No. 05-1056

IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORPORATION,
Respondent.

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

BRIEF OF *AMICUS CURIAE* BAYHDOLE25, INC. SUPPORTING RESPONDENT

SUSAN K. FINSTON
BAYHDOLE25, INC.
242 West 30th Street, Suite 801
New York, New York 10001-0813
(646) 827-2196

STEPHEN J. MARZEN *
AMANDA E. SHAFER
SHEARMAN & STERLING LLP
801 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2634
(202) 508-8000

* Counsel of Record

Counsel for Amicus Curiae BayhDole25, Inc.

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

TABLE OF CONTENTS

TABLE OF CONTENTS—Continued

TABLE OF AUTHORITIES

TABLE OF AUTHORITIES—Continued

IN THE

Supreme Court of the United States

No. 05-1056

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORPORATION,
Respondent.

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

BRIEF OF *AMICUS CURIAE* BAYHDOLE25, INC. SUPPORTING RESPONDENT

INTEREST OF *AMICUS CURIAE* BAYHDOLE25, INC.[1]

BayhDole25, Inc. ("BayhDole25") (www.BayhDole25.org) is a non-profit, non-governmental organization named after the Bayh-Dole Act of 1980 ("Bayh-Dole") and founded on the twenty-fifth anniversary of that Act. Bayh-Dole revolutionized technology transfer by authorizing licensing of government-owned patent rights and other intellectual property and jump-starting the biotechnology revolution.[2] Before Bayh-Dole, a

[1] Rule 37.6 statement: Counsel on the brief and BayhDole25 Board Members are its sole authors and no other person or entity made any monetary contribution to its preparation or submission. The parties have filed letters with the Court consenting to all *amicus* briefs.

[2] *See generally*, *The Bayh-Dole Act at 25*, BayhDole25, Inc., Mar. 16, 2006, http://www.bayhdole25.org/resources (last visited on Jan. 21,

Government Accountability Office study found that only a small percentage of the 28,000 patents from federally funded scientific research were licensed for commercial use.[3] Bayh-Dole enabled commercialization of formerly neglected federally funded research, providing a high return on the taxpayer's investment in basic science in the form of medical innovation and improving health outcomes through the creation of high-technology and biotechnology sectors.[4]

BayhDole25 provides non-partisan educational information about Bayh-Dole and subsequent related technology transfer legislation in an effort to improve public awareness of the importance of Bayh-Dole policies to U.S. biotechnology pre-eminence. BayhDole25's board includes biotechnology pioneer Dr. Ananda M. Chakrabarty, who received the first patent for a genetically modified bacterium as a result of *Diamond v. Chakrabarty*, 447 U.S. 303 (1980). Dr. Chakrabarty is a distinguished professor of microbiology and immunology at the University of Illinois College of Medicine and founder of CDG Therapeutics, a U.S. biotechnology company engaged in clinical research on novel approaches to cancer therapies. BayhDole25 has accepted no outside funding from the biotechnology or information and communication technology industries, individual companies, or universities and research institutions.

BayhDole25 has a substantial interest in the questions on which the Court granted review—namely, whether intangible information may be a "component[] of a patented invention" and whether transmission of such intangible information

---

2007). Roughly 70% of licenses under Bayh-Dole have been in biotechnology. *See id*. at 24.

[3] *The Bayh-Dole Act at 25*, *supra* note 2, at 13.

[4] *See* Michael J. Remington, *The Bayh-Dole Act at Twenty-Five Years: Looking Back, Taking Stock, Acting for the Future*, 17 J. of the Ass'n Univ. Tech. Managers (AUTM) 15, Summer 2005.

constitutes "suppl[y] from the United States" within the meaning of 35 U.S.C. § 271(f). In particular, BayhDole25 is concerned that the Court not answer those questions on the ambiguous and incomplete stipulated facts of record in this appeal and that it is aware that negative answers to those questions would have a harmful effect on the biotechnology industry. BayhDole25 hopes that its familiarity with the biotechnology industry and financial and editorial independence will provide a useful perspective to the Court.

