

No. 17-695

IN THE
Supreme Court of the United States

RPOST COMMUNICATIONS LIMITED, RMAIL LIMITED,
RPOST INTERNATIONAL LIMITED AND RPOST HOLDINGS
INCORPORATED,

Petitioners,

v.

GoDADDY.COM LLC

Respondent.

*On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit*

**BRIEF OF A GROUP OF INVENTORS,
ENTREPRENEURS, AND SMALL BUSINESS
OWNERS AS *AMICI CURIAE*
IN SUPPORT OF PETITIONER**

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TABLE OF CONTENTS

INTEREST OF THE *AMICI CURIAE*..... 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT..... 4

 I. THE U.S. PATENT SYSTEM WAS DESIGNED TO PROTECT INVENTORS, PARTICULARLY THOSE WITH FEW RESOURCES 4

 II. INDIVIDUAL INVENTORS, ENTREPRENEURS, AND SMALL BUSINESSES MUST HAVE ASSURANCES THAT ISSUED PATENTS CANNOT BE SUDDENLY INVALIDATED AS COVERING UNPATENTABLE SUBJECT MATTER..... 7

 III. THIS IS AN OPPORTUNITY FOR THIS COURT TO CLARIFY ITS DECISION IN *ALICE CORP. PTY. LTD. V. CLS BANK INT’L* 9

 IV. PATENT INELIGIBILITY UNDER 35 U.S.C. § 101 IS NOT A COGNIZABLE DEFENSE IN A PATENT LITIGATION..... 15

CONCLUSION 16

APPENDIX: List of *Amici*A1

TABLE OF AUTHORITIES

Cases	Page(s)
<i>Alice Corp. v. CLS Bank Int’l</i> , 134 S. Ct. 2347 (2014)	<i>passim</i>
<i>Intellectual Ventures I LLC v. Symantec Corp.</i> , 838 F.3d 1307 (Fed. Cir. 2016).....	12
<i>Sophos Inc. v. RPost Holdings, Inc.</i> , 2016 U.S. Dist. LEXIS 72699, 2016 WL 3149649 (D. Mass. June 3, 2016)	7
Statutes	
35 U.S.C. § 101	<i>passim</i>
35 U.S.C. § 102	<i>passim</i>
35 U.S.C. § 103	<i>passim</i>
35 U.S.C. § 282	<i>passim</i>
Patent Act of 1952	3, 15
United States Constitution, Article I, Section 8	5

Other Authorities	page(s)
B. Zorina Khan, <i>Trolls and Other Patent Inventions: Economic History and the Patent Controversy in the Twenty-First Century</i> , Department of Economics, Bowdoin College and National Bureau of Economic Research, https://sls.gmu.edu/cpip/wp-content/uploads/sites/31/2013/09/Khan-Zorina-Patent-Controversy-in-the-21st-Century.pdf (September 2013).....	4
B. Zorina Khan, <i>The Democratization of Invention: Patents and Copyrights in American Economic Development</i> , NBER and Cambridge University Press (January 12, 2009)	5
Bob Zeidman & Eshan Gupta, <i>Why Libertarians Should Support a Strong Patent System</i> , IPWatchdog, http://www.ipwatchdog.com/2016/01/05/why-libertarians-should-support-a-strong-patent-system/id=64438 (January 5, 2016)	7
Bob Zeidman, <i>The Software IP Detective's Handbook: Measurement, Comparison, and Infringement Detection</i> , Prentice-Hall, Upper Saddle River, NJ, 80 (May 8, 2011)	A1
Brian Headd, <i>Small Business Facts</i> , SBA Office of Advocacy, https://www.sba.gov/sites/default/files/Job_Creation_fact_sheet_FINAL_0.pdf (September 2015).....	8

