No. 16-2335

United States Court of Appeals for the Federal Circuit

GODADDY.COM, LLC

Plaintiff-Appellee,

v.

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

Defendants-Appellants.

Appeal from the United States District Court for the District of Arizona
in Case No. 2:14-cv-00126-JAT Honorable James A. Teilborg

BRIEF OF *AMICI CURIAE*
RAYMOND A. MERCADO, PH.D., AKRON INVENTORS CLUB, AMERICAN SOCIETY OF INVENTORS, CENTRAL KENTUCKY INVENTORS COUNCIL, CHRISTIAN INVENTORS ASSOCIATION, EDISON INNOVATORS ASSOCIATION, INDEPENDENT INVENTORS OF AMERICA, INVENTION ACCELERATOR WORKSHOP, INVENTORS ASSOCIATION OF SOUTH CENTRAL KANSAS, INVENTORS NETWORK OF MINNESOTA, INVENTORS NETWORK OF THE CAPITAL AREA, INVENTORS NETWORK OF THE CAROLINAS, INVENTORS NETWORK OF WISCONSIN, INVENTORS SOCIETY OF SOUTH FLORIDA, INVENTORS' ROUNDTABLE, MUSIC CITY INVENTORS, NATIONAL INNOVATION ASSOCIATION, ROCKET CITY INVENTORS, SAN DIEGO INVENTORS FORUM, TAMPA BAY INVENTORS COUNCIL, AND US INVENTOR, INC.
SUPPORTING DEFENDANTS-APPELLANTS AND REHEARING *EN BANC*

June 19, 2017	Steven R. Daniels FARNEY DANIELS PC 800 S. Austin Avenue, Suite 200 Round Rock, Texas 78626 Telephone: (512) 582-2828 Facsimile: (512) 582-2829 SDaniels@farneydaniels.com *Counsel of Record for Amici Curiae* Raymond A. Mercado, Ph.D., Akron Inventors Club, American Society of Inventors, Central Kentucky Inventors Council, Christian Inventors Association, Edison Innovators Association, Independent Inventors of America, Invention Accelerator Workshop, Inventors Association of South Central Kansas, Inventors Network of Minnesota, Inventors Network of the Capital Area, Inventors Network of the Carolinas, Inventors Network of Wisconsin, Inventors Society of South Florida, Inventors' Roundtable, Music City Inventors, National Innovation Association, Rocket City Inventors, San Diego Inventors Forum, Tampa Bay Inventors Council, and US Inventor, Inc.

CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* and Raymond A. Mercado, Ph.D., hereby certifies the following:

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

Raymond A. Mercado, Ph.D., Akron Inventors Club, American Society of Inventors, Central Kentucky Inventors Council, Christian Inventors Association, Edison Innovators Association, Independent Inventors of America, Invention Accelerator Workshop, Inventors Association of South Central Kansas, Inventors Network of Minnesota, Inventors Network of the Capital Area, Inventors Network of the Carolinas, Inventors Network of Wisconsin, Inventors Society of South Florida, Inventors' Roundtable, Music City Inventors, National Innovation Association, Rocket City Inventors, San Diego Inventors Forum, Tampa Bay Inventors Council, and US Inventor, Inc.

2. The names of the real parties in interest (if the party named in the caption is not the real party in interest) represented by me are:

None.

3. All parent corporations and any publicly held companies that own 10% of more of the stock of the party or amicus curiae represented by me are:

None.

4. The names of all law firms and partners or associates that appeared for the party or amicus now represented by us in the trial court or agency or are expected to appear in this Court (and who have not or will not enter an appearance in this case) are:

None.

Respectfully submitted,

Dated: June 19, 2017

/s/ Steven R. Daniels

Steven R. Daniels
FARNEY DANIELS PC
800 S. Austin Avenue, Suite 200
Georgetown, Texas 78626
Telephone: (512) 582-2828
Facsimile: (512) 582-2829
Email: SDaniels @farneydaniels.com

Counsel of Record for Amici Curiae

FED. R. APP. P.29(a) and 29(c)(5) STATEMENTS

Defendants-Appellants consented to the filing of this brief. Plaintiff-Appellee also consented to the filing of this brief.