SUMMARY OF ARGUMENT

Microsoft's own admissions and the parties' stipulation establish Microsoft's liability under 35 U.S.C. § 271(f). Microsoft concedes that an electronic transmission of object code is sufficiently physical to be a "component[] of a patented invention" for purposes of 35 U.S.C. § 271(f). *See* Pet. Br. 42. The parties stipulated in the district court that Microsoft's foreign original equipment manufacturers ("OEMs") and replicators decrypted and installed those electronic transmissions onto foreign computer systems. *See* Pet. App. 46a ¶ 7. The combination of those electronic transmissions and the foreign computer hardware is the patented apparatus specified in AT&T's '580 patent. By electronically transmitting the object code "from the United States" (Pet. Br. 8), Microsoft "supplie[d]" a "component[] of a patented invention" for purposes of 35 U.S.C. § 271(f).

Although the electronic transmissions do not establish the *extent* of Microsoft's liability under 35 U.S.C. § 271(f), the extent of Microsoft's liability is not relevant under the settlement agreement that generated this appeal. The parties settled their dispute with an "unconditional settlement payment" plus an "additional settlement payment" if Microsoft's "liability" is upheld on appeal. Pet. App. 41a, 42a ¶¶ 1, 5. If this Court determines that Microsoft is liable under § 271(f) for its electronic transmission of object code to foreign OEMs

and replicators, then Microsoft is liable under the settlement agreement. The Court need not, and therefore should not, decide anything more, particularly given the ambiguous and incomplete state of the stipulated factual record.

Judicial restraint is particularly warranted because reversal on the *ratio decidendi* proposed by Microsoft would have a harmful effect on the biotechnology industry. Microsoft and its *amici* contend that intangible information cannot be a "component[] of a patented invention." But intangible assets represent 70% of the assets of U.S. industry and are critical to the U.S. biotechnology industry. Microsoft and its *amici* also contend that any doubts should be resolved in Microsoft's favor by a presumption against extraterritorial application of U.S. law. Congress has demonstrated its intent to act extraterritorially, however, both specifically in regards to 35 U.S.C. § 271(f) and more generally by legislating to enforce U.S. IP law globally.

ARGUMENT

I. THE JUDGMENT IN FAVOR OF AT&T SHOULD BE AFFIRMED BECAUSE MICROSOFT'S ELECTRONIC TRANSMISSIONS OF OBJECT CODE MAKE IT LIABLE UNDER 35 U.S.C. § 271(f)

Microsoft, the government, and Microsoft's *amici* elide any sustained analysis of Microsoft's liability under 35 U.S.C. § 271(f) for Microsoft's electronic transmission of object code. Since Microsoft's liability for the "additional settlement payment" (Pet. App. 42a ¶ 5) is established if it is liable under § 271(f), however, this appeal may be decided based on Microsoft's liability for electronically transmitting its object code without reaching the more difficult questions of whether intangible information may itself constitute a "component[] of a patented invention" or whether golden

master disks were "components" "supplie[d] from the United States" under § 271(f).

Microsoft's electronic transmissions of object code are "components" of AT&T's patented apparatus because the recording (installation) of those transmissions on foreign computer hard drives creates the patented apparatus described in AT&T's '580 patent. Microsoft's electronic transmissions of object code "supply" those components "from the United States."

A. Microsoft's Electronic Transmissions of Object Code Are "Components of a Patented Invention" within the Meaning of 35 U.S.C. § 271(f)

1. The parties agree that an electronic transmission of object code may be a "component[] of a patented invention" within the meaning of 35 U.S.C. § 271(f). AT&T contends that the intangible object code itself may be a component. *See* Second Supp. Cert. Br. 4. For its part, Microsoft concedes that object code may be a "component of a patented invention." Pet. Br. 34 n.9. Microsoft argues, however, that the object code must be "machine readable" and fixed in some "physical media." *Id*.[5] According to Microsoft's analysis, "an electromagnetic impulse" would appear to be a sufficient "physical manifestation" to make object code a "component[]" for purposes of 35 U.S.C. § 271(f). Pet. Br. 42.