- Brian Headd, *The Role of Microbusinesses in the Economy*, SBA Office of Advocacy,
https://www.sba.gov/sites/default/files/Microbusinesses_in_the_Economy.pdf (February 2015)..... 8
- Dorothy Atkins, *Federal Judges Slam Alice At Event Honoring Judge Whyte*, Law360,
<https://www.law360.com/articles/853103/federal-judges-slam-alice-at-event-honoring-judge-whyte> (October 18, 2016) 11
- Erin Blakemore, *Meet Mary Kies, America's First Woman to Become a Patent Holder*,
 Smithsonian.com, <https://www.smithsonianmag.com/smart-news/meet-mary-kies-americas-first-woman-become-patent-holder-180959008> (May 5, 2016) 6
- James Cosgrove, *Alice: Three Years On*, Juristat,
<https://blog.juristat.com/blog/2017/7/19/alice-three-years-on> (July 19, 2017) 11
- Jeff John Roberts, *Here's Why Software Patents Are in Peril After the Intellectual Ventures Ruling*,
 Fortune magazine, <http://fortune.com/2016/10/03/software-patents> (October 3, 2016) 14
- Mary Bellis, *Thomas Jennings, the First African-American Patent Holder*, ThoughtCo,
<https://www.thoughtco.com/thomas-jennings-inventor-1991311> (2017) 6

Riff, <i>Comments on the U.S. Patent System by Former CAFC Judge Michel</i> , Patent Riff, http://patentriff.com/wp/comments-on-the-u-s-patent-system-by-former-cafc-judge-michel (July 14, 2017)	12
Robert Sachs, <i>Two Years After Alice: A Survey of the Impact of a “Minor Case” (Part 1)</i> , Bilski Blog, http://www.bilskiblog.com/blog/2016/06/two-years-after-alice-a-survey-of-the-impact-of-a-minor-case.html (June 16, 2016)	10-11
Thomas Jefferson, <i>From Thomas Jefferson to Benjamin Vaughan</i> , Founders Online, https://founders.archives.gov/documents/Jefferson/01-16-02-0342 (June 27, 1790)	5
<i>Patents</i> , Thomas Jefferson Encyclopedia, https://www.monticello.org/site/research-and-collections/patents , (April 1989)	5
<i>What’s New with Small Business</i> , U.S. Small Business Administration Office of Advocacy, https://www.sba.gov/sites/default/files/Whats-New-w-Small-Business-2017.pdf (August 2017).....	8

INTEREST OF THE AMICI CURIAE

Amici curiae, who are listed in the attached appendix, include inventors, entrepreneurs, small-business owners, and individual investors, all of whom have first-hand experience with America's patent system¹. We respectfully submit this *amici curiae* brief in support of the Petition for a Writ of Certiorari by Petitioners.

Amici curiae believe that inventor rights have been seriously weakened by recent legislation and court decisions that are undermining the innovative character of America that has made this country great since its founding. In particular, these laws and court decisions have had a disproportionately negative effect on individual inventors, entrepreneurs, and small businesses. One such court decision is the challenge to patent eligibility under 35 U.S.C. § 101, which is at issue in this Case. Thus, *amici curiae* believes it is important for this Court to clarify the availability under 35 U.S.C. § 282 (b)(2) and (3) to raise patent-eligibility challenges under 35 U.S.C. § 101 in district courts.

¹ Pursuant to Sup. Ct. R. 37.2, all counsel of record received timely notice of *amici curiae's* intent to file this *amicus curiae* brief. Petitioner consented to the filing of this *amici curiae* brief on November 21, 2017 and Respondent consented to the filing of this *amici curiae* brief on November 27, 2017. Pursuant to Sup. Ct. R. 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae* made a monetary contribution to its preparation or submission.

SUMMARY OF THE ARGUMENT

The U.S. patent system was designed to protect inventors, particularly those who have few resources. At the time of the founding of our country, the English patent system rewarded only large companies and wealthy individuals. Our Founding Fathers codified protection of intellectual property in the body of the U.S. Constitution and passed the Patent Act of 1790 even before passing the Bill of Rights. This act was intended to reward inventors of all kinds, without regard to wealth, status in society, or the age or size of the business, and to create a level playing field so that even individual inventors and small businesses could use their creative energies to compete against large, established businesses.

Individual inventors, entrepreneurs, and small businesses must have the assurance that issued patents cannot be invalidated as covering unpatentable subject matter. Without this assurance, these small entities will have difficulty bringing innovations to market, particularly if they are in a competitive market with large, established competitors.

