

No.

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORP.,
Respondent.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Title 35 U.S.C. § 271(f)(1) provides that it is an act of direct patent infringement to “suppl[y] . . . from the United States . . . components of a patented invention . . . in such manner as to actively induce the combination of such components outside of the United States.”

In this case, AT&T Corp. alleges that when Microsoft Corporation’s Windows software is installed on a personal computer, the programmed computer infringes AT&T’s patent for a “Digital Speech Coder” system. AT&T sought damages not only for each Windows-based computer made or sold in the United States, but also, under Section 271(f)(1), for each computer made and sold abroad. Extending Section 271(f)—and consequently, the extraterritorial application of U.S. patent law—the Federal Circuit held that Microsoft infringed under Section 271(f)(1) when it exported master versions of its Windows software code to foreign computer manufacturers, who then copied the software code and installed the duplicate versions on foreign-manufactured computers that were sold only to foreign consumers. The questions presented are:

(1) Whether digital software code—an intangible sequence of “1’s” and “0’s”—may be considered a “component[] of a patented invention” within the meaning of Section 271(f)(1); and, if so,

(2) Whether copies of such a “component[]” made in a foreign country are “supplie[d] . . . from the United States.”

**PARTIES TO THE PROCEEDING
AND RULE 29.6 STATEMENT**

The caption contains the names of all the parties to the proceeding below.

Pursuant to this Court's Rule 29.6, undersigned counsel state that Microsoft Corporation ("Microsoft") has no parent company, and no publicly held company owns 10% or more of its stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Microsoft Corporation respectfully submits this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The court of appeals' opinion is reported at 414 F.3d 1366. App., *infra*, at 1a. The order denying Microsoft's petition for rehearing en banc is unreported. *Id.* at 39a. The opinion of the United States District Court for the Southern District of New York is unpublished but is electronically reported at 2004 WL 406640. *Id.* at 20a.

JURISDICTION

The district court had jurisdiction over respondent's claims pursuant to 28 U.S.C. §§ 1331 and 1338(a). The court of appeals had jurisdiction to review the district court's final judgment pursuant to 28 U.S.C. § 1295(a)(1). The court of appeals filed its opinion on July 13, 2005. It denied Microsoft's timely petition for rehearing en banc on October 20, 2005. On January 12, 2006, Justice Stevens extended the time within which to file a petition for certiorari to and including February 17, 2006. No. 05A606. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

Title 35 U.S.C. § 271(f)(1) provides:

§ 271. Infringement of patent

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

STATEMENT

In the twenty-two years since it was enacted, this Court has never interpreted 35 U.S.C. § 271(f). For much of that time, the statute was viewed almost as a dead letter—a loophole-closing provision that worked. See Alan M. Fisch & Brent H. Allen, *The Application of Domestic Patent Law to Exported Software: 35 U.S.C. § 271(f)*, 25 U. PA. J. INT’L ECON. L. 557, 567 & n.46 (2004) (noting that, on account of the “sparse caselaw,” commentators have suggested that Section 271(f) “serves little purpose at all”). In recent years, however, the Federal Circuit has articulated new and far-reaching applications for Section 271(f), holding that the statute encompasses much more than simply the export of the unassembled, physical parts of a patented machine, as was the case in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), the decision that prompted the legislative loophole-closing effort. In this case, the Federal Circuit held that Section 271(f) applies to the distribution of intangible software code to foreign computer manufacturers, concluding that digital software code constitutes a “component” of a programmed-computer invention and that *copies* of that digital code created abroad by *foreign* computer manufacturers “may be deemed ‘supplied’ from the United States.” App., *infra*, at 4a. And in its most recent application of Section 271(f), the Federal Circuit reached the conclusion that the statute could prohibit “suppl[ying]” a “component” of a patented *process*. See *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005).

This case brings into focus a recurring judicial debate concerning whether patent laws—and in particular Section 271(f)—should be interpreted according to their plain meaning and legislative history, or whether—as the decision below holds—they “must . . . be interpreted in a manner that is appropriate to the technology at issue,” so that the statutes might “remain effective.” App., *infra*, at 10a. Although this Court has consistently resolved that debate in favor of the former position, see *Brown v. Duchesne*, 60 U.S. (19 How.)