---

[5] *See* Pet. Br. 38 ("Such a digital sequence can direct a general purpose computer to function as the device claimed in the patent only when it is readable and executable by a computer. A digital sequence that exists only in the ether is neither."); *id*. at 40 n.12 (semble); Gov't Br. 10-11 ("The relevant component, however, is the actual, machine-readable physical copy of the software installed on a particular computer, not the software in the abstract.").

2. Microsoft contends that its electronic transmissions of object code are not "components of a patented invention," however, because intermediate copies are made overseas:

> Each foreign manufacturer instead uses the master version to produce, in the foreign country, *duplicate copies* of the Windows object code. [Pet. App.] 45a-46a ¶¶ 5-7. It is these copies, and only these copies, that are installed on foreign-manufacturer computers. *Id.* at 46a ¶ 9.

Pet. Br. 4 (emphasis added) (footnote omitted).[6]

The government similarly contends that Microsoft's electronic transmissions of object code are not installed on foreign computers, but that intermediate copies are made and those copies are installed:

> Alternatively, petitioner sometimes provides the Windows object code to foreign computer manufacturers and replicators via encrypted electronic transmission. The transmitted code is then decrypted *and copied, and the copies are installed* on foreign computer products. Pet. App. 45a-46a.

Gov't Br. 4 (emphasis added).

But the parties did not stipulate that an intermediate copy is made before installation of the electronically transmitted object code. Instead, the appendix citation to which both Microsoft and the government refer suggests that the only

---

[6] *See* Pet. Br. 7 (Microsoft's contention that the Federal Circuit "incorrectly concluded that *copies* of the object code for the Windows operating system made in a foreign country are nonetheless 'supplie[d] . . . from the United States' . . . .") (Microsoft's emphasis); *id*. at 13 ("foreign-produced copies of the object code for the Windows operating system . . . were made overseas"); *id*. at 33 ("To be sure, Microsoft knows that foreign manufacturers will use the golden master disks and encrypted transmissions to make copies of the Windows object code; but those copies are made overseas.").

"copies of the object code for the Windows operating system software" are on the "computer hardware"—that is, the foreign computers' hard drives (Pet. App. 46a ¶ 7) (emphasis added):

> Microsoft also supplies its Windows operating system object code from the United States to certain foreign OEMs and authorized foreign replicators by sending to foreign OEMs and replicators a single encrypted transmission of the object code. The foreign OEMs and replicators *decrypt the transmission and install copies of the object code for the Windows operating system software onto computer hardware*, to form computer systems, and *optionally* create CDs or other media with a copy of the same.

It is thus entirely consistent with the stipulated facts of record on this appeal for the encrypted electronic transmissions to have been uploaded from a Microsoft server in Redmond, Washington to foreign computers' hard drives, much like Microsoft might send a software update or security patch to an individual's personal computer hard drive over the Internet. By whatever manner the electronically transmitted object code is in fact installed on the foreign computers' hard drives, the parties did not stipulate to an intermediate copy.

3. Even if the electronically transmitted object code is installed without an intermediate copy, it is still open to Microsoft to argue that the "component[]" that Microsoft supplied (*i.e.*, the object code in the form of "electromagnetic impulse[s]" (Pet Br. 42)) is not the same as the object code installed on the foreign computers (*i.e.*, the object code in the form of "magnetically charged bands" on hard drives (Pet. Br. 23)). Neither Microsoft nor the government appears to

make that argument,[7] however, and it should be rejected, for two reasons.

First, the electronically transmitted object code is installed directly on the foreign computers' hard drives. *See* Pet. App. 46a ¶ 7 ("The foreign OEMs and replicators decrypt the transmission and *install copies of the object code* for the Windows operating system software *onto computer hardware*, to form computer systems, and *optionally* create CDs or other media with a copy of the same.") (emphasis added). Although each foreign computer's hard drive contains a copy of the object code, that copy was recorded from the electronic transmission—the "component[]"—supplied by Microsoft from the United States.

Second, if a change in physical format from "electromagnetic impulses" (Pet. Br. 42) to "magnetically charged bands" (Pet. Br. 23) is sufficient to change the nature of the "component[]" for purposes of 35 U.S.C. § 271(f), then no limiting principle prevents Microsoft from uploading software from its Redmond, Washington headquarters and installing it directly onto foreign computers, notwithstanding the patent rights of inventors in this country.