This is an opportunity for this Court to clarify its decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, which is generally considered by many judges, lawyers, and inventors to be overly broad and confusing, and it creates too much uncertainty, especially for individual inventors, entrepreneurs, and small businesses.

Patent ineligibility under 35 U.S.C. § 101 should not be a cognizable defense in a patent infringement litigation. The requirement for patent eligibility in

section 101 was incorporated into statutory law by the 1952 Patent Act. Congress also set forth a list of available defenses in section 282(b) of the 1952 Patent Act that may be asserted in a civil action for patent infringement action. However, Congress did not include 35 U.S.C. § 101 as an available enumerated defense, either in the 1952 Patent Act as originally enacted, or at any time thereafter.

ARGUMENT

I. THE U.S. PATENT SYSTEM WAS DESIGNED TO PROTECT INVENTORS, PARTICULARLY THOSE WITH FEW RESOURCES

America is without question the most innovative country in the world. This has been the case since its founding over 200 years ago. One of the great innovations of America's Founding Fathers is the U.S. patent system, which has encouraged innovation for all of these years. To understand this, we need to review the historical background.

Toward the end of Queen Elizabeth I's rule in the 16th century, English courts granted monopolies to businesses that introduced a new industry to the country. In 1624, the English Parliament passed the Statute of Monopolies, which limited the power of the monarch to grant monopolies. Under this statute, the monarch could grant monopolies for only fourteen years. See B. Zorina Khan, *Trolls and Other Patent Inventions: Economic History and the Patent Controversy in the Twenty-First Century*, Bowdoin College and National Bureau of Economic Research, <https://sls.gmu.edu/cpip/wp-content/uploads/sites/31/2013/09/Khan-Zorina-Patent-Controversy-in-the-21st-Century.pdf> (September 2013).

In America, prior to independence from England, the King of England officially owned all the intellectual property created by the colonists. Furthermore, the British patent system created significant barriers for inventors to obtain patents. The application costs were prohibitively high to all but the most wealthy individuals and companies. The system was also

complicated, requiring significant expertise and knowledge, and patent searches were difficult, if not impossible, for inventors outside of London. See B. Zorina Khan, *The Democratization of Invention: Patents and Copyrights*, NBER and Cambridge University Press (January 12, 2009).

This did not go unnoticed by the Founding Fathers, who made intellectual property rights one of the key principles of our new country. The legal basis for U.S. patent law is found in the Article I, Section 8 of the United States Constitution: “The Congress shall have Power To... promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries...” By including this clause in the Constitution, the Founding Fathers intended to protect individuals and small companies from the power of large entities.

The Founding Fathers considered patents to be so important that they passed the Patent Act of 1790 even before passing the Bill of Rights. Thomas Jefferson had a changing view of patents. In 1787, he was opposed to any type of monopoly including patents, but by 1789, his position had changed. As Secretary of State, Jefferson became the first acting head of the U.S. patent office. With regard to this patent law, Jefferson observed that it had “given a spring to invention beyond his conception.” See Thomas Jefferson, *From Thomas Jefferson to Benjamin Vaughan*, Founders Online, <https://founders.archives.gov/documents/Jefferson/01-16-02-0342> (June 27, 1790) and *Patents*, Thomas Jefferson Encyclopedia, <https://www.monticello.org/site/research-and-collections/patents>, (April 1989).

The U.S. patent system has been a great equalizer, even when the other laws and customs of our country have been discriminatory. Women and African Americans, for example, have utilized the patent system to commercialize their inventions and create wealth when our society otherwise would not allow it. For example, Mary Dixon Kies obtained a hat weaving patent in 1809, long before women had the right to vote or even the ability to own property. Ms. Kies and her patent helped fuel the growing American hat industry. See Erin Blakemore, *Meet Mary Kies, America's First Woman to Become a Patent Holder*, Smithsonian.com, <https://www.smithsonianmag.com/smart-news/meet-mary-kies-americas-first-woman-become-patent-holder-180959008> (May 5, 2016).

At a time when African Americans were slaves with few rights whatsoever, Thomas L. Jennings patented the dry cleaning method in 1821. He leveraged his patent to grow his tailoring and dry-cleaning business and used the profits from that business to support the abolitionist movement, defend civil rights organizations, fight racial segregation in the courts, and purchase his wife and children out of slavery. See Mary Bellis, *Thomas Jennings, the First African-American Patent Holder*, ThoughtCo, <https://www.thoughtco.com/thomas-jennings-inventor-1991311> (2017).

