

No.

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IN THE  
**Supreme Court of the United States**

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MICROSOFT CORPORATION,  
*Petitioner,*

v.

AT&T CORP.,  
*Respondent.*

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**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Federal Circuit**

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**PETITION FOR A WRIT OF CERTIORARI**

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T. ANDREW CULBERT  
MICROSOFT CORPORATION  
One Microsoft Way  
Redmond, WA 98052  
(425) 706-6921

DALE M. HEIST  
WOODCOCK WASHBURN LLP  
One Liberty Place (46th Fl.)  
Philadelphia, PA 19103  
(215) 564-8939

THEODORE B. OLSON  
*Counsel of Record*  
MATTHEW D. MCGILL  
AMIR C. TAYRANI  
GIBSON, DUNN & CRUTCHER LLP  
1050 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 955-8500

*Counsel for Petitioner*

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## QUESTIONS PRESENTED

Title 35 U.S.C. § 271(f)(1) provides that it is an act of direct patent infringement to “suppl[y] . . . from the United States . . . components of a patented invention . . . in such manner as to actively induce the combination of such components outside of the United States.”

In this case, AT&T Corp. alleges that when Microsoft Corporation’s Windows software is installed on a personal computer, the programmed computer infringes AT&T’s patent for a “Digital Speech Coder” system. AT&T sought damages not only for each Windows-based computer made or sold in the United States, but also, under Section 271(f)(1), for each computer made and sold abroad. Extending Section 271(f)—and consequently, the extraterritorial application of U.S. patent law—the Federal Circuit held that Microsoft infringed under Section 271(f)(1) when it exported master versions of its Windows software code to foreign computer manufacturers, who then copied the software code and installed the duplicate versions on foreign-manufactured computers that were sold only to foreign consumers. The questions presented are:

(1) Whether digital software code—an intangible sequence of “1’s” and “0’s”—may be considered a “component[] of a patented invention” within the meaning of Section 271(f)(1); and, if so,

(2) Whether copies of such a “component[]” made in a foreign country are “supplie[d] . . . from the United States.”

**PARTIES TO THE PROCEEDING  
AND RULE 29.6 STATEMENT**

The caption contains the names of all the parties to the proceeding below.

Pursuant to this Court's Rule 29.6, undersigned counsel state that Microsoft Corporation ("Microsoft") has no parent company, and no publicly held company owns 10% or more of its stock.

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## PETITION FOR A WRIT OF CERTIORARI

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Petitioner Microsoft Corporation respectfully submits this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

### OPINIONS BELOW

The court of appeals' opinion is reported at 414 F.3d 1366. App., *infra*, at 1a. The order denying Microsoft's petition for rehearing en banc is unreported. *Id.* at 39a. The opinion of the United States District Court for the Southern District of New York is unpublished but is electronically reported at 2004 WL 406640. *Id.* at 20a.

### JURISDICTION

The district court had jurisdiction over respondent's claims pursuant to 28 U.S.C. §§ 1331 and 1338(a). The court of appeals had jurisdiction to review the district court's final judgment pursuant to 28 U.S.C. § 1295(a)(1). The court of appeals filed its opinion on July 13, 2005. It denied Microsoft's timely petition for rehearing en banc on October 20, 2005. On January 12, 2006, Justice Stevens extended the time within which to file a petition for certiorari to and including February 17, 2006. No. 05A606. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### STATUTORY PROVISION INVOLVED

Title 35 U.S.C. § 271(f)(1) provides:

#### § 271. Infringement of patent

**(f)(1)** Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

**STATEMENT**

In the twenty-two years since it was enacted, this Court has never interpreted 35 U.S.C. § 271(f). For much of that time, the statute was viewed almost as a dead letter—a loophole-closing provision that worked. See Alan M. Fisch & Brent H. Allen, *The Application of Domestic Patent Law to Exported Software: 35 U.S.C. § 271(f)*, 25 U. PA. J. INT’L ECON. L. 557, 567 & n.46 (2004) (noting that, on account of the “sparse caselaw,” commentators have suggested that Section 271(f) “serves little purpose at all”). In recent years, however, the Federal Circuit has articulated new and far-reaching applications for Section 271(f), holding that the statute encompasses much more than simply the export of the unassembled, physical parts of a patented machine, as was the case in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), the decision that prompted the legislative loophole-closing effort. In this case, the Federal Circuit held that Section 271(f) applies to the distribution of intangible software code to foreign computer manufacturers, concluding that digital software code constitutes a “component” of a programmed-computer invention and that *copies* of that digital code created abroad by *foreign* computer manufacturers “may be deemed ‘supplied’ from the United States.” App., *infra*, at 4a. And in its most recent application of Section 271(f), the Federal Circuit reached the conclusion that the statute could prohibit “suppl[ying]” a “component” of a patented *process*. See *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005).

