

03-1615

IN THE
United States Court of Appeals
FOR THE
Federal Circuit

NTP, INC.,
Plaintiff-Appellee,

v.

RESEARCH IN MOTION, LTD.,
Defendant-Appellant.

**APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN
DISTRICT OF VIRGINIA IN CASE NO. 01-CV-767,
JUDGE JAMES R. SPENCER**

**BRIEF OF *AMICUS CURIAE*, MICROSOFT CORPORATION,
IN SUPPORT OF REHEARING *EN BANC***

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CERTIFICATE OF INTEREST

Counsel for Microsoft Corporation certifies the following:

1. The full name of every party or *amicus curiae* represented by me is:

Microsoft Corporation.

2. The name of the real party in interest (if the parties named in the caption are not the real parties in interest) represented by me is:

Same as stated in paragraph 1.

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

None.

4. There is no such corporation as listed in paragraph 3.

5. The names of all law firms and the partners or associates that appeared for the party or *amicus curiae* now represented by me in the trial court or agency or are expected to appear in this Court are:

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Respectfully submitted,

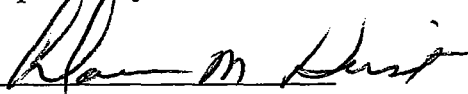

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INTEREST OF THE AMICUS CURIAE

Amicus Curiae's interest in this appeal is to have this Court set forth a uniform and consistent body of case law concerning the territorial reach of 35 U.S.C. § 271. The Court should rehear this case *en banc* in conjunction with *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366 (Fed. Cir. Jul. 13, 2005), in which a petition for rehearing *en banc* is currently pending. Specifically, the Court should eliminate the confusion and uncertainty created by the incompatible conclusions of the following cases: *NTP, Inc. v. Research In Motion*, 03-1615, slip op., ___ F.3d ___ (Fed. Cir. Aug. 2, 2005); *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366 (Fed. Cir. Jul. 13, 2005); *Eolas Corp. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. Mar. 2, 2005); *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113 (Fed. Cir. 2004); and *Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367 (Fed. Cir. 2003).

I. QUESTION TO BE REHEARD

Whether the panel's ruling that 35 U.S.C. § 271(f) is inapplicable to method claims, and that 35 U.S.C. § 271(g) does not preclude supply of intangible information into the United States, can be reconciled with prior panel decisions noting that section 271(f) must be equally applicable to all classes of patentable subject matter, including method claims, and that the statute precludes supply of intangible information from the United States.

II. THIS CASE SHOULD BE REHEARD *EN BANC* IN CONJUNCTION WITH THE *AT&T* CASE TO PROVIDE CONSISTENCY IN THIS COURT'S DECISIONS CONCERNING SECTION 271(f)

This case should be reconsidered *en banc* to reconcile inconsistencies between the panel decision and prior cases decided by different panels, including *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed Cir. Mar. 2, 2005) and *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366 (Fed. Cir. Jul. 13, 2005). The panel in this case concluded that section 271(f) did not apply to method steps. Different panels in these prior cases reasoned that section 271(f) applied to method steps as a predicate to holding that the statute precluded supply of software code from the United States. The Court should address these issues to provide stability and predictability in the construction and application of 35 U.S.C. § 271(f).

Petitions for rehearing *en banc* are presently pending not only in this case, but also in the *AT&T* case. The Court should concurrently rehear both cases *en banc* to address and clarify the inconsistencies and to restore predictability in the law.

A. The Panel’s Reasoning That Section 271(f) Did Not Apply To The Method Claims At Issue Conflicts With Statements In *Eolas* And *AT&T* That The Statute Applies To Method Claims

The panel’s analysis concerning the inapplicability of section 271(f) to the method claims at issue conflicts with the fundamental reasoning in *Eolas* and *AT&T* that section 271(f) should be broadly applied to cover the supply of any aspect of an invention. Noting that a method “is nothing more than the steps of which it is comprised,” the panel stated that it was “difficult to conceive of how one might supply or cause to be supplied all or a substantial portion of the steps of a patented method in the sense contemplated by the phrase ‘components of a patented invention’ in section 271(f).” *NTP, Inc. v. Research In Motion, Ltd.*, 03-1615, slip op. at 66-67, ___ F.3d at ___ (Fed. Cir. Aug. 2, 2005).