The only question remaining for Microsoft's liability under 35 U.S.C. § 271(f) is whether Microsoft "suppl[ied]" the electronic transmissions "from the United States."

B. Microsoft "Suppl[ied]" Electronic Transmissions of Object Code "from the United States" for Purposes of 35 U.S.C. § 271(f)

Microsoft concedes that it supplied the electronic transmissions from the United States. *See* Pet. Br. 8 ("The only things Microsoft furnishes from the United States are the

---

[7] *But see* Pet. Br. 4 n.2 ("[T]he 'installation' process itself involves an act of duplication.").

golden master disks and encrypted transmissions containing master versions of the Windows object code."); *see also id*. at 13, 34, 35. Those electronic transmissions are sufficient to establish Microsoft's liability under § 271(f) and resolve this appeal. *Cf.* Gov't Br. 25-26 n.2 ("If petitioner sent copies of its Windows software from the United States to a foreign country and those copies were loaded onto computers, petitioner would likely be liable under Section 271(f) for each such infringing copy."); Pet. App. 36a n.7 (Microsoft's concession of liability if it supplied individual disks of object code).

* * * * *

Microsoft's electronic transmission of object code for installation onto foreign computers' hard drives establishes its liability under 35 U.S.C. § 271(f) and resolves this appeal under the parties' settlement agreement. That agreement makes Microsoft liable for the "additional settlement payment" (Pet. App. 42a ¶ 5) because it establishes Microsoft's "liability under 35 U.S.C. § 271(f)" (Pet. App. 41a).[8]

C. The Court Need Not and Therefore Should Not Decide Whether Intangible Information May Ever Be a "Component[] of a Patented Invention" or "Suppl[ied] . . . from the United States" under 35 U.S.C. § 271(f) Because of the Ambiguous and Incomplete Stipulated Facts of Record on This Appeal

The ambiguous and incomplete stipulated facts prevent close analysis of the questions on which this Court granted review.

---

[8] Although Microsoft suggests that it would face "staggering liability" if it were held to have induced the infringement of "tens of millions of foreign-produced copies" (Pet. Br. 24), no facts of record on this appeal support the suggestion that the stipulated "additional settlement payment" imposes any material liability (Pet. App. 42a ¶ 5), or is anything other than a small percentage license fee on the overseas royalties Microsoft has already collected.

1. On the first question presented, the parties disagree on whether the "component[]" is the object code or the containers for that code (*i.e.*, the golden master disks and encrypted electronic transmissions). The parties' stipulation is ambiguous. *See* Pet. App. 47a ¶ 10 ("The parties agree that, other than the 'golden master disks' and the encrypted transmissions of Windows object code, Microsoft does not supply any 'component' from the United States for assembly abroad."). If "component" in the stipulated paragraph refers back to the "'golden master disks' and the encrypted transmissions," then the containers are the components. If "component" in the stipulated paragraph refers back to "Windows object code," then the code is the component.

Subsequent briefing does not clarify the stipulation's ambiguity regarding the "component[]." In its merits brief, Microsoft simply deletes the phrase "of Windows object code" from the stipulation, replaces the deletion with ellipses, and asserts that the parties stipulated that the components are "the 'golden master disks' and the encrypted transmissions." Pet. Br. 37. For its part, AT&T reads the stipulation to refer to the object code. *See* Second Supp. Cert. Br. 4.

The district court, which is closest to the stipulation, read the stipulation to define the component as the object code itself. *See* Pet. App. 42a ("Based on the stipulated facts, the Court has determined that the golden master disks and the encrypted transmissions of Windows object code *contain* 'components' supplied from the United States by Microsoft within the meaning of 35 U.S.C. § 271(f) . . . .") (emphasis added).[9] The majority of the court of appeals also read the

[9] *See also* Pet. App. 29a ("The object code or software that is contained on each golden master disk or transmitted electronically, as opposed to the golden master disk or method of encrypted transmission itself, is at the heart of the parties' dispute and this Court's analysis."); *id*. at 34a-35a ("In this action, the object code at issue actually contains the patented

stipulation to define the component as the object code (*see* Pet. App. 8a ("In the present case, what is being supplied abroad is an actual component, *i.e.*, the Windows® operating system . . . .")), but the dissent read it to mean the golden master disks (*see* Pet. App. 15a-16a ("The German and Japanese manufacturers do not install the actual component 'supplied' from the U.S. (the master disc).").