No party's counsel authored this brief in whole or in part; no party or party's counsel contributed money intended to fund preparing or submitting this brief; and no persons—other than *amici curiae*—contributed money that was intended to fund preparation of or submission of this brief.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

Cases

Statutes

Other Authorities

STATEMENT OF IDENTITY AND INTEREST

Amici include nonprofit inventor clubs and individual inventors and entrepreneurs. The nonprofit inventor organizations represent over 20,000 inventors, startup owners and executives and others interested in their success. The *amici* have spent substantial portions of their lives inventing, building new companies and competing in new markets as well as educating and mentoring new inventors and entrepreneurs. They represent the driving force of the world's most powerful economy. *Amici*'s extensive experience with the patent system, new technologies and startup companies and the resulting ties to the health of the American economy make them well situated to explain the importance of the issues presented in this case. Raymond A. Mercado, Ph.D., is a political scientist and patent law scholar who has written on the law of patentable subject matter under 35 U.S.C. § 101,[1] at issue in this case. *Amici* have no stake in the parties or in the outcome of the case.

I. INTRODUCTION

There is a yawning gap between the practice of patent litigation today and the statutory text that governs it. 35 U.S.C. § 101 does not name § 101 as a "condition for patentability" and 35 U.S.C. § 282 does not specify it as a litigation

[1] *See* Raymond A. Mercado, *Resolving Patent Eligibility and Indefiniteness in Proper Context: Applying* Alice *and* Aristocrat, 20 Va. J.L. & Tech. 240 (2016).

defense. In spite of this recognized "statutory gap,"[2] subject matter eligibility is being "litigated daily (if not hourly) in federal courts across the country."[3] One member of this Court has referred to the recent upsurge in § 101 cases as "a plague on the patent system nowadays."[4] Indeed, approximately 70% of patents challenged under § 101 have been held invalid since *Alice*.[5] As a result, many "meritorious invention[s]" are being deprived of "the patent protection [they] deserve and should have been entitled to retain."[6]

Given the obvious impact on the patent system of the recent surge of § 101 litigation, this Court should sit *en banc* to resolve the prevailing statutory misconstruction, and clarify that § 101 is not available as a litigation defense.

The only decision of this Court to address the issue—the panel decision in *Versata*—hinted at the statutory problem, observing that "a strict adherence to the section titles can support an argument that § 101 is not listed as a 'condition for

---

[2] Dennis Crouch, *RMAIL: Is Eligibility a Proper Litigation Defense?*, PATENTLYO (Sep. 27, 2016), https://patentlyo.com/patent/2016/09/eligibility-litigation-defense.html

[3] *Intellectual Ventures I LLC v. Erie Indem. Co*., 134 F.Supp.3d 877, 895 (W.D. Pa. Sep. 25, 2015).

[4] *See Amdocs (Israel) Limited v. Openet Telecom, Inc*., No. 2015-1180, Oral Arg. Recording at 42:15–42:24 (Fed. Cir. Oct. 8, 2015) (Plager, J.).

[5] *See* Robert R. Sachs, *Alicestorm in the Dog Days of Summer*, BILSKI BLOG (Sep. 7, 2016), http://www.bilskiblog.com/blog/ 2016/09/alicestorm-in-the-dog-days-of-summer.html. Another account puts the "average invalidation rate" in district courts at 66.5%. *See* Jasper L. Tran, *Two Years After* Alice v. CLS Bank, 98 J. Pat. & Trademark Off. Soc'y 354, 359 (2016).

[6] *Ariosa Diagnostics, Inc. v. Sequenom, Inc*., 788 F.3d 1371, 1380 (Fed. Cir. 2015) (Linn, J., concurring).

patentability' but rather has the heading of 'inventions patentable.'"[7] *Versata* rejected this argument as "hyper-technical" not because it was contradicted by anything in the statute, but because of historical practice. Yet the Supreme Court has recently reversed this Court for reading the defense of laches into § 282, in spite of laches' significant history in patent litigation.[8] As the Supreme Court noted, "Section 282(b) . . . does not specifically mention laches" and the "en banc majority below never identified which word or phrase in § 282 codifies laches as a defense." *SCA Hygiene*, 137 S.Ct. at 963. The same is true of *Versata*, which rests entirely on dicta and historical practice, but never explains how the statute supports its conclusion and concedes that "§ 101 is not listed as a 'condition for patentability.'" *Versata* at 1330. *Versata* ignores numerous Supreme Court cases where the section headings have proven critical to the proper statutory construction, as well as the fact that the Patent Act *separated* § 101 from portions of the statute to which it was previously joined—a fact which has led the Supreme Court to treat split-off statutory text as distinct in other cases.[9]