This case brings into focus a recurring judicial debate concerning whether patent laws—and in particular Section 271(f)—should be interpreted according to their plain meaning and legislative history, or whether—as the decision below holds—they “must . . . be interpreted in a manner that is appropriate to the technology at issue,” so that the statutes might “remain effective.” App., *infra*, at 10a. Although this Court has consistently resolved that debate in favor of the former position, see *Brown v. Duchesne*, 60 U.S. (19 How.)

183, 197 (1857), the Federal Circuit has determined to pursue a course that would take into account “advances in a field of technology . . . that developed after the enactment of” the statute. App., *infra*, at 10a. In so doing, the court of appeals disregarded fundamental canons of statutory construction, as well as this Court’s repeated expressions of disfavor toward the extraterritorial application of U.S. law in the absence of a clear expression of contrary congressional intent. See, e.g., *F. Hoffmann-LaRoche Ltd. v. Empagran S.A.*, 542 U.S. 155, 165 (2004). Because the “profound ramifications” (App., *infra*, at 22a) for innovating businesses multiply with each new lower-court effort to ensure that Section 271(f) remains “responsive to the challenges of a changing world,” (*id.* at 9a) this Court’s interpretive guidance is now urgently needed.

### 1. *The Nature of Software*

The decision below is premised on a commonly held misunderstanding of the nature, and thus the patentability, of software. In everyday usage, “software” is perceived as embodied in some kind of storage medium, such as a CD-ROM or a hard drive—as when one purchases a copy of Microsoft Word software on a CD-ROM. Similarly, “software” is often understood as operating on a computer and giving that computer certain functionality—as when a computer is loaded with Microsoft Excel software and used to create and manipulate a spreadsheet. Although prevalent, these uses of the word “software” are imprecise. By itself—that is, uncoupled from any storage medium or computer—software is nothing more than “a set of instructions, known as code, that directs a computer to perform specified functions or operations.” *Fantasy Sports Props., Inc. v. Sportslines.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002); see also 17 U.S.C. § 101 (defining a “computer program” as a “set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result”); UNITED STATES PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINATION PROCEDURE (“MPEP”) § 2106.IV.B.1(a) (8th ed. 2001) (“a

computer program is merely a set of instructions capable of being executed by a computer”).

Computer programmers develop software by first authoring “source code”—human-readable commands to the computer—in a computer language such as BASIC, FORTRAN, or C++. See *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 835 (10th Cir. 1993). That source code is then run through a compiler that translates the human-readable source code into computer-readable “object code,” which is expressed in the binary digital language of “0’s” and “1’s.” Each digit instructs the computer to open or close one of the millions of switches in its central processing unit. It is the “opening and closing of the interconnected switches” that “creates electrical paths . . . that cause [the computer] to perform the desired function.” *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1348 n.3 (Fed. Cir. 1999). The object code is thus nothing more than a complex set of digital commands that instruct a computer to align its circuits in a particular manner to achieve a particular functionality. In this sense, software code is not unlike the pattern of perforations in a player piano music roll, with each unique pattern of perforations generating, when run on a player piano (*i.e.*, hardware), a unique composition of music. Just as each perforation causes the piano to strike a particular string, each “1” or “0” of software code instructs a computer to close or open, respectively, a particular switch. See generally *White-Smith Music Publ’g Co. v. Apollo Co.*, 209 U.S. 1, 9-10 (1908) (describing the mechanics of a player piano). Like the perforations in a music roll, software code is design information that reflects specific knowledge about how to make hardware perform certain operations.