The parties are similarly unable to agree whether the "component[]" is a staple component (implying liability under 35 U.S.C. § 271(f)(1)) or a specialized component (implying liability under 35 U.S.C. § 271(f)(2)). *See* Pet. Br. 12 n.3.

It goes without saying that the Court cannot decide whether something is a "component[] of a patented invention" without knowing what that something is. At bottom, the "component[]" issue presented on this appeal turns on the Court's interpretation of a factual stipulation in the district court. This appeal comes perilously close to an advisory opinion on shifting and disputed facts.

2. The record on whether Microsoft "supplie[d]" a "component[] of a patented invention" "from the United States" is similarly undeveloped. Microsoft raised the supply question as an afterthought for the first time in its reply brief in the district court and AT&T responded orally at argument. *See* Pet. App. 25a, 35a. What is more, the answer to the supply question depends on what "component[]" Microsoft allegedly "supplie[d]." The stipulation's ambiguity on the "component[]" issue thus infects the "suppl[y]" issue as well.

The issues on appeal are too important to be decided on ambiguous and incomplete stipulated facts. The Court should refrain from deciding more than it must to determine Microsoft's liability under 35 U.S.C. § 271(f). Liability may

---

codecs . . . and the infringing code is sent overseas to be incorporated directly into the end-product abroad.").

be grounded on Microsoft's electronic transmissions of object code from the United States. The Court need not, and therefore should not, reach the broad rationales for reversing proposed by Microsoft.

II. THE JUDGMENT SHOULD NOT BE REVERSED ON THE *RATIO DECIDENDI* PROPOSED BY MICROSOFT BECAUSE THE PRECEDENT WOULD HAVE A HARMFUL EFFECT ON THE BIOTECHNOLOGY INDUSTRY

BayhDole25 recognizes that the strength of the patent licensing system relies on the integrity of the patents that underlie it and thus understands some of the concerns raised by *amicus curiae* Eli Lilly.[10] As Congressman Lamar Smith stated in recent hearings on patent litigation, "the patent system should reward creativity, not legal gamesmanship."[11] The ongoing review of the Patent Code by Congress provides ample opportunity for all parties in this case to inform the legislature of their concerns regarding the protection of intangible intellectual property ("IP") and extraterritorial enforcement of U.S. IP rights. In the meantime, however, the judgment of the Federal Circuit should not be reversed on the misconception that intangible IP cannot be a component of a patented invention or misunderstandings regarding the extraterritorial enforcement of U.S. IP rights.

---

[10] *See generally* Brief of *Amicus Curiae* Eli Lilly and Company in Support of Petitioner.

[11] *Patent Trolls, Fact or Fiction?: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 8-9 (June 15, 2006) (opening statement of Rep. Lamar Smith, Chairman, Subcomm. on Courts, the Internet, and Intellectual Property).

A. The Judgment Should Not Be Reversed on the Ground that Intangible Information Cannot Be a "Component[] of a Patented Invention" within the Meaning of 35 U.S.C. § 271(f)

Microsoft, Autodesk, BSA, and other *amici* seek an explicit exception from patentability for intangible goods.[12] There is no principled basis or empirical support,[13] however, for the proposition that the patent licensing system should not apply to so-called "intangibles."[14] As Paul Graham, the software designer who helped develop Yahoo, explains: "Frankly it surprises me how small a role patents play in the software business. It's kind of ironic, considering all the dire things experts say about software patents stifling innovation, but when one looks closely at the software business, the most striking thing is how little patents seem to matter."[15] The

---

[12] Microsoft asserts that software can only be considered a patentable component where "recorded on machine readable media." Pet. Br. 11, 13; *see* Brief of *Amicus Curiae* Autodesk, Inc. ("Autodesk Br.") 7; Brief of *Amicus Curiae* Business Software Alliance ("BSA Br.") 27.