183, 197 (1857), the Federal Circuit has determined to pursue a course that would take into account “advances in a field of technology . . . that developed after the enactment of” the statute. App., *infra*, at 10a. In so doing, the court of appeals disregarded fundamental canons of statutory construction, as well as this Court’s repeated expressions of disfavor toward the extraterritorial application of U.S. law in the absence of a clear expression of contrary congressional intent. See, e.g., *F. Hoffmann-LaRoche Ltd. v. Empagran S.A.*, 542 U.S. 155, 165 (2004). Because the “profound ramifications” (App., *infra*, at 22a) for innovating businesses multiply with each new lower-court effort to ensure that Section 271(f) remains “responsive to the challenges of a changing world,” (*id.* at 9a) this Court’s interpretive guidance is now urgently needed.

1. *The Nature of Software*

The decision below is premised on a commonly held misunderstanding of the nature, and thus the patentability, of software. In everyday usage, “software” is perceived as embodied in some kind of storage medium, such as a CD-ROM or a hard drive—as when one purchases a copy of Microsoft Word software on a CD-ROM. Similarly, “software” is often understood as operating on a computer and giving that computer certain functionality—as when a computer is loaded with Microsoft Excel software and used to create and manipulate a spreadsheet. Although prevalent, these uses of the word “software” are imprecise. By itself—that is, uncoupled from any storage medium or computer—software is nothing more than “a set of instructions, known as code, that directs a computer to perform specified functions or operations.” *Fantasy Sports Props., Inc. v. Sportslines.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002); see also 17 U.S.C. § 101 (defining a “computer program” as a “set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result”); UNITED STATES PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINATION PROCEDURE (“MPEP”) § 2106.IV.B.1(a) (8th ed. 2001) (“a

computer program is merely a set of instructions capable of being executed by a computer”).

Computer programmers develop software by first authoring “source code”—human-readable commands to the computer—in a computer language such as BASIC, FORTRAN, or C++. See *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 835 (10th Cir. 1993). That source code is then run through a compiler that translates the human-readable source code into computer-readable “object code,” which is expressed in the binary digital language of “0’s” and “1’s.” Each digit instructs the computer to open or close one of the millions of switches in its central processing unit. It is the “opening and closing of the interconnected switches” that “creates electrical paths . . . that cause [the computer] to perform the desired function.” *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1348 n.3 (Fed. Cir. 1999). The object code is thus nothing more than a complex set of digital commands that instruct a computer to align its circuits in a particular manner to achieve a particular functionality. In this sense, software code is not unlike the pattern of perforations in a player piano music roll, with each unique pattern of perforations generating, when run on a player piano (*i.e.*, hardware), a unique composition of music. Just as each perforation causes the piano to strike a particular string, each “1” or “0” of software code instructs a computer to close or open, respectively, a particular switch. See generally *White-Smith Music Publ’g Co. v. Apollo Co.*, 209 U.S. 1, 9-10 (1908) (describing the mechanics of a player piano). Like the perforations in a music roll, software code is design information that reflects specific knowledge about how to make hardware perform certain operations.

The distinction between software as integrated on a computer or other storage medium (such as a CD-ROM), and software as design information, is critical. When digital software code (like the pattern of perforations in a piano roll) is embodied on a physical medium (the actual piano roll) or alters the circuitry of a computer in a particularly useful way, that medium or computer, as physically and functionally al-

tered by the software, may be a patentable invention. *See In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (en banc) (holding that a “general purpose computer programmed to carry out the claimed invention” was patentable as “a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software”); *see also* MPEP § 2106.IV.B.1(a); *cf. Alappat*, 33 F.3d at 1554 (Archer, C.J., concurring in part and dissenting in part) (recognizing that, under *Alappat*, a music roll with perforations embodying a new song could be patentable). In contrast, software code alone (the particular sequence of “1’s” and “0’s”)—like the arrangement of holes to be punched into the music roll of a player piano—is neither a “process” nor a “machine, manufacture, or composition of matter.” 35 U.S.C. § 101. Thus, although software code may be copyrightable, *see, e.g., Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1248 (3d Cir. 1983), it is not itself patentable.