The U.S. patent system is an agreement between the U.S. government and inventors. In return for disclosing the implementation of an invention so that others can learn from it and build upon it, rather than keeping it secret, an inventor is promised a limited time of protection by the government. In this way, progress is enhanced and innovation is encouraged.

Since 1790, the United States has greatly benefited from its patent system, which resulted in the United States becoming the most innovative country in the world. See Bob Zeidman & Eshan Gupta, *Why Libertarians Should Support a Strong Patent System*, IP Watchdog <http://www.ipwatchdog.com/2016/01/05/why-libertarians-should-support-a-strong-patent-system/id=64438> (January 5, 2016).

II. INDIVIDUAL INVENTORS, ENTREPRENEURS, AND SMALL BUSINESSES MUST HAVE ASSURANCES THAT ISSUED PATENTS CANNOT BE SUDDENLY INVALIDATED AS COVERING UNPATENTABLE SUBJECT MATTER

It is important for inventors and entrepreneurs to believe that a government-issued contract or government-approved agreement is legitimate and will protect their interests absent any new facts that were unknown at the time of the execution of the contract or agreement. However, the District Court's decision has determined, without any new facts being introduced, that the subject matter of the patents-in-suit are not patentable despite the issuance of these patents by the U.S. Patent and Trademark Office ("USPTO"). Furthermore, claims of these same patents have been upheld in another case in the District Court of Massachusetts. See *Sophos Inc. v. RPost Holdings, Inc.*, 2016 U.S. Dist. LEXIS 72699, 2016 WL 3149649 (D. Mass. June 3, 2016). Additionally, the PTAB denied petitions to institute CBM reviews of each of the '913, '389, and '104 patents, and the PTO issued an Ex Parte Reexamination Certificate for the '219 patent confirming the validity of all of the reexamined claims.

While large corporations have the ability, resources, and deep pockets to deal with such uncertainty (although it is no doubt inconvenient for them too), individual inventors, entrepreneurs, and small businesses do not. It is akin to being pulled over by police during a traffic stop, showing the officer your valid driver's license, and being told that the state implemented new driving requirements and that your license is no longer valid. Or having the county take your property, without compensation, that you purchased, maintained, and developed for years, at the whim of a court decision that suddenly invalidated your existing property rights.

The effect of this kind of decision will devastate small businesses. Microbusinesses, defined as employers with fewer than 10 employees, made up 75.3 percent of all private-sector employers in 2013, and they provided 10.8 percent of the private-sector jobs in 2015. See Brian Headd, *The Role of Microbusinesses in the Economy*, SBA Office of Advocacy, https://www.sba.gov/sites/default/files/Microbusinesses_in_the_Economy.pdf (February 2015). Small businesses, defined as employers with fewer than 500 employees created two out of three net private-sector jobs since 2012. See Brian Headd, *Small Business Facts*, SBA Office of Advocacy, https://www.sba.gov/sites/default/files/Job_Creation_fact_sheet_FINAL_0.pdf (September 2015). The 29.6 million small businesses in the U.S. comprise 99.9% of all firms in the U.S. and account for 62% of net new jobs. See *What's New with Small Business*, U.S. Small Business Administration Office of Advocacy, <https://www.sba.gov/sites/default/files/Whats-New-w-Small-Business-2017.pdf> (August 2017).

For over two centuries, patents have enabled individuals working in garages, dorm rooms, or even in their cars to create innovative products and compete with large, cash-rich, politically connected, and recognized companies on a level playing field. Patents have been the “insurance policy” that gives confidence to investors to put money into otherwise risky ventures. Now, even if an inventor or small company goes through the lengthy, expensive process to protect its inventions, the resulting patents can be invalidated easily based on an ill-defined definition of “abstract.” The fact that patents can be invalidated by a court without requiring the introduction of prior art, means that investments in startups will decline. Particularly in growing, competitive markets, the possibility that a small business’s intellectual property can be suddenly invalidated as abstract will make the risk of starting a company much greater. There will be little incentive for bold ventures that might otherwise solve today’s most pressing problems.