[13] Intel admits that "no one knows for sure what will happen if this Court affirms the decision below." Brief of Intel Corporation as *Amicus Curiae* in Support of Petitioner ("Intel Br.") 20.

[14] The Business Software Alliance predicts "unforeseeable risk and unbounded liability for software and computer companies" should software code be considered a "component." BSA Br. 9. That assertion is implausible. If important patented components are needed for U.S. software development, the software company should license those patented components and remove any uncertainty about cost and liability for infringement. If the patented components are not needed for U.S. software development, then there is no risk of infringement for overseas sales.

[15] Paul Graham, *Are Software Patents Evil?*, Mar. 2006, http://www.paulgraham.com/softwarepatents.html (last visited on Jan. 16, 2007). Graham continues: "[D]espite the huge number of software patents there's not a lot of suing going on." Graham also notes: "One thing I do feel pretty certain of is that if you're against software patents, you're against patents in general. Gradually our machines consist more and more of software. Things that used to be done with levers and cams and gears

establishment of the precedent sought by Microsoft and its *amici* would provide little benefit to those parties but would be extremely damaging to future innovation in the biotechnology industry.

1. *Intangible assets are critical to the U.S. economy*

Since the 1980's there has been an historic shift in the share of U.S. corporate value represented by intangible assets, to the point that intangible assets now represent approximately 70% of the assets of U.S. industry.[16] This shift from tangible to intangible assets has been caused by the growth of intangible assets held by all companies as well as the increasing relative importance in the U.S. economy of so-called knowledge economy companies "such as Microsoft, Cisco, eBay, Amazon, and all manner of pharmaceutical and biotech companies"; "even companies such as Walmart exhibit in 2005 high market valuations and significant relative percentages of intangible assets."[17]

Because of the increasing importance of intangible assets, any decision to exempt assets from patent protection and

---

are now done with loops and trees and closures. There's nothing special about physical embodiments of control systems that should make them patentable, and the software equivalent not." *Id*.

[16] "It is widely recognized that in just a 'patent lifetime' (e.g. 20 years), such balance sheets have been transformed from predominately tangible assets such as plants (factories), property (land) and equipment (so-called PPE), and other tangible assets such as cash and receivables, to being dominated by intangible assets. Estimates of the shift in relative importance of intangible assets using, for instance the S&P 500 ® index, suggests that tangible assets were about 70% of total assets just 20 years ago but today it is intangible assets that are about 70% of total assets." Richard Razgaitis, *U.S./Canadian Licensing in 2005—Survey Results*, les Nouvelles, 41 J. of the Licensing Executives Soc'y Int'l 233, 233 (2006).

[17] *Id*. at 233 n.5.

licensing obligations based on their intangibility would have profound and negative consequences for the U.S. economy and the ability of U.S. companies to compete globally.

2. *Intangible assets are critical to the bio-technology industry*

Digital goods and genetic code are essentially similar. Both are easily replicable. And both are *intended to be replicated* without impact on the original. Just like object code sent abroad, cell lines, transgenic embryos, and patented seeds may all be easily sent overseas. From that genetic material, it is possible to replicate and grow literally billions of copies without changing or affecting the original. This progeny of genetic code is functionally equivalent to digital copies of software.

The biotech business model requires the investment of extremely large amounts of capital (up to a billion U.S. dollars) for long periods of time (eight to twelve years) to develop novel products. *Amicus curiae* Software & Information Industry Association ("SIIA") correctly notes that "high-technology producers invest massive amounts of time and money to develop single prototypes and templates that, after the huge initial investment, can be easily reproduced to make thousands or millions of perfect copies."[18] Furthermore, "[t]he same basic arrangement occurs in the pharmaceutical industry, which spends billions of dollars to develop and test protoypes that can later be reproduced cheaply."[19] While it is not possible to reverse-engineer genetically modified organisms (GMOs) on the basis of instructions, it is extremely cost-effective for a competitor to commercialize GMOs patented

---

[18] Brief of the Software & Information Industry Association as *Amicus Curiae* ("SIIA Br.") 15.

