04-1234

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

EOLAS TECHNOLOGIES INCORPORATED and
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,

Plaintiffs-Appellees

v.

MICROSOFT CORPORATION,

Defendant-Appellant

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS IN CASE NO. 99-CV-626,
JUDGE JAMES B. ZAGEL

**BRIEF OF *AMICUS CURIAE* ASSOCIATION FOR COMPETITIVE
TECHNOLOGY IN SUPPORT OF DEFENDANT-APPELLANT AND
REVERSAL OF THE DISTRICT COURT'S SECTION 102(g) AND
INEQUITABLE CONDUCT RULINGS**

Craig M. Tyler
Gerard M. Stegmaier
WILSON SONSINI GOODRICH & ROSATI
11921 Freedom Drive, Suite 600
Reston, Virginia 20190-5634

Attorney for *Amicus Curiae*

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CERTIFICATE OF INTEREST

Counsel for *Amicus Curiae* Association for Competitive Technology

certifies the following:

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

Association for Competitive Technology.

2.   The name of the real party in interest (if the party named in the

caption is not the real party in interest) represented by me is:

None.

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.   The names of all law firms and the partners or associates that

appeared for the *amicus* now represented by me in the trial court or are expected to

appear in this Court are:

> WILSON SONSINI GOODRICH & ROSATI, P.C.
> Craig M. Tyler
> Gerard M. Stegmaier

DATED: June 15, 2004   _____

                                          Gerard M. Stegmaier

TABLE OF CONTENTS

TABLE OF AUTHORITIES

I. CONCISE STATEMENT OF *AMICUS CURIAE*

Amicus curiae Association for Competitive Technology (ACT) is a national

education and advocacy group for the technology industry. Focusing on the

interests of small and mid-size entrepreneurial technology companies, ACT

advocates for a "Healthy Tech Environment" that promotes innovation,

competition and investment. ACT represents nearly 3,000 software developers,

systems integrators, IT consulting and training firms, and e-businesses from across

the country. Its members are primarily small and mid-size companies, which have

long been the driving force behind innovation and job growth in the industry.

Amicus' interest in this Appeal is in seeing this Court clarify the application

of 35 U.S.C. §102(g) ("Section 102") and the inequitable conduct doctrine to the

typical development path of computer software. A better fit is needed to maintain

the industry's vibrant growth. The Section 102(g) and the inequitable conduct

rulings at issue severely penalize software inventors who share their inventions and

work hard to refine them, but rarely patent them. Such development must be

promoted if the software industry is to maintain its free flow of information and

fast pace of development.

Appellant Microsoft Corp. consents to the filing of this brief. Appellees

Eolas Technologies Inc. and the Regents of the University of California do not

consent to it. *Amicus* has requested leave to file this brief pursuant to Fed. R. App.

P. 29(b) in a motion filed herewith.

II. **INTRODUCTION**

In his day, Benjamin Franklin was "celebrated as the most famous scientist alive." His "'work on electricity was recognized as ushering in a scientific revolution comparable to those wrought by Newton in the previous century or by Watson and Crick in ours.'" Yet he "declined to patent his famous inventions, and he took pleasure in freely sharing his findings." He explained his refusal of a Pennsylvania Governor's offer of a patent on his Franklin Stove by saying,

> As we enjoy great advantages from the invention of
> others, we should be glad of an opportunity to serve
> others by any invention of ours, and this we should do
> freely and generously.

Walter Isaacson, Benjamin Franklin: An American Life (Simon & Schuster: 2003 ed.), at pp. 129-130, 132.

Franklin is not alone. America has a long history of individual inventors freely and generously sharing their inventions. This is especially true in today's computer software field, which is explosive in large part because of the open, informal and generous ethos of inventors who freely exchange their discoveries.

Pei-Yuan Wei, the inventor of the prior art Viola browser at issue here, falls squarely within that history and ethos. He freely shared detailed information about his prior art Viola browser with an applicant for Appellees' patent, engineers at Sun Microsystems, attendees at a "Web Wizards" conference, and others. He and

2

many of his fellow software engineers are inventors in Franklin's mold.