III. THIS IS AN OPPORTUNITY FOR THIS COURT TO CLARIFY ITS DECISION IN *ALICE CORP. PTY. LTD. V. CLS BANK INT’L*

The decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014) is unclear and has confused the lower courts, resulting in conflicting and inconsistent decisions. This uncertainty has created more risk for patent holders and has emboldened patent infringers.

Essentially, this Court determined a two-step test to determine whether an invention was patent-eligible under 35 U.S.C. §101:

1. Determine whether the claims at issue are directed to a patent-ineligible concept; and
2. If so, look for an “inventive step”—an element or combination of elements sufficient to ensure that the patent, in practice, amounts to “significantly more” than the ineligible concept itself.

The problem with this ruling is that it is overly vague and overlaps with 35 U.S.C. §102 and 35 U.S.C. §103. First, the ruling does not clearly define what a “patent-ineligible” concept is, and so this step has been used to declare most software patents to be patent ineligible. Second, an “inventive step” is the novelty of the invention, and should be tested by the requirements of section 102, not section 101. Arguments about inventiveness under section 102 allow for the introduction of prior art, expert testimony, and other facts that can be discussed and debated by the patent holder and the accused infringer. Bringing this argument into a section 101 determination restricts the ability of a patent holder to respond with facts and cuts the process short. Furthermore, it is unclear how an abstract patent-ineligible concept can become patent-eligible by incorporating some poorly defined “inventive step.”

In what patent attorney Robert Sachs calls “AliceStorm,” the *Alice* decision has been broadly interpreted by both the federal courts and the USPTO, resulting in 70% of patents being invalidated either in court via section 101 defense motions or at the USPTO, as of June 2016. See Robert Sachs, *Two Years After Alice: A Survey of the Impact of a “Minor Case” (Part 1)*, Bilski Blog, <http://www.bilskiblog.com/blog/>

2016/06/two-years-after-alice-a-survey-of-the-impact-of-a-minor-case.html (June 16, 2016).

By July 2017, 63.9% of all section 101 rejections cited *Alice*. Before the *Alice* decision, section 101 rejections made up only 30.8% of all rejections issued in the e-commerce art units of the USPTO. Two years after the decision, in May 2016, section 101 rejections had jumped to 81.7% of all rejections issued in these same art units. See James Cosgrove, *Alice: Three Years On*, Juristat, <https://blog.juristat.com/blog/2017/7/19/alice-three-years-on> (July 19, 2017).

There is wide-ranging agreement among Federal Circuit Court judges that the *Alice* decision was poorly worded, too broad, and has had the effect of killing nearly all software patents despite this Court's statement that this was not its intent. Last year, three federal judges from California and Delaware, in an unusual occurrence, publicly criticized this Court's *Alice* ruling at a symposium at Stanford University to honor retiring U.S. District Judge Ronald Whyte. U.S. District Judges Leonard P. Stark, Andrew J. Guilford and Cathy Ann Bencivengo said that the *Alice* decision spurred hundreds of patent invalidity motions in their districts and that its two-part test for analyzing patent validity is too subjective. See Dorothy Atkins, *Federal Judges Slam Alice At Event Honoring Judge Whyte*, Law360, <https://www.law360.com/articles/853103/federal-judges-slam-alice-at-event-honoring-judge-whyte> (October 18, 2016).

At a recent hearing before the House Judiciary Committee called "The Impact of Bad Patents on American Businesses," former Federal Circuit Judge Paul Michel stated that he believes that patent

“[e]ligibility law under the *Alice/Mayo* regime has become highly uncertain and unpredictable. And results have been as inconsistent as unpredictable.” See Riff, *Comments on the U.S. Patent System by Former CAFC Judge Michel*, Patent Riff, <http://patentriff.com/wp/comments-on-the-u-s-patent-system-by-former-cafc-judge-michel> (July 14, 2017).