[19] *Id*.

in the U.S. in another market using one sample of patented genetic material that would itself remain unchanged.

Contrary to other assertions made in the SIIA *amicus* brief,[20] however, university and other biotechnology entrepreneurs (or bio-preneurs) do not welcome widespread copying of their inventions by American competitors, either for U.S. or foreign sale. Instead, they rely on licensing revenues in order to recoup their investments. An exception to the patent law based on the intangibility of goods would undermine the ability of small biotechnology entrepreneurs to gain access to venture capital or other funding needed for innovative research and commercialization. As in the broader economy, patent protection for intangible biotechnology inventions is critical to continued U.S. preeminence in the biotechnology industry.

B. The Judgment Should Not Be Reversed by Applying a Presumption Against Extraterritoriality to Components "Supplie[d] from the United States" under 35 U.S.C. § 271(f)

The presumption against extraterritoriality should not be applied to resolve in Microsoft's favor any perceived ambiguity as to whether that company's supply of object code to foreign manufacturers violated 35 U.S.C. § 271(f). Congress has demonstrated its intent to act extraterritorially both specifically in regards to 35 U.S.C. § 271(f) and more generally to enforce U.S. intellectual property law globally.[21]

Specific extraterritorial intent is clearly expressed in § 271(f), which directly addresses the combination of components "out-

---

[20] *See* SIIA Br. 19.

[21] Petitioner acknowledges that the presumption against extraterritoriality does not apply where Congress expresses its intent for a statute to have an extraterritorial effect. *See* Pet. Br. 30 (citing *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991)).

side the United States." The legislative history identifies the primary purpose of the statute as "to avoid encouraging manufacturing outside the United States."[22]

Congress has demonstrated its general intent to enforce U.S. IP law globally by legislating under the Trade Act of 1974[23] to mandate foreign compliance with U.S. IP standards through the Generalized System of Preferences ("GSP") provisions (requiring respect for IP rights in order to gain GSP benefits),[24] as well as through the Andean Trade Preferences ("ATP") provisions (prohibiting the President from providing benefits to any country that "has taken steps to repudiate or nullify . . . (ii) any patent, trademark, or other intellectual property"),[25] and the annual National Trade Estimate ("NTE") (requiring the U.S. Trade Representative ("USTR") to "identify and analyze acts, policies, or practices of each foreign country which constitute significant barriers to . . . United States exports of goods or services (including . . . property protected by trademarks, patents, and copyrights exported or licensed by United States persons")).[26]

By far the clearest example of IP legislation with clear extraterritorial intent is "Special 301,"[27] where "Congress

---

[22] *Section-by-Section Analysis: Patent Law Amendments of 1984*, 130 Cong. Rec. H10,525 (daily ed. Oct. 1, 1984), *reprinted in* 1984 U.S.C.C.A.N. 5827, 5827.

[23] 19 U.S.C. §§ 1201 *et seq*. *See generally* Harry W. Kopp, *Commercial Diplomacy and the National Interest* 79 (2004) (discussing Congress' "preoccupation" with enforcing trade agreements abroad).

[24] 19 U.S.C. §§ 2461-67.

[25] 19 U.S.C. §§ 3201-06 (expired Dec. 31, 2006, and superseded by the U.S./Andean Free Trade Agreement).

[26] 19 U.S.C. § 2241.

[27] 19 U.S.C. § 2242 (entitled "Identification of countries that deny adequate protection, or market access, for intellectual property rights" and providing extraterritorial protection for U.S. intellectual property rights holders, including under U.S. patent, copyright, and trademark statutes).

gave private parties—firms, trade associations, labor unions or any other 'interested party'—the right to petition USTR to investigate specific foreign policies or practices and to act against them if warranted."[28] The charge for such extra-territorial enforcement of domestic IP law was again led by the copyright industries,[29] and those industries continue to actively benefit from the Section 301 process. As described by the International Intellectual Property Alliance ("IIPA"), which represents the copyright and patent interests in the annual Special 301 process and counts as a member *amicus curiae* Business Software Alliance ("BSA")—and, by extension, Microsoft, a founding member of BSA[30]—Special 301 is "a full time process for the copyright industries which work with local private sector representatives, U.S. government officials, and U.S. Embassy officials to address and resolve copyright problems in scores of countries."[31] Through Special 301, IIPA member BSA (and by extension, its member Microsoft) are currently engaged in the

---

[28] Kopp, *supra* note 23, at 79.

