Trolls Just Try To 'Extort' Money; Reform Needed*, TechDirt (February 14, 2013).[10]

Not coincidentally, the rise in NPE litigation has mirrored a rapid increase in litigation involving software

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8. Available at http://www.theatlantic.com/business/archive/2012/07/why-there-are-too-many-patents-in-america/259725/.

9. Available at http://www.nytimes.com/2013/06/05/opinion/make-patent-trolls-pay-in-court.html.

10. Available at https://www.techdirt.com/articles/20130214/14351821988/president-obama-admits-that-patent-trolls-just-try-to-extort-money-reform-needed.shtml.

patents. James Bessen, *A Generation of Software Patents* 19 (Boston Univ. School of Law, Working Paper No. 11-31, 2011).[11] One study has found that between 2007 and 2011, 46 percent of patent lawsuits involved software patents, accounting for 89 percent of the increase in the number of patent defendants during this timeframe. United States Government Accountability Office, *Assessing Factors That Affect Patent Infringement Litigation Could Help Improve Patent Quality*, 22 (2013) ("GAO Report").[12]

B. Patent Litigation Imposes a Disproportionate Burden on Technology Firms, Especially Small Innovators.

This explosion of litigation has been costly. According to a congressional study, NPEs activity cost defendants and licensees $29 billion in 2011, a 400 percent increase over $7 billion in 2005, and the losses are mostly deadweight, with less than 25 percent flowing to innovation and at least that much going towards legal fees. Brian T. Yeh, Cong. Research Serv., R42668, *An Overview of the "Patent Trolls" Debate*, at Summary and 2 (2012) ("Yeh")[13] (citing James Bessen & Michael Meurer, *The Direct Costs from NPE Disputes* 2, 18-19, (Boston Univ. School of Law, Law and Economics Research Paper No. 12-34, 2012) ("Bessen 2012")).[14] The research shows that that "NPE

11. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1868979.

12. Available at http://www.gao.gov/assets/660/657103.pdf.

13. Available at https://www.eff.org/sites/default/files/R42668_0.pdf.

14. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2091210.

lawsuits are associated with half a trillion dollars of lost wealth to defendants from 1990 through 2010. During the last four years the lost wealth has averaged over $80 billion per year." Bessen 2011 at 2. Even assuming *arguendo* that some of that transferred wealth is not "deadweight," it at least is clear that the funds are being transferred from innovative companies to their non-innovative counterparts. *See* Michele Boldrin and David K. Levine, *The Case Against Patents*, 27 Journal of Economic Perspectives 3, 9 (2012)[15] (". . . patents simply add a cost to innovation: if you wish to innovate, you must acquire an expensive patent portfolio to avoid trolls. On the other hand if a patent holder does not produce a marketable product and hence cannot be countersued. . . then patents become a mechanism for sharing the profits without doing the work.").

And, in what has become a theme, the high-tech industry bears a large percentage of the costs. As the congressional study noted:

> Experts attribute the proliferation of PAEs over the past 10 to 15 years to the explosion of the information technology (IT) industry and patent law's struggle to adapt to the unique issues presented by this new frontier of innovation. They indicate that the PAE business model is not about licensing patents generally but *high-tech* patents in particular, including those on software and business methods or processes related to software, as well as computers and electronics.

15. Available at http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.27.1.3

Yeh at 9 (footnotes omitted). Several technology companies have publicly reported that they have increasingly become the subject of patent litigation lawsuits by NPEs in the last ten years. *See, e.g.,* GAO Report at 16.

The litigation explosion particularly burdens small companies, which increasingly find themselves the targets of these suits. One study has found that nearly 75 percent of venture capitalists have had their portfolios impacted by litigation from a patent troll. Colleen Chien, *Patent Assertion and Startup Innovation*, New America Foundation (Sept. 2013) at 10.[16] More than half of the defendants involved in litigation brought by patent NPEs are companies with annual revenues of $10 million or less. *Id.* at 11. Litigation-based legal expenses can kill small startups entirely, and the mere threat of those expenses can chill innovation. In a small company, key management and engineers must deal with an NPE claim. Colleen Chien, *Startups and Patent Trolls* 10-13 (Santa Clara Univ. School of Law, Legal Studies Research Paper Series, Accepted Paper No. 09-12, 2012).[17] Professor Chien noted:

> Although large companies tend to dominate patent headlines, most unique defendants to PAE suits are small. Companies with less than $100M annual revenue represent at least 66% of unique defendants and the majority of them make much less than that: at least 55% of unique defendants in PAE suits make under $10M per year. Suing small companies appears [to] distinguish PAEs from operating companies,

16. Available at http://www.newamerica.net/publications/policy/patent_assertion_and_startup_innovation.

17. Available at http://ssrn.com/abstract=2146251.

> who sued companies with less than $10M of annual revenue only 16% of the time, based on unique defendants.