Contrary to the Federal Circuit’s conviction that, “[w]ithout question, software code alone qualifies as an invention eligible for patenting,” App., *infra*, at 4a (quoting *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir.), *cert. denied*, 126 S. Ct. 568 (2005)), the Patent and Trademark Office has explained that “a claim for a computer program, without the computer-readable medium needed to realize the computer program’s functionality,” is unpatentable because computer programs are neither “physical things” nor “acts being performed.” MPEP § 2106.IV.B.1(a). Accordingly, the duplication of software code can itself never constitute an act of patent infringement. *See* 35 U.S.C. § 271(a) (limiting infringement actions to the manufacture, use, sale, or importation of a “patented invention”). At stake in this case is Microsoft’s right to export digital software code—a sequence of “1’s” and “0’s”—to foreign companies that duplicate the code and install it on foreign-manufactured computers for sale in foreign markets.

2. *Microsoft's Distribution of Windows Software in Foreign Markets*

At its headquarters in Redmond, Washington, Microsoft designs, authors, and tests software, including the object code comprising the Windows operating system. App., *infra*, at 45a. Today, most computer systems sold to consumers come with the Windows object code “pre-installed” by the computer manufacturer onto the computer’s hard drive. In addition to household American names such as Dell and Compaq, Microsoft does business with numerous computer manufacturers in foreign nations. These foreign manufacturers assemble their computer systems from physical parts—central processors, hard drives, keyboards, monitors, etc.—manufactured around the world, and the parties have stipulated that none of those physical parts is obtained from Microsoft. App., *infra*, at 47a. Once the computer system is fully assembled, the computer manufacturer “installs” Windows onto the computer’s hard drive.

In foreign markets, as elsewhere, Microsoft distributes its Windows software to computer manufacturers by transmitting master copies of the Windows program, *i.e.*, a copy of the computer-readable, digital object code that instructs computers to perform the functions associated with the Windows operating system. Microsoft transmits the Windows object code to manufacturers either on a “golden master disk” or in an encrypted electronic transmission. App., *infra*, at 45a-46a. From that single master version, a manufacturer produces numerous duplicate copies. *Id.* Those copies—but “never” the master version of the object code transmitted by Microsoft—are then installed on foreign-manufactured computers. *Id.* at 45a. “Installation” is simply an act of duplication; a computer reads software code from the medium on which it is stored (usually, a disk or a host computer’s hard drive) and scrivens the code onto the new computer’s storage medium (typically, a hard drive). *See Stenograph L.L.C. v. Bossard Assocs., Inc.*, 144 F.3d 96, 100 (D.C. Cir. 1998) (“installation of software onto a computer results in ‘copying’”). The digital software code actually “installed” on the

foreign-manufactured computers is thus a second-generation copy of the digital software code transmitted from the United States—a foreign-made copy of a foreign-made copy of the original. *See Union Carbide Chems. & Plastics Tech. Corp.*, 425 F.3d at 1379 (citing the decision below as concerning “exportation of a ‘master’ computer readable disc that was further copied abroad, with the copies installed as software on assembled computers”).

3. *AT&T’s Patent Infringement Action*

AT&T sued Microsoft in district court alleging that computers running the Windows operating system infringe AT&T’s United States Reissue Patent 32,580 (“the ‘580 patent”), which claims a Digital Speech Coder system. App., *infra*, at 44a-45a. AT&T’s patented system is comprised of a computer programmed with a “speech codec”—a program that is capable of compressing and decompressing digitally recorded speech—a microphone, and a speaker. *Id.* at 3a. The microphone is used to input speech that the speech-codec-equipped computer can digitize, compress, decompress, and reproduce through the speaker. AT&T does not hold a patent on the speech codec itself because, as described above, standing alone, software code is not patentable. AT&T thus alleged that computers programmed with Windows infringe its patent by enabling the user, through Windows’ own speech codecs, to record, store, and play back speech in a manner substantially similar to that described in the ‘580 patent.

Microsoft stipulated that, by selling copies of its Windows software to manufacturers of computers that are ultimately manufactured, used, or sold in the United States, it induced those computer manufacturers to infringe the ‘580 patent. 35 U.S.C. § 271(b); *see also* App., *infra*, at 42a. AT&T further contended that, under 35 U.S.C. § 271(f)(1), it was also entitled to damages for every Windows-based computer manufactured *outside* the United States. AT&T argued that the Windows object code constitutes a “component” of AT&T’s patented Digital Speech Coder system and that the