[29] Michael Ryan, *Knowledge Diplomacy: Global Competition and the Politics of Intellectual Property* 11 (1998). ("The mobilization of the copyright interests led Congress to amend the 1974 Trade Act's section 301 in 1984 to declare that failure to protect intellectual property was an unfair trade barrier that could provoke U.S. retaliation. In 1998 the copyright mobilization led, through another amendment to section 301, to the institutionalization of intellectual property rights as a regular, annual issue for surveillance and action.").

[30] BSA was founded in 1988 by Microsoft and five smaller software companies, and has traditionally received high level support from senior Microsoft officials and its outside counsel. A full list of current BSA members is available at http://www.bsa.org/usa/about/BSA-Members.cfm

[31] *See* IIPA Comment on Special 301, http://www.iipa.com/special 301.html (last visited Jan. 19, 2007).

extraterritorial enforcement of U.S. IP law in more than sixty countries.[32]

Congress has continued to legislate extraterritorially despite foreign criticism[33] because "in a globalized world . . . 'the only remaining sources of true competitive advantage are technologies that others do not have, copyrights they cannot infringe or brand names that set one apart. None of these is possible without systems for protecting patents, copyrights and trademarks.'"[34] Given BSA and Microsoft's strong support for and active participation in extraterritorial IP enforcement programs such as Special 301, it is inconsistent

---

[32] *See* Press Release, BSA, *Tech Industry Recommends Countries for Special 301 Consideration*, Feb. 10, 2006, http://www.bsa.org/usa/press/newsreleases/Tech-Industry-Recommends-Countries-for-Special-301-Consideration.cfm (last visited Jan. 19, 2007).

[33] Microsoft and its *amici* cite the potentially negative reaction of U.S. trade partners as a reason to reverse the judgment below. In fact, U.S. trade partners have long objected to Congress' cross-border enforcement of U.S. IP laws—copyright, trademark, and patent—to little effect. The World Trade Organization provides a formal international venue for complaints about the United States' extraterritorial IP enforcement actions, and U.S. trade partners have made active use of that venue. *See, e.g.*, Trade Policy Review, *Minutes of the 1999 WTO Trade Policy Review*, WT/TPR/M/56, (Aug. 11, 1999) (complaints about U.S. cross-border IP enforcement measures by the Governments of Chile, India, Cuba, and Egypt); Trade Policy Review, *Press Release and Chairperson's Conclusions* ¶ 7, PRESS/TPRB/173, (Sept. 17, 2001) ("On intellectual property, the United States was urged to align its practices more closely with those of other Members, including by adopting the first-to-file system, eliminating trade restrictive aspects of the patent system . . . Concern was expressed with respect to the WTO compatibility of Special 301 investigation provisions."). Congress, however, has placed greater weight on U.S. strategic commercial interests in protecting innovative technologies than on the views of our trade partners. That judgment should be respected by declining to apply a contrary presumption against extraterritoriality.

[34] Kopp, *supra* note 23, at 70 (quoting economist Lester Thurow).

for Microsoft (and BSA) to now attempt to evade liability under § 271(f) by invoking the presumption against extra-territoriality.

CONCLUSION

For the foregoing reasons, the judgment of the United States Court of Appeals for the Federal Circuit should be affirmed.

Respectfully submitted,

SUSAN K. FINSTON
BAYHDOLE25, INC.
242 West 30th Street, Suite 801
New York, New York 10001-0813
(646) 827-2196

STEPHEN J. MARZEN *
AMANDA E. SHAFER
SHEARMAN & STERLING LLP
801 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2634
(202) 508-8000

* Counsel of Record

Counsel for Amicus Curiae BayhDole25, Inc.