Id. at 1-2. This results in small cash-poor companies becoming vulnerable targets that lack leverage to deal with an NPE claim, leaving them stuck paying nuisance settlements regardless of the merits of the underlying claim. *Id*. at 3. With small- and medium-sized companies making up 90 percent of the defendants in NPE suits, Bessen 2012 at 11, such nuisance settlements are widespread.

In another troubling trend, small companies increasingly find themselves targeted by NPEs based on their use of basic technologies, such as using a scanner or wireless Internet. Joe Mullin, *Patent Trolls Want $1,000—For Using Scanners*, Ars Technica (Jan. 2, 2013) (stating "2012 may go down as the year of the user").[18] One analysis has found that the top ten patent litigation campaigns over the past three years (as determined by number of named defendants) all involved users and implementers of a technology. Chien, *Patent Assertion and Startup Innovation* at 12. Small companies are particularly vulnerable to such lawsuits, as they are unlikely to have been able to negotiate indemnity protection. *Id.* at 13.

C. Innovators Should Have the Ability to Obtain Prompt Disposal of Unmeritorious Suits, Particularly at Early Stages of Litigation.

This inability to discern a patent's scope or assess its validity leads to two distinct unfortunate results:

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18. Available at http://arstechnica.com/tech-policy/2013/01/patent-trolls-want-1000-for-using-scanners.

(1) it drives parties to litigate cases that might otherwise fairly settle; and/or (2) it encourages parties to accept settlements that do not reflect the real value of the technology at issue (or the merits of the case). Thus, the present state of confusion surrounding Section 101 blunts an otherwise powerful incentive to dispose of cases at the summary judgment stage (or earlier), before the need to engage in expensive and lengthy discovery.

Widespread agreement exists that the harm from NPEs outweighs any benefit they provide. Yeh at Summary, 2, 6. 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 NPEs is to create incentives for those facing litigation (or litigation threats) to pursue their meritorious defenses of noninfringement and invalidity. *Id.* 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)[19] ("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.").

Indeed, the most troubling aspect of the NPEs' business model—the push to deter meritorious litigation in lieu of cheaper licensing deals—is necessarily discouraged by additional opportunities to appropriately dispose of cases at the early stages of litigation. Moreover, the ability to address Section 101 issues at early stages of litigation will not harm the rights of any non-practicing entity (or

19. Available at: http://georgetownlawjournal.org/files/pdf/99-3/AllisonLemleyWalker%20677-712.PDF.

of any plaintiff) who attempts to enforce a patent that is non-abstract.

Thus, several 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., L.L.C. v. Sun Life Assurance Co.*, 687 F.3d 1266, 1273-74 (Fed. Cir. 2012); *OIP Techs., Inc. v. Amazon.com, Inc.*, No. C-12-1233 EMC, 2012 WL 3985118 (N.D. Cal. Sept. 11, 2012); *Glory Licensing, L.L.C. v. Toys "R" Us, Inc.*, Case No. 09-4252 FSH, 2011 WL 1870591 (D. N.J. May 16, 2011); *Uniloc USA, Inc. v. Rackspace Hosting, Inc.*, 12-CV-375 (E.D. Tex. March 27, 2013); *Cyberfone Systems, LLC v. Cellco P'ship, et al.*, C.A. No. 11-827-SLR through 11-835-SLR (D. Del. Aug. 16, 2012). This trend should be encouraged, and this case serves as a proper vehicle to do just that.

II. THE FEDERAL CIRCUIT'S INTERPRETATION—OR LACK THEREOF—OF SECTION 101 THREATENS INNOVATION BY FAILING TO PROVIDE CLEAR GUIDANCE.

A. Background of Section 101 Jurisprudence

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.