Patent law protects their generosity of spirit and effort by prohibiting others from later patenting their inventions, through defenses such as Section 102(g) and the inequitable conduct doctrine. These defenses not only withhold monopolies from undeserving applicants; they secure to inventors the right to donate their discoveries to America's IP "commons" and promote science and the useful arts.

The district court's rulings breach the security of our IP "commons" and threaten the future development of computer software. The court essentially held that a software inventor "abandons" his invention under Section 102(g) by making refined versions of it (rather than, e.g., patenting or mass-distributing each version), and that a patent applicant need not disclose to the Patent Office information about such an "abandoned" invention if it was evidenced merely by conversations with the inventor and other software developers, and media common to software development such as emails and papers posted on the Internet.

The court plainly erred in treating particular versions of Mr. Wei's Viola browser design, rather than the design itself, as the relevant prior invention, in treating each new version as an "abandonment" of prior inventions, and in discounting the emails and other information received by the patent applicant.

3

III. ARGUMENT

A. The District Court Failed to Appreciate the Common Development Path of Computer Software

The district court failed to grasp the significance of the early versions and demonstrations of computer code that are so common in the development of new software. The district court cast aside as irrelevant this sort of evidence when, *properly understood*, it demonstrates the conception, reduction to practice, diligence toward improvement, and steps to publicly share a software invention.

Openness and informality drive software development, but these industry characteristics are often misunderstood by patent examiners and judges. Throughout the software industry, there is a longstanding and widely held view that both the PTO and district courts are unable to appreciate how to apply settled prior art principles to the fast-paced, dynamic field of computer software. The openness, informality and dynamism of the software industry creates evidence of prior art that does not conviently fit into the traditional mold of printed publications and working prototypes. Software develops in conversations over email, at conferences, and in other informal settings that defy traditional categorization. Computer code is shared, without restriction, and then modified in light of the suggestions received from others. When these non-traditional indications of the state of the art at a given time are under-appreciated by the patent system tends to stifle competition and development, rather than promoting it.

Progress in the software industry has been dramatic in both quality and efficiency. That cannot last if district courts look skeptically upon non-traditional evidence of software prior art, but treat as unassailable similar evidence of issued patents. The result is to stack the deck too sharply in favor of issued software patents, and against competitors and the software community attempting to demonstrate their invalidity in light of the prior art. That is what happened here. When it came time to determine critical events for the patent-in-suit, the district court accepted as compelling the same kind of evidence about early code versions and demonstrations that it disregarded with respect to the Viola prior art.

B.   Creating Multiple Early Versions of Software for Limited Public Distribution is Essential to Software Development and Not an "Abandonment" of the Invention Under Section 102(g)

Mr. Wei worked hard to refine and perfect his Viola browser. He shared it with many key people in the software industry, freely and without restriction, with the ultimate goal of promoting its wide public distribution and use. The district court did not find otherwise. Rather, the court fixated on the common practice of software developers, including Mr. Wei, of making specific versions of code publicly available for limited times to limited persons to obtain feedback, and then revising the code in light of that feedback. The court found this common practice to be an "abandonment" of the invention under Section 102(g), which provides in pertinent part: "A person shall be entitled to a patent unless - ... before such

5

person's invention thereof, **the invention** was made in this country by another inventor who had **not abandoned, suppressed, or concealed it**." (Emphases added).

That is untrue and unrealistic. Software developers follow that common practice because it is the best and most efficient way to refine embodiments of an invention to the point that one merits widespread public distribution and use. Software development has a well-known trajectory. In its early stages, distribution is not as widespread as in later stages. This limited early distribution is necessary to refine the code to the point where wider distribution is worthwhile and welcomed.

