

IN THE
Supreme Court of the United States

SAP AMERICA, INC. AND SAP AG,
Petitioners,
v.

VERSATA SOFTWARE, INC. (FORMERLY KNOWN
AS TRILOGY SOFTWARE, INC.) VERSATA
DEVELOPMENT GROUP, INC. (FORMERLY KNOWN
AS TRILOGY DEVELOPMENT GROUP, INC.), AND
VERSATA COMPUTER INDUSTRY SOLUTIONS, INC.
(FORMERLY KNOWN AS TRILOGY COMPUTER
INDUSTRY SOLUTIONS, INC.),
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF FOURTEEN *AMICI CURIAE*, AMERICAN
BANKERS ASSN., APPLICATION DEVELOPERS
ALLIANCE, ELECTRONIC FRONTIER FOUNDATION,
ALTERA CORP, AXWAY, INC., BLACKBERRY LIMITED,
HARMAN INTERNATIONAL, HTC CORP, INTUIT INC.,
LIMELIGHT NETWORKS, INC., SAGE SOFTWARE, INC.,
SAS INSTITUTE INC., XILINX, INC., AND PROFESSOR
LEE A. HOLLAAR, IN SUPPORT OF PETITIONERS**

JOHN D. VANDENBERG
Counsel of Record
KLARQUIST SPARKMAN, LLP
One World Trade Center, Suite 1600
121 S.W. Salmon Street
Portland, OR 97204
(503) 595-5300
john.vandenberg@klarquist.com

Counsel for Amici Curiae

December 30, 2013

TABLE OF CONTENTS

	<i>Page</i>
TABLE OF CONTENTS.....	i
TABLE OF CITED AUTHORITIES	ii
INTEREST OF <i>AMICI CURIAE</i>	1
SUMMARY OF ARGUMENT.....	2
FACTUAL BACKGROUND.....	3
ARGUMENT.....	4
I. <i>DEEPSOUTH</i> INTERPRETED “MAKES [A] PATENTED INVENTION”.....	4
II. THE FEDERAL CIRCUIT’S INTERPRETATION IS CONTRARY TO <i>DEEPSOUTH</i>	7
III. THE FEDERAL CIRCUIT’S MISINTERPRETATION OF THE STATUTE CREATES UNCERTAINTY AND PERNICIOUS EFFECTS	9
IV. THIS IS STATUTORY INTERPRETATION NOT CLAIM CONSTRUCTION	10
V. CONCLUSION	11

TABLE OF CITED AUTHORITIES

Page

CASES

<i>Deepsouth Packing Co. v. Laitram Corp.</i> , 406 U.S. 518 (1972)	<i>passim</i>
<i>Laitram Corp. v. Deepsouth Packing Co.</i> , 443 F.2d 936 (5th Cir. 1971)	5

STATUTES AND AUTHORITIES

35 U.S.C. § 271(a)	<i>passim</i>
Court's Rule 37.2(a)	1
Court's Rule 37.6	1

CONSTITUTIONS

U.S. Const. art. I, § 8	5
-------------------------------	---

INTEREST OF *AMICI CURIAE*¹

The fourteen *amici* include software and hardware technology companies, software and banking organizations, membership organizations, and a Professor of computer science. *Amici* share an interest in a predictable and even-handed application of patent laws to customizable software and programmable hardware.

The **American Bankers Assn.** members hold approximately 95% of the industry's domestic assets. **Application Developers Alliance** is an association of more than 30,000 individual application developers and over 140 corporate members. **Electronic Frontier Foundation** is a civil liberties organization protecting innovation and free expression. **Altera** and **Xilinx** each provides programmable logic devices. **Axway** provides solutions governing the flow of data. **BlackBerry** provides wireless solutions for the worldwide mobile communications market. **Harman** provides audio and infotainment solutions. **HTC** provides smartphones. **Intuit** provides financial management, tax and online banking solutions. **Limelight Networks** provides digital presence management software. **Sage** provides accounting and business management software. **SAS** provides business

1. Pursuant to this Court's Rule 37.2(a), several *amici* on December 18, 2013, timely notified all parties of their intention to file this brief. The parties have consented to the filing of this brief, and e-mails conveying their consent have been lodged with the Clerk. Pursuant to this Court's Rule 37.6, *Amici* state that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *Amici* or *Amici's* counsel made a monetary contribution intended to fund the preparation or submission of this brief.

analytics software. **Lee A. Hollaar**, Ph.D., is a professor of computer science at the University of Utah, and registered patent agent.