Or it should. In *Mayo v. Prometheus,* this Court unanimously "decline[d] . . . to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101." 132 S. Ct. at 1304 (rejecting the argument that §§ 102, 103, and 112 could perform § 101's "screening

function"). 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." *Id.*

Indeed, this Court has now made clear, time and again, that Section 101 serves a crucial function in patent eligibility. And not just any function. The "cases have endorsed a bright-line prohibition against patenting laws of nature, mathematical formulas and the like." *Mayo*, 132 S. Ct. at 1303. The three exceptions to patentability under Section 101 "have defined the reach of the statute as a matter of statutory *stare decisis* going back 150 years." *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010). "As the Court has explained, without this exception, there would be considerable danger that the grant of patents would 'tie up' the use of such tools and thereby 'inhibit future innovation premised upon them.'" *Assoc. for Molecular Pathology v. Myriad Genetics,* 133 S. Ct. 2107, 2116 (2013) *citing Mayo*, 132 S. Ct. at 1301.

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 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.

A high bar to patentability likewise places the burden of understanding the technology on those who know it best: the patent applicants and the patent examiners. Indeed, as this Court reminded us in *Mayo*:

> Courts and judges are not institutionally well suited to making the kinds of judgments needed to distinguish among different laws of nature. And so the cases have endorsed a bright-line prohibition against patenting laws of nature, mathematical formulas and the like.

Mayo, 132 S. Ct. at 1303.

Despite this clear guidance, the Federal Circuit has repeatedly failed to implement a clear and effective Section 101 standard. Even worse, its attempts to do so have only further muddied the waters, leaving litigants with virtually no guidance on what is and is not patentable subject matter. When the *en banc* Federal Circuit was recently presented with the question of what test it should adopt to determine if an invention is an abstract idea, it wholly failed to come up with an answer. *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013). Indeed, it even failed to issue an opinion with any

precedential value. *Id.* at 1292 (concurring and dissenting opinion of Chief Judge Rader, n.1).

This was despite the pleas from many judges for clear Section 101 guidelines. *See, e.g., id.* at 1277 (concurring opinion of Judge Lourie) ("What is needed is a consistent, cohesive, and accessible approach to the Section 101 analysis—a framework that will provide guidance and predictability for patent applicants and examiners, litigants, and the courts."); *id.* at 1314 (dissenting opinion of Judge Moore) ("Our court is irreconcilably fractured over these system claims and there are many similar cases pending before our court and the district courts."); *id.* at 1321 (concurring and dissenting opinion of Judge Newman) ("Today's irresolution concerning section 101 affects not only this court and the trial courts, but also the PTO examiners and agency tribunals, and all who invent and invest in new technology. The uncertainty of administrative and judicial outcome and the high costs of resolution are a disincentive to both innovators and competitors.").

B. The '545 Patent Is Abstract and Invalid

Of course, some aspects of Section 101 are inarguably clear. For example, 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 88. 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 91.

The invention claimed in the patent at issue ("the '545 Patent") does not meet the Section 101 standard set forth in *Diehr*. Nor does it meet the standard set forth in *Mayo*, or, for that matter, *CLS Bank* (to the extent that case even put forth a standard at all). When taken together, the claims contain nothing more than an abstract process, at best solely tied "to a particular technological environment." The initial 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) ("*Ultramercial I*") (emphasis added). But claims that "likely" require complex programming to apply to "the Internet" simply do not lead to the conclusion that that '545 Patent's invention—"a method for monetizing and distributing copyrighted products," essentially using advertising—is 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 Section 101. *See MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1266 (Fed. Cir. 2012) (Mayer, J. dissenting) ("A patentee does not uphold his end of this "bargain" if he seeks broad monopoly rights

over a basic concept or fundamental principle without a concomitant contribution to the existing body of scientific and technological knowledge.").

Of course, much of the business we conduct on a daily basis now takes place on the Internet. For example, 71 percent of U.S. households used the Internet in 2011. *Computer and Internet Use in the United States*, U.S. Census Bureau (May 2013).[20] Increasingly, the public uses the Internet for everyday commercial activities formerly done on Main Street.[21] Given this reality, merely tying an

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20. Available at http://www.census.gov/prod/2013pubs/p20-569.pdf.