It makes no sense, and is contrary to sound policy, to hold that Mr. Wei abandoned his invention under Section 102(g) merely because he kept modifying physical prototypes to improve them. It makes no sense to hold that Mr. Wei concealed his invention merely because he distributed early prototypes to limited numbers of other skilled inventors. Mr. Wei presented his invention without restriction to engineers at Sun Microsystems and at a "web wizards" conference. Those are reasonable steps toward perfecting his invention and ensuring that the public gained knowledge of it. That is what the patent law encourages inventors to do, and that suffices to avoid abandonment. See Corona Cord Tire Co. v. Dovan Chemical Corp., 276 U.S. 358, 384-385 (1928) (it is not abandonment for an

inventor to "confine[ ] his use of the [embodiments] to his laboratory or to his

lecture room" or to use the invention "for scientific purposes or purposes of

publication" rather than to commercialize or patent the invention); Apotex USA,

Inc. V. Merck & Co., Inc., 254 F.3d 1031, 1038 (Fed. Cir. 2001) (publishing

ingredients used in the process of the invention was a step toward making the

invention publicly known); MercExchange, L.L.C. v. eBay, Inc., 271 F. Supp. 2d

789, 795-96 (E.D. Va. 2002) (software program qualified as prior art under

alternate ground of Section 102(g) where program concept was "published on

internet bulletin boards and presented at internet conferences" and thus "not

abandoned or concealed from the public").

The court's ruling is not only wrong, it also reflects extraordinary hostility to

the kind of prior art evidence that is commonplace in the software field, a hostility

that was noticeably absent when the judge confronted the evidence concerning the

early development of the '906 patent itself. Like Viola, the original version of the

'906 patent — the software code the inventors allegedly developed and

demonstrated in November 1993 — was changed and never again used. Yet the

court did not treat that original version as abandoned. Instead, it gave the inventors

the full benefit of their asserted conception, reduction to practice and

demonstration dates. This undermined the significance of the evidence Microsoft

presented of Viola's alpha and beta releases, both of which post-dated the alleged

conception date, but predated the filing of the patent. At minimum, the district

court should have applied the same "abandonment" standard to the Viola invention

and the patented invention. Under any common standard, Viola is 102(g) prior art.

The Viola software invention was not abandoned or concealed merely

because new embodiments were released.

C. The Patent Applicants' Failure to Disclose to the PTO Their Knowledge of the Viola Browser was Inequitable conduct

Microsoft also asserted an inequitable conduct defense based on the patent

applicants' failure to disclose *any* evidence of Viola to the patent examiner. The

district court, showing hostility to evidence of the Viola software, refused to

attribute to the patent applicants knowledge of Viola's capabilities.

Once again, the district court, when evaluating a defense to enforcement of

the patent, placed dispositive weight on the software code, noting that the patent

applicants had never actually retrieved the code and so could not be attributed with

knowledge of Viola's true capabilities. But knowledge of Viola's capabilities, as

with much software development, may be gleaned from sources beyond the

software code itself, such as public discussions over the internet, conferences,

personal discussions with software engineers, and publications about Viola. The

district court merely accepted the patent applicants' self-serving explanation of

what *they* (mistakenly) assumed were the limits of Viola, instead of trying to

understand what the software industry believed Viola was capable of based on the

8

publicly available software code and other information about it.

The district court's analysis repeatedly stacked the deck unfairly in favor of the patentees. The court refused to undertake a meaningful inquiry of what someone (like the patent applicants) would likely have known about Viola had they undertaken reasonable efforts to find out. The court failed to accurately assess the materiality of the information the patent applicants had in hand about the Viola browser. The Viola browser was material, the patent applicants' knowledge of it was substantial, and their failure to disclose it to the PTO was inequitable conduct.

IV. CONCLUSION

The district court's approach to software prior art and patents is fundamentally flawed. If allowed to stand, it could slow further development of the software industry, as technology thought to be within the public domain is bogged down by late arriving patents. Technology companies need free flowing information to continue the fast pace of software development.

The district court's approach provides a simple roadmap for opportunistic software developers. Just capture publicly developed art at an early point, apply to patent it, and tailor the claims to the developing art. The effect of this would be clear: improvements would not be made as swiftly because developers and their companies would fear being caught in a patent trap, and inventors would not share