Other federal judges have embraced the *Alice* decision for precisely the same reason, that it has effectively made all software unpatentable, which clearly was not this Court’s intent. For example, in *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307 (Fed Cir. 2016), each asserted claim of three software patents was invalidated, but most concerning was Judge Haldane Mayer’s concurrence wherein he found a First Amendment conflict with software patents:

“I agree that all claims on appeal fall outside of 35 U.S.C. § 101. I write separately, however, to make two points: (1) patents constricting the essential channels of online communication run afoul of the First Amendment; and (2) claims directed to software implemented on a generic computer are categorically not eligible for patent.”

Id., at 1322, (*Mayer, J., concurring*).

Judge Mayer goes on to say that software is a type of language and that language is protected by copyrights and not patents. He continues that patenting software is “[s]uppression of free speech” and is “no less pernicious because it occurs in the digital, rather than the physical, realm.”

Id., at 1323, (*Mayer, J., concurring*).

He continues:

“Most of the First Amendment concerns associated with patent protection could be avoided if this court were willing to acknowledge that Alice sounded the death knell for software patents.”

Id., at 1325, (*Mayer, J., concurring*).

He concludes:

“Declaring that software implemented on a generic computer falls outside of section 101 would provide much-needed clarity and consistency in our approach to patent eligibility. It would end the semantic gymnastics of trying to bootstrap software into the patent system... Software runs computers and the Internet; improving them up to the current limits of technology is merely more of the same... Eliminating generically-implemented software patents would clear the patent thicket, ensuring that patent protection promotes, rather than impedes, ‘the onward march of science...’ and allowing technological innovation to proceed apace.”

Id., at 1328, (*Mayer, J., concurring*).

This serious misunderstanding of the First Amendment and our patent system by a Federal Circuit judge is frightening and must be addressed by this Court. First, software is an engineering skill that requires precision beyond that of a spoken or written language. It consists of precise instructions that must be created rigorously, according to formal rules, and with mathematical precision, and that must be tested and fine-tuned or the results of its operation can be catastrophic.

Second, the argument that software is speech and must not be protected is often used as an excuse by those who want to dismantle the U.S. patent system altogether. If written code is free speech only protectable by copyrights, the same can be said of any recipes, instructions, and drawings including blueprints and electrical or mechanical schematics. There is no invention that cannot be written into a patent specification, and thus, a simple extension of Judge Mayer's strange logic is that once an invention is written as a patent specification, it is not protectable by a patent. In other words, nothing is patentable.

Finally, when Judge Mayer dismisses software because it "runs computers and the Internet; improving them up to the current limits of technology is merely more of the same," his argument can easily be applied to improvements to all modern inventions including computers themselves, smartphones, automobiles, trains, airplanes, elevators, and all other technologies that are ubiquitous in modern life. *Id.*, at 1329, (*Mayer, J., concurring*).

The public reads these decisions and wrongly believes that software should not be patentable. See Jeff John Roberts, *Here's Why Software Patents Are in Peril After the Intellectual Ventures Ruling*, Fortune magazine, <http://fortune.com/2016/10/03/software-patents> (October 3, 2016). Such a belief, enforced through some future legislation, would allow giant corporations to freely copy innovative software inventions, unfairly crushing small businesses, individual inventors, and entrepreneurs. Many inventors have had large companies purchase copies of their patented software only to see those companies reverse engineer

their software over time and then terminate agreements with the inventor after those companies have created their own version of the product. As difficult as it for individual inventors and small businesses to fight this, the patent system gives them the leverage to obtain compensation for this type of willful infringement. Given the system as it is adjudicated today, after the *Alice* decision, an inventor in these circumstances would have no recourse.

A decision in this case can be used to clarify what subject matter is 35 U.S.C. §101 patent eligible and to define such eligibility more precisely so that it does not conflict with or overlap with the novelty requirements of 35 U.S.C. §102 and the obviousness requirements of 35 U.S.C. §103. For the reasons previously stated, clarification and simplification as to what constitutes patentable subject matter under 35 U.S.C. §101 is desperately needed.

IV. PATENT INELIGIBILITY UNDER 35 U.S.C. § 101 IS NOT A COGNIZABLE DEFENSE IN A PATENT LITIGATION

The arguments made by the Petitioners in their Petition for a Writ of Certiorari by Petitioners that patent ineligibility under 35 U.S.C. § 101 is not a cognizable defense in a patent litigation are correct. The requirement for patent eligibility contained in section 101 was incorporated into law by the 1952 Patent Act. At the same time, Congress set forth in section 282(b) a list of available defenses that may be asserted in a patent infringement action brought in court, which did not include patent eligibility, and Congress has never thereafter added 35 U.S.C. § 101 as an available enumerated defense.