The distinction between software as integrated on a computer or other storage medium (such as a CD-ROM), and software as design information, is critical. When digital software code (like the pattern of perforations in a piano roll) is embodied on a physical medium (the actual piano roll) or alters the circuitry of a computer in a particularly useful way, that medium or computer, as physically and functionally al-

tered by the software, may be a patentable invention. *See In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (en banc) (holding that a “general purpose computer programmed to carry out the claimed invention” was patentable as “a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software”); *see also* MPEP § 2106.IV.B.1(a); *cf. Alappat*, 33 F.3d at 1554 (Archer, C.J., concurring in part and dissenting in part) (recognizing that, under *Alappat*, a music roll with perforations embodying a new song could be patentable). In contrast, software code alone (the particular sequence of “1’s” and “0’s”)—like the arrangement of holes to be punched into the music roll of a player piano—is neither a “process” nor a “machine, manufacture, or composition of matter.” 35 U.S.C. § 101. Thus, although software code may be copyrightable, *see, e.g., Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1248 (3d Cir. 1983), it is not itself patentable.

Contrary to the Federal Circuit’s conviction that, “[w]ithout question, software code alone qualifies as an invention eligible for patenting,” App., *infra*, at 4a (quoting *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir.), *cert. denied*, 126 S. Ct. 568 (2005)), the Patent and Trademark Office has explained that “a claim for a computer program, without the computer-readable medium needed to realize the computer program’s functionality,” is unpatentable because computer programs are neither “physical things” nor “acts being performed.” MPEP § 2106.IV.B.1(a). Accordingly, the duplication of software code can itself never constitute an act of patent infringement. *See* 35 U.S.C. § 271(a) (limiting infringement actions to the manufacture, use, sale, or importation of a “patented invention”). At stake in this case is Microsoft’s right to export digital software code—a sequence of “1’s” and “0’s”—to foreign companies that duplicate the code and install it on foreign-manufactured computers for sale in foreign markets.

## 2. *Microsoft's Distribution of Windows Software in Foreign Markets*

At its headquarters in Redmond, Washington, Microsoft designs, authors, and tests software, including the object code comprising the Windows operating system. App., *infra*, at 45a. Today, most computer systems sold to consumers come with the Windows object code “pre-installed” by the computer manufacturer onto the computer’s hard drive. In addition to household American names such as Dell and Compaq, Microsoft does business with numerous computer manufacturers in foreign nations. These foreign manufacturers assemble their computer systems from physical parts—central processors, hard drives, keyboards, monitors, etc.—manufactured around the world, and the parties have stipulated that none of those physical parts is obtained from Microsoft. App., *infra*, at 47a. Once the computer system is fully assembled, the computer manufacturer “installs” Windows onto the computer’s hard drive.

In foreign markets, as elsewhere, Microsoft distributes its Windows software to computer manufacturers by transmitting master copies of the Windows program, *i.e.*, a copy of the computer-readable, digital object code that instructs computers to perform the functions associated with the Windows operating system. Microsoft transmits the Windows object code to manufacturers either on a “golden master disk” or in an encrypted electronic transmission. App., *infra*, at 45a-46a. From that single master version, a manufacturer produces numerous duplicate copies. *Id.* Those copies—but “never” the master version of the object code transmitted by Microsoft—are then installed on foreign-manufactured computers. *Id.* at 45a. “Installation” is simply an act of duplication; a computer reads software code from the medium on which it is stored (usually, a disk or a host computer’s hard drive) and scrivens the code onto the new computer’s storage medium (typically, a hard drive). *See Stenograph L.L.C. v. Bossard Assocs., Inc.*, 144 F.3d 96, 100 (D.C. Cir. 1998) (“installation of software onto a computer results in ‘copying’”). The digital software code actually “installed” on the

foreign-manufactured computers is thus a second-generation copy of the digital software code transmitted from the United States—a foreign-made copy of a foreign-made copy of the original. *See Union Carbide Chems. & Plastics Tech. Corp.*, 425 F.3d at 1379 (citing the decision below as concerning “exportation of a ‘master’ computer readable disc that was further copied abroad, with the copies installed as software on assembled computers”).