SUMMARY OF ARGUMENT

Does one directly infringe a patent by shipping user-customizable software or hardware that cannot practice the patented invention unless a user chooses to specially configure it to do so? The answer is “No” under controlling precedent.

In *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 528-29 (1972), this Court prudently grounded the strict-liability tort of direct patent infringement, 35 U.S.C. § 271(a), in the statutory text. It held that only the one who takes the final step of assembling or configuring the parts into the operable, functioning whole of the patented invention, “makes” that “patented invention” under Section 271(a). This interpretation applies equally to all forms of technology.

Here, SAP shipped something that fell short of being the patented invention. To use the patented invention, a user had to specially configure the software to use the invention—not simply select a pre-assembled combination of elements. But the appellate panel nevertheless held that SAP directly infringed because the “patented function” was “inherent” in the software. Both this conclusion and also this reasoning are contrary to *Deepsouth*. Treating software as something that can “inherently” infringe improperly treats software inventions differently than other inventions. And, it conflates functions with inventions.

FACTUAL BACKGROUND

U.S. Patent No. 6,553,350 concerns computer-based pricing. Three claims are asserted. Each recites a combination of computer instructions. The instructions are defined by their functions. Claim 26 is exemplary: “A computer readable storage media comprising: computer instructions causing a computer to implement the method of claim 17.” Pet. App. 133a. (The underscored words are added from the agreed claim construction. Pet. App. 11a.) Claim 17, not asserted, recites “a method for determining a price of a product,” combining steps of “arranging a hierarchy of organizational groups,” “arranging a hierarchy of product groups,” “storing pricing information in a data source,” “retrieving applicable pricing information,” “sorting the pricing information,” “eliminating any of the pricing information that is less restrictive,” and “determining the product price using the sorted pricing information.” Pet. App. 132a-133a.

A computer loaded with SAP’s as-shipped software cannot perform the patent’s method—unless a user reconfigures the software to combine together the required instructions providing the required functions. Plaintiff failed to show that any SAP customer had so re-configured the software to practice the invention. But, the plaintiff’s expert testified that he had done so.

These facts do not establish direct infringement. (*Amici* take no position on whether SAP would be liable for indirect infringement.)

ARGUMENT

I. *DEEPSOUTH* INTERPRETED “MAKES [A] PATENTED INVENTION”

Deepsouth interpreted what it means to “make” a “patented invention” under 35 U.S.C. § 271(a). A “patented invention” is more than just a collection of functions or capabilities. It is the operable assembly of the whole apparatus as recited in the patent claim. *Deepsouth*, 406 U.S. at 528-29. Therefore, one does not “make” a “patented invention” merely by making each of its constituent parts (having the claim-recited functions), not even when providing all of those parts together, side-by-side, for easy assembly. *Id.* Rather, only by assembling those parts together into an operable whole does one “make” a patented invention. *Id.*

Deepsouth concerned apparatus claims reciting shrimp de-veining machines. As here, the claims described the elements of the invention by their functions, i.e., by reciting what the elements were capable of doing. E.g., one claim recited:

A shrimp de-veining machine comprising an inclined trough down which the shrimp are induced to slide, a knife in said trough positioned to be encountered by the shrimp to cut the membrane confining the vein, and a water spray to the trough directed upon the shrimp for sliding shrimp down the trough and for flushing out the vein through the severed membrane.

U.S. Patent No. 2,694,218, claim 1 (emphases added).

Deepsouth's assembled shrimp de-veining machines infringed the patent claims. In response to an injunction against further infringement, Deepsouth devised a scheme "of shipping deveining equipment to foreign customers in three separate boxes, each containing only parts of the 1 3/4-ton machines, yet the whole assemblable in less than one hour." *Deepsouth*, 406 U.S. at 524. Deepsouth assembled all of the parts together except for two elements, and sold the assembled and unassembled parts as a unit, at the same price it had charged for its fully assembled machines. *Id.* at 527 n.9.