21. *See, e.g.*, *U.S. Ecommerce to Grow 13 % in 2013*, InternetRetailer, (March 13, 2013), http://www.internetretailer.com/2013/03/13/us-e-commerce-grow-13-2013 ("E-commerce spending in the United States will hit approximately $262 billion this year, up 13.4% from $231 billion last year..."); *2011 E-Stats*, U.S. Census Bureau, 2 (May 23, 2013), http://www.census.gov/econ/estats/2011reportfinal.pdf ($194 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); 66% "Use an online social networking site like MySpace, Facebook or LinkedIn.com"(survey on Feb. 1, 2012); 61% "look online for news or information about politics"(survey on Aug. 1, 2011)); *18 Incredible Internet-Usage Statistics*, FedTech, (June 12, 2013) http://www.fedtechmagazine.com/article/2013/06/18-incredible-internet-usage-statistics (244 million American Internet users in 2012, 2.4 billion global Internet users in 2012); 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

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. Indeed, "[g]iven the ubiquity of computers in contemporary life, allowing a process to become patentable simply because it is computer-implemented or invokes the use of the Internet would render the subject-matter eligibility criteria contained in section 101 virtually meaningless." *MySpace,* 672 F.3d at 1267 (Mayer, J. dissenting).

The question should be a simple one: whether the '545 Patent's claims contain "meaningful limitations that prevent [them] from covering the concepts' every practical application." *CLS Bank,* 717 F.3d at 1281 (Lourie, J. concurring). The answer here must be no. A general business process of displaying ads to viewers prior to the display 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." *Ultramercial I,* 657 F.3d at 1378.

(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; 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).

Moreover, that the '545 Patent's claims limit it to the Internet illustrates the preemptive threat that it poses, just the type of threat about which this Court has expressed great concern. In *Mayo,* the Court warned about the "danger that the grant of patents that tie up [laws of natures'] use will inhibit future innovation premised upon them." 132 S. Ct. at 1301. A similar danger exists here, where Ultramercial claims to essentially own every way of displaying an advertisement online before a viewer may access certain content. No matter for *how* that advertisement is displayed, or even if it is accomplished in a truly groundbreaking way.

For better or worse, the '545 Patent, and its claims limiting it to "the Internet" is typical of many computer- and Internet-based inventions today. This case is thus the proper vehicle for this Court to address patentable subject matter as it applies to computer- and Internet-based inventions.

III. THE FEDERAL CIRCUIT IS HOPELESSLY DIVIDED OVER HOW TO IMPLEMENT SECTION 101 WHEN IT COMES TO COMPUTER- AND INTERNET-BASED PATENTS.

Not only is the threshold issue of abstractness as it relates to the types of Internet- and computer-based inventions one of exceptional importance, but it is also recurring. For instance, since this Court ruled in *Bilski* in 2010, the Federal Circuit has ruled on at least nine Section 101 cases, and even before *CLS Bank*, it was virtually impossible to reconcile them. *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*, 674 F.3d 1315, 1333 (Fed. Cir. 2012); *MySpace,* 672 F.3d at 1254.

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*, 674 F.3d at 1333. 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 Props., Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1323 (Fed. Cir. 2012) ("operating an electronic device that features a central processing unit" is not a "meaningful" limitation); *MySpace,* 672 F.3d at 1266 ("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."); *Accenture Global Servs. v. Guidewire Software, Inc.,* No. 2011-1486, slip op. at 16 (Fed. Cir. Sept 5, 2013) ("Accenture's attempts to limit the abstract concept to a computer implementation and to a specific industry thus do not provide additional substantive limitations to avoid preempting the abstract idea of system claim 1.").

The strained reading required for these cases to coexist with the panel decision below provides potential litigants with little to no guidance as to the contours of impermissibly abstract subject matter under Section

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 Section 101 meaningless in its entirety. *See, e.g., MySpace,* 672 F.3d at 1260 (urging courts to avoid determinations under Section 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.").

Indeed, recently district courts have shown reluctance to engage in any kind of Section 101 analysis early in litigation. *See, e.g., CMG Fin. Seros., Inc. v. Pac. Trust Bank, FSB*, Case No. 2:11-cv-10344-PSG-MRW (C.D. Cal. Apr. 16, 2012) ("To avoid this swamp, the Federal Circuit has advised against deciding issues of abstractness in the early stages of litigation."); *Research Affiliates, LLC v. Wisdom Tree Investments, Inc., et al.*, Case No. 8:11-cv-01846 (C.D. Cal. Apr. 26, 2012) ("courts are strongly encouraged to first resolve validity issues on those well-established grounds instead of on the broad, controversial Section 101 analysis."); *SmartGene, Inc. v. Advanced Biological Labs., SA et al.*, Case No. 1:08-cv-00642-BAH (D.D.C. March 30, 2012) ("In a majority decision, the Federal Circuit cautioned that lower courts should avoid the 'swamp of verbiage that is § 101 by exercising their inherent power to control the processes of litigation, ... and insist that litigants initially address patent invalidity issues in terms of the conditions of patentability defenses as the statute provides, specifically §§ 102, 103, and 112.'").