### 3. *AT&T’s Patent Infringement Action*

AT&T sued Microsoft in district court alleging that computers running the Windows operating system infringe AT&T’s United States Reissue Patent 32,580 (“the ‘580 patent”), which claims a Digital Speech Coder system. App., *infra*, at 44a-45a. AT&T’s patented system is comprised of a computer programmed with a “speech codec”—a program that is capable of compressing and decompressing digitally recorded speech—a microphone, and a speaker. *Id.* at 3a. The microphone is used to input speech that the speech-codec-equipped computer can digitize, compress, decompress, and reproduce through the speaker. AT&T does not hold a patent on the speech codec itself because, as described above, standing alone, software code is not patentable. AT&T thus alleged that computers programmed with Windows infringe its patent by enabling the user, through Windows’ own speech codecs, to record, store, and play back speech in a manner substantially similar to that described in the ‘580 patent.

Microsoft stipulated that, by selling copies of its Windows software to manufacturers of computers that are ultimately manufactured, used, or sold in the United States, it induced those computer manufacturers to infringe the ‘580 patent. 35 U.S.C. § 271(b); *see also* App., *infra*, at 42a. AT&T further contended that, under 35 U.S.C. § 271(f)(1), it was also entitled to damages for every Windows-based computer manufactured *outside* the United States. AT&T argued that the Windows object code constitutes a “component” of AT&T’s patented Digital Speech Coder system and that the

foreign-made copies of that object code installed on the foreign-manufactured computers were, in fact, “supplie[d]” by Microsoft “from the United States.” App., *infra*, at 46a.

Microsoft moved for partial summary judgment on the Section 271(f) question, arguing that Microsoft’s object code was intangible information and thus could not be considered a “component[] of a patented invention” because, among other reasons, information cannot be “combin[ed]” with other objects in the manner required by the statute. App., *infra*, at 24a. And even if object code could be a “component[] of a patented invention,” Microsoft argued, under no circumstances had Microsoft “supplie[d]” the foreign-manufactured copies. Microsoft “supplie[d] . . . from the United States” only the golden master disks and encrypted transmissions embodying the master versions of the Windows object code (*id.* at 47a)—neither of which was ever “combin[ed]” in a foreign-manufactured computer.

The district court denied Microsoft’s motion for partial summary judgment. App., *infra*, at 22a. Finding “no limitation of the term ‘components,’” that would exclude “intangible information,” the court held that object code could constitute a “component[] of a patented invention” within the meaning of Section 271(f). *Id.* at 31a (citing *Moore U.S.A. Inc. v. Standard Register Co.*, 144 F. Supp. 2d 188, 195 (W.D.N.Y. 2001) (holding blueprints of a patented envelope to be a “component” of that invention)). The district court reasoned that this broad interpretation was necessary to account for recent technological developments, explaining that “excluding protection for inventions using software would not be responsive to the challenges of a changing world.” *Id.* at 32a (internal quotation marks omitted).

The district court further held that Microsoft had “supplie[d] . . . from the United States” each of the foreign-made copies of Windows “even though they never touched U.S. soil.” App., *infra*, at 35a (internal quotation marks omitted). The court reached the conclusion that each foreign-made copy is actually “originally manufactured in the United



States” because “replication of the object code abroad” is different in kind from the “manufactur[e] . . . of it . . . abroad.” *Id.* at 35a. The district court therefore concluded that Microsoft was liable under Section 271(f) for each foreign-manufactured copy of the Windows object code installed on a foreign-assembled computer. *Id.* at 38a.

The parties thereafter stipulated to the entry of final judgment in favor of AT&T. App., *infra*, at 41a. The parties agreed that the ‘580 patent “is enforceable and not invalid” and that, under the district court’s interpretation of Section 271(f), Microsoft was liable for Windows-programmed computers manufactured outside the United States. *Id.* at 42a. The stipulated judgment, however, expressly preserved Microsoft’s right to challenge on appeal the district court’s interpretation of Section 271(f) based on a set of stipulated facts. *Id.* at 43a.

#### **4. The Decision Below**

a. A divided panel of the Federal Circuit affirmed. App., *infra*, at 11a. In determining whether intangible object code can constitute a “component[] of a patented invention” capable of being “combin[ed]” with other components within the meaning of Section 271(f), the panel majority relied upon the Federal Circuit’s holding in *Eolas Technologies*, 399 F.3d 1325, which was decided while Microsoft’s appeal was pending. *Eolas* held that object code can be a “component[] of a patented invention” because, in the *Eolas* panel’s view, Section 271(f) is not expressly limited “to ‘machine’ components or ‘structural or physical’ components. Rather every component of every form of invention deserves the protection of section 271(f).” *Id.* at 1339. The *AT&T* panel adopted the *Eolas* court’s conclusion without expanding upon its analysis. App., *infra*, at 4a. Neither the panel below, nor the decision on which it relied, ever explained how intangible information—a sequence of “0’s” and “1’s”—can be “combin[ed]” with tangible objects to create a patented product.