The trial court agreed that the incomplete assembly escaped direct infringement because it did not "make" the "patented invention," citing three precedents. *Id.* at 524-25. The Fifth Circuit, however, reversed:

In the Fifth Circuit panel's opinion, those courts that previously considered the question "worked themselves into . . . a conceptual box" by adopting "an artificial, technical construction" of the patent laws, a construction, moreover, which, in the opinion of the panel, "[subverted] the Constitutional scheme of promoting 'the Progress of Science and useful Arts'" by allowing an intrusion on a patentee's rights.

Id. at 525 (quoting *Laitram Corp. v. Deepsouth Packing Co.*, 443 F.2d 936, 938-39 (5th Cir. 1971) (quoting U.S. Const. art. I, § 8)).

The Supreme Court sided with the trial court's straightforward interpretation of direct infringement. *Id.*

at 527. The Court rejected the Fifth Circuit's unbounded view of Section 271(a):

We cannot endorse the view that the “substantial manufacture of the constituent parts of [a] machine” constitutes direct infringement when we have so often held that a combination patent protects only against the operable assembly of the whole, and not the manufacture of its parts. . . . “[A] patent on a combination is a patent on the assembled or functioning whole, not on the separate parts.” *Mercoird Corp. v. Minneapolis-Honeywell Regulator Co.*, [320 U.S. 680, 684] (1944).

Id. at 528 (emphases added).

“[The] relationship is the essence of the patent.”

“. . . No wrong is done the patentee until the combination is formed. His monopoly does not cover the manufacture or sale of separate elements capable of being, but never actually, associated to form the invention. Only when such association is made is there a direct infringement of his monopoly, and not even then if it is done outside the territory for which the monopoly was granted.”

Id. at 529 (citation omitted) (emphasis added).

“[I]n rewarding useful invention, the ‘rights and welfare of the community must be fairly dealt with and effectually guarded.’ *Kendall v. Winsor*, [62 U. S. (21 How.) 322, 329] (1859). To that end, the prerequisites to obtaining a patent are strictly observed, and, when the patent has issued, the limitations on its exercise are equally strictly enforced.” *Sears, Roebuck & Co. v. Stiffel Co.*, [376 U. S. 225, 230] (1964).

Id. at 530-31 (emphasis added).

The Supreme Court thereby prudently grounded this strict-liability tort of direct patent infringement in the statutory text. Making something that is about to become the invention is not enough. Only the one who takes the final step of assembling together the parts into the operable functioning whole “makes” the “patented invention.” Under Section 271(a), the question is not who made the pieces or their functions. The question is who combined those pieces together to form the claimed combination of elements constituting the whole operable invention. This is the law for any technology—including programmable hardware (e.g., a field programmable gate array (FPGA)) and user-configurable software designed to be customized by users. The language of Section 271(a) does not discriminate based on field or form of technology.

II. THE FEDERAL CIRCUIT’S INTERPRETATION IS CONTRARY TO *DEEPSOUTH*

Applying this statutory interpretation in this case is easy. SAP shipped something that was not yet the invention. SAP did not “make” this “patented invention”

because it did not pre-configure or pre-assemble the digital parts of its software into the operable, functioning whole that is claimed. A user could not simply load SAP's software into a computer, select a pre-configured combination of elements, click "go," and practice this patented invention. Instead, the panel described Plaintiff's expert as "using and configuring the inherent functions of SAP's software." Pet. App. 8a (emphasis added). Under *Deepsouth*, that expert's configuring is what "made" the "patented invention."

The panel decided the same issue addressed in *Deepsouth*—who made the patented invention—but without acknowledging *Deepsouth* or its interpretation of Section 271(a). Nor did the panel ask the controlling question required by *Deepsouth*: did the supplier or the user configure the parts into the operable, functioning whole? The panel's decision and analysis cannot be reconciled with *Deepsouth*.