IV. THIS CASE IS A BETTER VEHICLE TO DECIDE THESE ISSUES THAN *ALICE CORP. V. CLS BANK*.

Twelve days after WildTangent filed its petition for certiorari in this case, Alice Corp. filed a petition for certiorari in the *CLS Bank* case. *See* Sup. Ct. Docket No. 13-298. Preferably, the Court should grant the petitions in both cases, hear consolidated oral argument, and issue coordinated opinions. This will provide the most guidance to the public and to the Federal Circuit.

However, the Court might be inclined to grant the petition in only one of the two cases, while holding the other case pending the decision of the granted case, and then grant certiorari, vacate, and remand the other case. If the Court is so inclined, then this case is a better vehicle to decide the issues than is *Alice Corp. v. CLS Bank* for several reasons, both procedurally and substantively.

First, *CLS Bank* is not precedential. *CLS Bank,* 717 F.3d at 1292 (concurring and dissenting opinion of Chief Judge Rader, n.1). By contrast, this case is precedential, and will remain a dangerous precedent unless and until certiorari is actually granted.

Second, this case has already been through the GVR process. Indeed, this case presents a nearly identical procedural history as in *Mayo*. There, the District Court invalidated Mayo's patents, holding they claimed laws of nature or natural phenomena. *Prometheus Labs. Inc. v. Mayo Collaborative Servs.,* Case No. 04-1200, 2008 WL 878910 at *7 (S.D. Cal. Mar. 28, 2008). A panel of the Federal Circuit reversed, relying on the "machine

or transformation test." 581 F.3d 1336, 1345, 1346-1347 (Fed. Cir. 2009). Mayo filed a petition for certiorari; this Court granted it, vacated the judgment, and remanded in light of *Bilski v. Kappos*, 130 S. Ct. 3218. Upon remand, the Federal Circuit merely reaffirmed its earlier ruling. 628 F.3d 1437, 1355 (2010). Mayo again petitioned for certiorari and this Court unanimously reversed. 132 S. Ct. 1289 (2012).

Likewise, here, the District Court invalidated the patent at issue, holding that as an abstract idea, it did not cover patentable subject matter. CV 09-06918, 2010 WL 3360098 (C.D. Cal. Aug. 13, 2010). The Federal Circuit reversed, holding the patent valid simply because "invention involves an extensive computer interface." *Ultramercial I*, 657 F.3d at 1328. WildTangent filed a petition for certiorari, which this Court granted, while vacating the ruling and remanding it in light of the recent *Mayo v. Prometheus* ruling. The Federal Circuit panel again merely reaffirmed its first ruling, holding that Ultramercial's patent claims a "practical application" of an abstract idea. 722 F. 3d 1335, 1353 (Fed. Cir. 2013).

Now WildTangent asks this Court to hear the matter again. Respectfully, we agree. But should the Court grant certiorari only in *Alice Corp.* and use the GVR procedure here again, there is no guarantee that the Court will not see this case for a *third* time—the Federal Circuit might well misapply the Court's *Alice Corp.* opinion, requiring yet another certiorari petition in this case. In contrast, granting certiorari here and issuing a definitive opinion will dispose of this case, while the subsequent (and first) GVR in *Alice Corp.* might well result in a less fractured Federal Circuit on remand.

Finally, on the merits this case is a better substantive vehicle. This case involves recurring issues related to whether adding "the Internet" or "a computer" to an abstract idea results in patentable subject matter. The case involves computer-related subject matter, rather than *Alice Corp.'s* business methods. *See* Section II.B. above. This case is thus more indicative of the patents causing harm to innovators today. *See* Section I above. Further, unlike *Alice Corp.*, this case asks whether Section 101 issues can be decided on a motion to dismiss—an important procedural tool to dispose of improperly granted patents. *See* Section I.C. above.

CONCLUSION

This Court should grant petitions for a writ of certiorari in both this case and in *Alice Corp. v. CLS Bank*, No. 13-298. However, if the Court grants certiorari in only one of the two cases, then certiorari should be granted in this case.

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