CONCLUSION

For the reasons set forth herein, *amici curiae* respectfully urge the Court to grant the Petition to determine whether patent-eligibility challenges under Section 101 are available under Section 282(b)(2) and (3) of the Patent Act.

Respectfully submitted,

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December 1, 2017

APPENDIX

APPENDIX

Robert Zeidman is an engineer, inventor, and entrepreneur, and is the inventor named on 22 issued patents, with several applications pending. His company, Zeidman Consulting, is one of the premier companies providing hardware and software consulting and expert witnesses for all kinds of intellectual property litigation. Mr. Zeidman has written numerous articles on patents, trade secrets, and copyrights as well as *The Software IP Detective's Handbook*, Prentice-Hall (May 8, 2011) a textbook on software intellectual property for lawyers and engineers.

Thomas J. Quilty has had more than 40 years of experience in active and reserve military and in federal and state law enforcement. Mr. Quilty is the CEO of BD Consulting and Investigations Inc. (BDCON), an intellectual property consulting and investigations company that helps clients respond to issues associated with trade secret theft protection and investigation as well as trademark and patent infringement analysis. Mr. Quilty has presented training regarding intellectual property investigations, nationally and internationally, including at the FBI Academy, National District Attorney's Association, California Department of Justice, and the High Technology Crime Investigation Association.

Daniel Clark is a private investor and website developer involved in leading-edge technologies and speculative investments. He has worked for several software companies including a company that developed a cross-platform email application to unite access to various diverse email protocols present in the

market at the time (e.g., AOL, YahooMail, Compuserve, and AT&T). At present he is developing a website to encourage and facilitate the development of radically transformative energy technologies.

Carole Edwards Steele is a communications professional who, in four decades as a writer, editor or PR person, witnessed a wide range of examples of how much small business contributes not only to a community's economy but to the richness of its civic life. As Carole Edwards, she worked on the Business desks of The New York Times and The Washington Post, and covered business and all other local news in specific geographic areas for The Chicago Tribune and The Akron Beacon-Journal. As a freelance writer, she served trade associations for mostly small companies in the food distribution, trucking and addiction treatment industries.

Barbara J. Rapp-Geerlings has owned and run Barbara Rapp Insurance since 1970. The business specializes in employee benefits, and the primary clients are small business owners and entrepreneurs with innovative ideas they patented and went on to manufacture. She saw her clients struggle with competition from huge corporations as their patented ideas were infringed. She also knows this firsthand. Her father-in-law invented and patented a fork lift jack and together they formed a corporation that manufactured and sold the product for many years. A much larger company eventually started producing and selling an infringing product, and the company was forced to abandon the product as their sales dropped steeply.

A3

Pete J. Geerlings runs Crystal Cave, a retail store, along with his wife Barbara (see above). Their merchandise consists of items like jewelry, minerals, candles, books, and gift items. Most of their vendors are small, innovative companies that have created an unusual one-of-a-kind item. They have seen some promising vendors go under due to cheap clones from manufacturers that did not have to develop the product in the first place, which is why they support strong patent protection.

Kimberly A. Buttler recently left her employment at a San Antonio law firm after 10 years, to explore new opportunities. While she was in the legal field, she saw how the law can work against the small innovator. There were occasions that resulted in an individual inventor who was taken advantage of by a larger business, especially when the creator had a patent but not the resources to enforce it. When patent law does not protect inventors and their unique creations, we all lose.

Glenn Baumann, ME, is Principal Consultant and Managing Member of GGC Medical Device Consulting Group that provides consultation on medical device design control, risk management, process validation, corrective and preventive action (“CAPA”), and supplier quality assurance. Mr. Baumann has over 40 years of experience in the medical device field, often as part of new product development teams. Software is so important to the function of some medical devices that the FDA requires that it be validated before approval. Because software requires significant development, Mr. Baumann believes it should be afforded patent protection.

A4

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