The panel found direct infringement even though the expert, patent in hand, had to configure and "setup" (Pet. App. 12a) the software to practice the patent's invention. The *Deepsouth* Court, in contrast, found no direct infringement even though the machine could be assembled into an infringing configuration using the accused infringer's assembly instructions.

The panel referred to "the patented function," not "the patented invention." Pet. App. 13a. It found that the expert had merely "configur[ed] the inherent functions of SAP's software" and "activated functions already present in the software." Pet. App. 8a, 15a. But that is irrelevant under the statute. Section 271(a) does not impose liability

for making “functions.” It imposes liability for making the “patented invention.” Again, *Deepsouth* is instructive. All of the claim-recited functions were nestled side-by-side in the three boxes of machine parts. Assembling that de-veining machine did not modify the “inherent functions” of its knife, trough and water spray. Yet, only that assembly would “make” the “patented invention” under Section 271(a).

As Respondent notes (Resp’t Br. 19), the panel found that “the code, without modification, was designed to provide the claimed functionality.” Pet. App. 14a. That, again, does not distinguish *Deepsouth*. In *Deepsouth*, each machine part, without modification, was designed to provide the claim-recited functionality. Assembling the parts together did not alter the design or functions of the knife, or trough, or water spray. Merely providing an invention’s functionality, without making the claimed combination, is not an act of direct infringement—whatever the technological field.

III. THE FEDERAL CIRCUIT’S MISINTERPRETATION OF THE STATUTE CREATES UNCERTAINTY AND PERNICIOUS EFFECTS

The Federal Circuit’s decision casts a shadow over entire industries. Designers of customizable software and programmable hardware are left with no clear way to assess their risk of direct infringement. At what point does a user’s configuration of customizable software or hardware not merely “activate” “inherent functionality?” By abandoning *Deepsouth*’s sensible and easy-to-apply standard, the Federal Circuit leaves designers without

tools for assessing this risk. This Court should take this case and restore certainty.

The Federal Circuit’s decision also has the pernicious effect of penalizing innocent parties for providing the platforms for others’ specialized innovations. Many of today’s innovations are made possible by general-purpose software and/or hardware development platforms, libraries and tools. SAP’s accused software is an example. These platforms ease the work of independent designers creating circuits, systems, apps, etc., tailored for particular applications. By the same token, however, this same valuable versatility allows a patent owner to use such a platform—with patent in hand—to try to build the patented invention. If successful, the Federal Circuit’s reinterpretation of Section 271(a) invites that patent owner to sue the platform developer—who perhaps never saw the patent or the specialized innovation—for up to six years of past damages for direct infringement. This Court should take this case and prevent that pernicious effect of the Federal Circuit’s misinterpretation of the statute.

IV. THIS IS STATUTORY INTERPRETATION NOT CLAIM CONSTRUCTION

The panel faulted SAP for not seeking a different claim construction. Pet. App. 13a. Similarly, Respondent suggests that direct infringement turns on whether the claim drafter inserted the word “configured.” Resp’t Br. 20 n.7. But, this is a statutory interpretation issue, and claim construction cannot trump statutory interpretation. It turns on the meaning of “make” and “patented invention,” not on the absence of “configured” from the claim. *Deepsouth* demonstrates this also.

The claims asserted here recite media encoded with instructions for (*viz.*, capable of) causing a computer to perform recited actions. SAP’s software as shipped perhaps had the potential of being configured so that it could instruct the computer in the claimed manner—just as the de-veining machine parts had the potential of being assembled into an operable machine capable of performing the functions recited in those patent claims. But before the software could so instruct the computer, or the machine could so de-vein the shrimp, a user needed to assemble the pieces together in the claimed configuration. Under the statute, only that user who takes that final step is the one who “makes” the “patented invention.”

V. CONCLUSION

For the foregoing reasons, the Court should grant the petition for writ of certiorari.

DATED: December 30, 2013

Respectfully Submitted,

JOHN D. VANDENBERG

Counsel of Record

KLARQUIST SPARKMAN, LLP

One World Trade Center, Suite
1600

121 S.W. Salmon Street

Portland, OR 97204

(503) 595-5300

john.vandenberg@klarquist.com

Counsel for Amici Curiae