The panel’s difficulty in conceiving how section 271(f) might apply to methods arises from an implicit recognition that the phrase “component of a patented invention” refers to a manufactured item, whereas a method step is not “manufactured” in a physical sense. Consequently, it is impossible conceptually to

“supply” a method step as a “component of a patented invention” in the context of section 271(f).

The *NTP* panel’s view is fully consistent with prior decisions in *Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367 (Fed. Cir. 2003) (section 271(g) does not cover the importation of intangible information) and *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113 (Fed. Cir. 2004) (section 271 (f) does not cover the export of instructions for manufacture of patented items). However, the panel’s view, as well as the views set forth in *Bayer* and *Pellegrini*, are flatly contradicted by *Eolas* and *AT&T*.

The *Eolas* panel stated that “every form of invention eligible for patenting falls within the protection of section 271(f),” regardless of whether the patent claim at issue is directed to a product or process (*Eolas*, 399 F.3d at 1339: “This court cannot construct a principled reason for treating process inventions different than structural products”), and regardless of whether the component at issue is tangible or not (*Id.*: “the statute did not limit section 271(f) to ... ‘structural or physical’ components”). Thus, the *NTP* panel’s stated position regarding the inapplicability of section 271(f) to the method claims at issue conflicts with the *Eolas* reasoning.

The panel opinion also conflicts with the reasoning of *AT&T* which adopted *Eolas*’ broad view that, “[e]very component of every form of invention deserves the protection of section 271(f).” *AT&T*, 414 F.3d at 1371 (emphasis added). The

AT&T panel also took the view, as did the *Eolas* panel, that section 271(f) was not limited to physical components of manufactured products. *Id.* at 1369 (“In [*Eolas*] ... we held that ... ‘[w]ithout question ... the ‘statutory language did not limit section 271(f) to patented machines or patented physical structures’”).

Although the panel in the present case acknowledged these statements from *Eolas* and *AT&T*, it dismissed them because they did “not impact the application of section 271(f)” to the method claims at issue. *NTP*, 03-1615, slip op. at 66, ___ F.3d at ___. But the panel provided no reasoned basis or guidance for determining when the nature of a claimed method would invoke section 271(f) and when it would not. This lack of guidance creates uncertainty and confusion.

The panel’s holding regarding the inapplicability of section 271(f) to the method claims at issue conflicts with the reasoning in *Eolas* and *AT&T*, both of which suggest a much broader application of the statute. This inconsistency causes confusion on a key liability issue that is important in today’s patent-dependent global economy. *Amicus Curiae* believes that this inconsistency stems from the Court’s failure to apply a coherent approach to the treatment of the intangible aspects of patented inventions, and contends that the inconsistency can be eliminated by a clear holding that a “component of a patented invention” must be a physical product regardless of whether the patent claims are directed to methods or products, and regardless of the technology at issue.

B. The Panel’s Holding That Transmission Of Information Into The United States Does Not Trigger Section 271(g) Because Information Is Intangible Conflicts With The Reasoning Of *Eolas* And *AT&T*

The panel in the present case also held that section 271(g) is “inapplicable” to the method claims at issue because the email packets transmitted into the United States, do “not entail the manufacturing of a physical product.”¹ *NTP*, 03-1615, slip op. at 69, ___ F.3d at ___ (“Because the ‘transmission of information,’ like the ‘production of information,’ does not entail the manufacturing of a physical product, section 271(g) does not apply to the asserted method claims”). That holding was based on *Bayer*, 340 F.3d at 1377 (section 271(g) is triggered only by transmission of a “physical article” into the United States that is made by a patented process abroad). The panel noted that in *Bayer*, “we held that section 271(g) was inapplicable because research data is not a physical product.” *NTP*, 03-1615, slip op. at 68, ___ F.3d at ___. Thus, the present case, like *Bayer*, stands for the proposition that transmission of intangible information into the United States from foreign countries can give rise to no liability under section 271(g).

In contrast, the *Eolas* panel reasoned that transmission of intangible software information from the United States to foreign countries may give rise to liability under section 271(f). *Eolas*, 399 F.3d at 1338-41. The *Eolas* panel reasoned that

¹ The Court reversed the district court holding that “wireless electronic mail” specially formatted by a patented process can be a “product” under section 271(g).

there was no distinction between intangible computer software and computer hardware. *Id.* at 1339 (“On a functioning computer, software morphs into hardware and vice versa at the touch of a button. ... In other words, software converts its functioning code into hardware and vice versa”).