The panel majority further concluded that Microsoft was liable under Section 271(f) for each foreign copy of the Windows object code traceable to the golden master disks and electronic transmissions shipped from the United States. App., *infra*, at 7a. The court held that each of these foreign-made copies had “essentially been supplied from the United States” because “[c]opying . . . is part and parcel of software distribution” and therefore, “for software ‘components,’ the act of copying is subsumed in the act of ‘supplying.’” *Id.* at 6a, 7a; *see also id.* at 7a (“It is inherent in the nature of software that [it] . . . may be replicated.”). In reaching this conclusion, the court candidly acknowledged that it was interpreting Section 271(f) to account for “the realities of software distribution” and to ensure that the statute “remain[s] effective” in a rapidly changing world. *Id.* at 7a, 10a. A conclusion that foreign-made copies were not supplied from the United States, the panel majority asserted, “would permit[] a technical avoidance of the statute by ignoring advances in a field of technology . . . that developed after the enactment of § 271(f)” and “would emasculate § 271(f) for software inventions.” *Id.* at 6a n.2, 10a. The panel majority accorded no significance to the ready availability of foreign patents to protect AT&T from acts of foreign infringement, finding it more appropriate to “construe our statutes irrespective of the existence or nonexistence of foreign patents.” *Id.* at 6a n.2.

b. Judge Rader dissented. Although Judge Rader agreed that the Federal Circuit’s recent decision in *Eolas* was controlling as to the issue of whether software code could be a “component[] of a patented invention,” he disagreed with the majority’s conclusion that the foreign-manufactured copies of the Windows object code had been “supplie[d] . . . from the United States.” App., *infra*, at 11a. Judge Rader rejected the panel majority’s contention that the “act of copying is subsumed in the act of ‘supplying,’” *id.* at 6a, finding such reasoning to be contrary to the “ordinary meaning of ‘supplies.’” *Id.* at 12a. The necessary consequence of the panel majority’s holding, Judge Rader recognized, was to “pro-

vide[] extraterritorial expansion to U.S. law by punishing under U.S. law ‘copying that occurs abroad.’” *Id.* at 12a. The majority opinion was flawed, Judge Rader continued, because it “holds Microsoft liable for the activities of *foreign manufacturers making copies* of the patented component abroad” in the absence of a clear indication of Congress’s intention to do so. *Id.* at 16a-17a. Judge Rader concluded that—rather than seeking to give extraterritorial effect to U.S. patent law—the proper course of action for AT&T would have been to “protect its *foreign* markets from *foreign* competitors by obtaining and enforcing *foreign* patents.” *Id.* at 18a-19a (emphases added).

### REASONS FOR GRANTING THE PETITION

This case presents a recurring question of vital importance to the U.S. software industry. The Federal Circuit’s “recent[] exten[sion] of the meaning” of Section 271(f)(1) to include foreign-made copies of software code, *Union Carbide Chems. & Plastic Tech. Corp. v. Shell Oil Co.*, \_ F.3d \_, 2006 WL 47462, at \*1 (Fed. Cir. Jan. 10, 2006) (Lourie, J., dissenting from denial of reh’g en banc), vastly expands the extraterritorial reach of U.S. patents involving software. As the Federal Circuit has enlarged the law, U.S. patents on programmed-computer inventions grant monopolies enforceable against American competitors not only as to computers manufactured or sold in the United States, but also as to computers made and sold abroad. This self-described extension of Section 271(f) eviscerated the well-established “right” of American software companies “to compete with an American patent holder in foreign markets,” *Deepsouth Packing Co.*, 406 U.S. at 531, thereby exposing those businesses to potentially crippling liability—here, tripling Microsoft’s infringement liability.<sup>1</sup> See App., *infra*, at 37a. If allowed to stand, the Federal Circuit’s reformulation of Section

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<sup>1</sup> Judge Lourie’s description of the Federal Circuit’s interpretation of Section 271(f) in *Eolas* and *AT&T* as a “recent[] exten[sion]” is particularly telling inasmuch as he authored the majority opinion in *AT&T*.

271(f) will undoubtedly compel American software companies to reevaluate decisions to locate their research-and-development facilities in the United States. And because the Federal Circuit's extension of the meaning of "component" cannot possibly be limited only to software, other American technology-based businesses that manufacture products overseas based on knowledge and designs conceived in the United States will find themselves at risk as well.

Nothing in the statutory text or legislative history of Section 271(f) even remotely suggests that it was intended to encompass foreign-made copies of software code or other design information. Responding to this Court's decision in *Deepsouth*, Congress enacted Section 271(f) in order to prevent American companies from circumventing the patent laws' proscription against "manufacture . . . of a patented invention" by shipping all the component parts of a patented product overseas for final assembly. Patent Law Amendments Act of 1984, Pub. L. No. 98-622, § 101, 98 Stat. 3383, 3383. But sending software code alone to foreign manufacturers is manifestly different in kind from the conduct that Congress addressed in the wake of *Deepsouth*. Software code is design information, and if design information could constitute a "component[] of a patented invention," then the export of blueprints, formulas, and methodologies—in other words, knowledge—would itself constitute an act of infringement, thereby giving U.S. patents global force and effect. The Federal Circuit's interpretation of the phrase "component[] of a patented invention" thus runs headlong into this Court's long-standing rule that the patent laws do not apply extraterritorially, see *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 650 (1915), and the more general canon of construction that U.S. laws must not be given extraterritorial effect in the absence of a clear expression of congressional intent to reach foreign conduct, see, e.g., *Sale v. Haitian Ctrs. Council, Inc.*, 509 U.S. 155, 176 (1993).

Even if software code could constitute a "component[] of a patented invention" within the meaning of Section

271(f), the Federal Circuit’s additional quantum leap to the conclusion that *copies* of U.S.-designed software made entirely *outside* the United States are, despite their foreign provenance, “supplie[d] . . . from the United States,” amplifies the need for this Court’s review. Like its interpretation of “component,” the Federal Circuit’s textually indefensible interpretation of “supplie[d]” broadly expands the extraterritorial reach of the U.S. patent laws. Indeed, if the Federal Circuit is correct that—at least where software is concerned—“the [foreign] act of copying is subsumed in the [domestic] act of ‘supplying’” (App., *infra*, at 6a), then the Federal Circuit has indeed categorically excluded software companies from the “right of American companies to compete with an American patent holder in foreign markets.” *Deepsouth Packing Co.*, 406 U.S. at 531. The Federal Circuit’s excursion into foreign markets at once trenches upon Congress’s authority to regulate foreign commerce and greatly reduces (if not entirely eliminates) the incentive for inventors to obtain patents in jurisdictions other than the United States. It thus threatens to disrupt foreign nations’ patent law schemes and creates the possibility of retaliatory action and substantial international discord.

This Court has not previously found occasion to interpret Section 271(f), and its review is now urgently needed to restore the territorial limits that Congress placed on the U.S. patent laws. This case, which comes to this Court on stipulated facts and is final in all respects, presents an ideal vehicle for that review.

#### **I. THIS CASE PRESENTS A RECURRING QUESTION OF VITAL IMPORTANCE TO THE U.S. SOFTWARE INDUSTRY.**

The Federal Circuit’s decision has “profound ramifications for . . . software manufacturers.” App., *infra*, at 22a. Indeed, by casting aside its earlier holding that Section 271(f) does not proscribe the exportation of design information, *see Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113, 1117-18 (Fed. Cir. 2004), and extending Section 271(f) to encompass

foreign-made copies of such information, the Federal Circuit retroactively exposed American software companies—and other technology-based businesses—to potentially crippling infringement liability for foreign activities, and threatened their substantial investments in overseas manufacturing facilities built in reliance on the freedom to compete with patent holders in foreign markets that the patent laws and the decisions of this Court ordained. The gravity of the consequences attributable to the Federal Circuit’s recent extension of Section 271(f) thus marks this case as one of exceptional importance, warranting this Court’s review.