The software at issue in *Eolas* and *AT&T* is intangible information just like the email packets in the present case. Applying the reasoning used in *Eolas* and *AT&T*, the email packet information, like the software information in *Eolas* and *AT&T*, is stored in a computer memory upon receipt and thus is “converted into hardware.” Had this Court followed *Eolas* and *AT&T*, instead of *Bayer*, the outcome would have been different.² It is impossible to reconcile the ruling that transmitting digitized data is the supply of a component (*see AT&T*, 414 F.3d at 1370) with the ruling that receiving digitized data is not the receipt of a component (*see NTP*, 03-1615, slip op. at 69, ___ F.3d at ___).

² *Bayer* is consistent with *Pellegrini*, 375 F.3d at 1117 (section 271(f) “applies only where components of a patent invention are physically present in the United States and then either sold or exported” for combination abroad; there can be “no liability under § 271(f)(1) unless components are shipped from the United States for assembly”).

C. The Panel’s Interpretations Of Sections 271(f) And (g) Are Consistent With One Another But Inconsistent With *Eolas* And *AT&T*

Where an “identical word” is used in different sections of the same statute, it is presumed that Congress intended the word “to have the same meaning.”³ *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995), quoting *Department of Revenue of Oregon v. ACF Industries, Inc.*, 510 U.S. 332, 342 (1994). The word “component” appears not only in section 271(f) but also in section 271(g). In section 271(f), the “component” is an item made in the United States that becomes part of a product made abroad, and in section 271(g), the “component” is an item made abroad by a patented process that becomes a non-trivial part of a product supplied to the United States.

The *NTP* decision necessarily, and correctly, implies that the word “component” in section 271(g) applies only to tangible goods,⁴ but the *Eolas* and *AT&T* decisions reason that “component” in section 271(f) applies to intangible information. For example, the panel in this case appeared to reason that steps of a method claim are intangible, and therefore, immune from section 271(f) liability. And the panel also held that transmission of intangible digitized data into the

³ As discussed in *Bayer*, sections 271(f) and 271(g) were originally proposed together in Congress. 130 Cong. Rec. H 10525 (Oct. 1, 1984), 98th Cong., 2d Sess., reprinted in 1984 U.S.C.C.A.N. 5827, 5827; *Bayer*, 340 F.3d at 1374.

⁴ See *Bayer*, 340 F.3d at 1373 (“[T]he second exception to section 271(g) ... appears to contemplate a physical product.”).

United States from abroad was immune from liability under section 271(g). While the panel's reasoning was internally consistent, it was inconsistent with the reasoning in *Eolas* and *AT&T*, each of which held that section 271(f) may embrace transmission of intangible, non-physical goods from the United States.

D. NTP Promotes An Inconsistent Territoriality Policy To That Articulated In *Eolas* And *AT&T*

The *NTP* opinion held that, under section 271(a), the creation and location of one claim element of a claimed system outside the United States does not exculpate a domestic user of the system from infringement of a U.S. patent. Had RIM's counter-argument prevailed, however, it would have created an incentive for American companies to locate certain aspects of their systems outside the United States, primarily to avoid infringement liability. Such an outcome would likely result in loss of jobs, skilled workers, capital, and information technology, abroad.

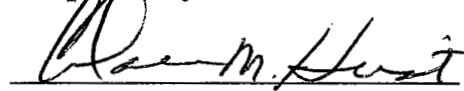
In contrast, the panels' reasoning in *Eolas* and *AT&T* has the adverse impact on high technology companies who undertake significant research and development work within the United States. Specifically, the rationales and analyses of *Eolas* and *AT&T* penalize companies that undertake high-value research and development in the United States, thereby creating an incentive to move their research and development abroad, to avoid extraterritorial liability for acts Congress never intended to reach.

Thus, *NTP* promotes a different policy than that promoted in *Eolas* and *AT&T*. The Court should reconsider the issues presented here *en banc* and choose a course that furthers the policies that rightly should be promoted; namely, those that promote retaining high value, high technology jobs, knowledge and capital in the United States.

III. CONCLUSION

This Court should grant rehearing *en banc* and reconsider the proper interpretation of section 271(f), applicable to all forms of invention and technologies.

Respectfully submitted,



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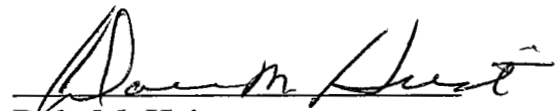
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