1. It is axiomatic that American patent laws generally are “not intended to[] operate beyond the limits of the United States.” *Brown*, 60 U.S. (19 How.) at 195; *see also* 35 U.S.C. § 154(a)(1) (“Every patent shall . . . grant to the patentee . . . the right to exclude others from making . . . or selling the invention throughout *the United States*”) (emphasis added). Accordingly, this Court has long recognized that U.S. patent laws afford no protection against efforts to practice a patented invention outside the territorial jurisdiction of the United States. *See Dowagiac Mfg. Co.*, 235 U.S. at 650 (“The right conferred by a patent under our law is confined to the United States and its Territories and infringement of this right cannot be predicated [on] acts wholly done in a foreign country.”) (citation omitted); *see also Deepsouth Packing Co.*, 406 U.S. at 531 (acknowledging “the right of American companies to compete with an American patent holder in foreign markets”); *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1251 (Fed. Cir. 2000) (“extraterritorial activities . . . are irrelevant”). Section 271(f), enacted specifically in response to this Court’s decision in *Deepsouth*, places an eminently sensible, but intentionally quite narrow, limitation on that right.

*Deepsouth* held that a company was not liable for infringement for “manufactur[ing] . . . a patented invention . . . in the United States” where it manufactured all the component parts of a patented shrimp deveining machine in the United States and shipped those parts for final assembly to

foreign customers. 406 U.S. at 524. Because the final assembly occurred in a foreign country, the Court concluded that the defendant did not “manufacture” the patented machine within the United States and therefore did not infringe the patent. *Id.* at 527. The Court emphasized the territorially limited nature of the United States patent laws, finding that Section 271(a) “makes it clear that it is not an infringement to make or use a patented product outside of the United States.” *Id.* Recognizing that its decision might be viewed as opening a loophole in the patent laws, the *Deepsouth* Court invited Congress to provide a “clear . . . indication of intent to extend the patent privilege” to the export of components of a patented invention for assembly abroad. *Id.* at 532.

Congress responded by enacting Section 271(f) as part of the Patent Law Amendments Act of 1984, Pub. L. No. 98-622, § 101, 98 Stat. 3383, 3383. The text of the statute makes clear that it was directed toward the specific factual scenario at issue in *Deepsouth*—evasion of the proscription against “manufacture . . . of a patented invention” through the export of the patented product’s *physical* parts for final assembly abroad. Section 271(f) prohibits the “suppl[y] . . . from the United States . . . [of] *components* of a patented invention . . . in such manner as to actively induce the *combination* of such components.” 35 U.S.C. § 271(f)(1) (emphases added); *see also id.* § 271(f)(2) (referring to a “component” that is “uncombined in whole or in part”).

Section 271(f) plainly was not intended to prohibit the export of intangible items. *See Union Carbide Chems. & Plastics Tech. Corp.*, \_\_\_ F.3d at \_\_\_, 2006 WL 47462, at \*1 (Lourie, J., dissenting from denial of reh’g en banc) (“The whole tenor of [Section 271(f)] relates to *physical* inventions . . .”) (emphasis added). Absent congressional intent to the contrary, words in a statute must be given their ordinary meaning, *see Williams v. Taylor*, 529 U.S. 420, 431 (2000), and one does not ordinarily speak of a car’s design specifications as being a “component” of the car. *See WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE* 466 (1976) (defining “component” as “a con-

stituent part” or “ingredient”). But even if the term “component”—taken alone—could conceivably be construed to include the essential intangible predicates to the invention, such as design specifications, the statutory context makes clear that the term is limited only to those “components of a patented invention” capable of being “combin[ed],” 35 U.S.C. § 271(f)(1), and intangible information cannot be “combined” with other physical parts to form a “patented invention,” *i.e.*, a “process, machine, manufacture, or composition of matter,” *id.* § 101. Rather, “combination” most commonly refers to the assembly of tangible parts into a whole. *See* WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 452 (defining “combine” as “to join in physical or chemical union”); *see also* *Rotec Indus.*, 215 F.3d at 1252 n.2 (Section 271(f) “precludes competitors from avoiding liability simply by supplying components of a patented product from the United States and assembling them abroad”).<sup>2</sup>

That is certainly the sense in which Congress used the term. Congress explained that Section 271(f)

prevent[s] copiers from avoiding U.S. patents by supplying components of a patented product in this country so that the *assembly of the components* may be completed abroad. This proposal responds to the United States Supreme Court decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), concerning the need for a legislative solution to close a loophole in patent law.

Patent Law Amendments Act of 1984, 1984 U.S.C.C.A.N. 5827, 5828 (emphasis added); *see also* 130 Cong. Rec.

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<sup>2</sup> Returning to the player piano analogy, it is telling that this Court has recognized only the “perforated rolls”—never the arrangement of perforations—to be “component parts of the machine which executed the composition.” *Goldstein v. California*, 412 U.S. 546, 565 (1973) (citing *White-Smith Music Publ’g Co.*, 209 U.S. at 18).



H12,231 (daily ed. Oct. 11, 1984) (statement of Rep. Kas-tenmeier) (“a product’s patent cannot be avoided through the *manufacture of component parts* within the United States for *assembly* outside the United States”) (emphases added). The legislative history’s emphasis on the “assembly” of components and on the *Deepsouth* decision confirms that Congress was concerned with the specific facts of *Deepsouth* when enacting Section 271(f), not with the export of templates and design instructions used in foreign manufacturing.

This is further confirmed by the use of the term “component” in other parts of Section 271. The statute provides an exception from liability for the supply of a “component of a patented invention” that constitutes a “staple article or commodity of commerce.” 35 U.S.C. § 271(f)(2); *see also id.* § 271(c). This Court, however, has never found anything other than a tangible product—an object of manufacture—to constitute a staple article of commerce. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 490 n.41 (1984) (“The ‘staple article of commerce’ doctrine protects those who *manufacture products* incorporated into or used with patented inventions—for example, the paper and ink used with patented printing machines, or the dry ice used with patented refrigeration systems.” (emphasis added; citations omitted)). Similarly, the Federal Circuit limited the term “component” as used in Section 271(g)—the companion provision to Section 271(f)—to refer only to “a physical product.” *Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367, 1372-73 (Fed. Cir. 2003).

2. For the twenty years that followed its enactment, the Federal Circuit interpreted Section 271(f) in a manner consistent with the statute’s evident purpose and permitted application of the statute only to the exportation of physical parts of patented inventions. *See, e.g., Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1374 (Fed. Cir. 1991) (holding that Section 271(f) applies only in cases involving infringement of product patents and is not “implicated” in method patent cases). Indeed, as recently as 2004, the Federal Circuit specifically held that the statute did not prohibit

the export of design information to foreign manufacturers. *See Pellegrini*, 375 F.3d at 1117 (holding that Section 271(f) did not apply to circuit chips manufactured in a foreign country based upon instructions sent from the United States). At that time, the Federal Circuit explained that design instructions could not themselves be “components of a patented invention” because the phrase is limited to components that “are *physically present* in the United States and then either sold or exported” and “not simply to the supply of instructions or corporate oversight.” *Id.* at 1117, 1118 (emphasis added).

Less than a year after *Pellegrini*, however, the Federal Circuit did an about-face, holding in *Eolas Technologies* that software object code could constitute a “component[] of a patented invention” within the meaning of Section 271(f). 399 F.3d at 1338-41. The *Eolas* panel reached this conclusion even though the Federal Circuit had previously recognized the fact that software object code is nothing more than a “set of instructions” expressed in the binary language of “1’s” and “0’s” that “directs a computer to perform specified functions.” *Fantasy Sports Props., Inc.*, 287 F.3d at 1118. The *Eolas* panel reasoned that, inasmuch as software is a vital part of virtually all computer program inventions, software object code must be viewed as a component of such inventions. *See* 399 F.3d at 1339. The court distinguished its decision in *Pellegrini*, reasoning (unpersuasively) that the earlier decision’s requirement that “components [be] physically supplied” did not mean that the components themselves had to be physical.

The *AT&T* panel majority compounded the *Eolas* court’s error when it held that copies of Microsoft’s object code manufactured in *foreign* countries had been “supplie[d] . . . from the United States.” The Federal Circuit reached the improbable conclusion that, whenever a company exports digital software code, “[a]ll . . . resulting copies have essentially been supplied from the United States” because “the act of copying is subsumed in the act of supplying.” App., *infra*, at 6a, 7a. The court’s conclusion in this respect flew in the face