Mayo and *Alice* do not address the fundamental question whether § 101 may be raised as a litigation defense in the first place. As the Supreme Court has stated, "[w]hen a potential jurisdictional defect is neither noted nor discussed in a federal

[7] *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015).
[8] *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S.Ct. 954 (2017).
[9] *See supra* Sec. II.A.

decision, the decision does not stand for the proposition that no defect existed."[10] Where there is a statutory gap, as here, the Supreme Court has not hesitated to overturn a rule of statutory interpretation, even one followed for decades. *See, e.g.*, *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 177 (1994) ("If, as respondents seem to say, Congress intended to impose aiding and abetting liability, we presume it would have used the words 'aid' and 'abet' in the statutory text. But it did not.").[11] If Congress had intended for § 101 to be a "condition for patentability" or available as a litigation defense, it could have specified it as such. But it did not.

This Court should grant rehearing *en banc* to resolve this statutory misconstruction.

II. ARGUMENT

A. PRINCIPLES OF STATUTORY CONSTRUCTION DEMONSTRATE THAT CONGRESS DID NOT INTEND FOR SUBJECT MATTER INELIGIBILITY UNDER § 101 TO BE AVAILABLE AS A LITIGATION DEFENSE.

Congress knows how to create statutory defenses when it wishes, and the United States Code is replete with them. Here, it clearly did *not* designate subject

---

[10] *Arizona Christian School Tuition Organization v. Winn*, 563 U.S. 125, 144 (2011); *see also Federal Election Com'n v. NRA Political Victory Fund*, 513 U.S. 88, 97 (1994).

[11] *Hively v. Ivy Tech Community College of Indiana*, 853 F.3d 339, 350 n. 6 (7th Cir. 2017) ("[W]e find nothing surprising in the fact that lower courts may have been wrong for many years in how they understood the rule of law supplied by a statute," noting that in *Central Bank* "the Supreme Court disapproved a rule of statutory interpretation that all eleven regional courts of appeals had followed—most for decades.")

matter ineligibility as a defense. Rather, in codifying the "defenses" available to litigants under the Patent Act, Congress specified several categories of defenses and then referred to "any ground specified in part II as a condition for patentability." 35 U.S.C. § 282. But § 101 is *not* specified as a condition for patentability. "[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Amgen Inc. v. Sandoz Inc*., 794 F.3d 1347, 1365 (Fed. Cir. 2015) (citing *Sebelius v. Cloer*, 133 S.Ct. 1886, 1894 (2013)). The omission of any reference to § 101 in § 282 suggests that Congress intended to *exclude* § 101 from the defenses available to litigants.

Significantly, the Patent Act *divided* material, previously grouped together in Rev. Stat. 4886, into sections §§ 101 and 102, respectively.[12] The "negative" inference to be drawn from the omission of § 101 from either "defenses" or "conditions for patentability" is at its "*strongest*" here, where "*the portions of a statute treated differently had already been joined together*" prior to the Patent Act. *Lindh v. Murphy*, 521 U.S. 320, 330 (1997) (emphasis added). Indeed, the "more apparently deliberate the contrast, the stronger the inference, as applied, for

[12] *See* P.J. Federico, "Commentary on the New Patent Act," 35 U.S.C. 1 (1954), reprinted at 75 J. Pat. & Trademark Off. Soc'y 161, 175-176 (1993); *see also* David Hricik, *Why Section 101 is Neither a "Condition of Patentability" Nor an Invalidity Defense*, PATENTLYO (Sep. 16, 2013), https://patentlyo.com/hricik/2013/09/why-section-101-is-neither-a-condition-of-patentability-nor-an-invalidity-defense.html

example, to contrasting statutory sections originally enacted simultaneously in relevant respects." *Field v. Mans*, 516 U.S. 59, 75 (1995). The fact that the language of § 101 was split off from the language of § 102, and placed in a different section with a different heading, strongly suggests that Congress intended to set § 101 apart from the "conditions for patentability" referred to in § 282.

In interpreting a statute, the Supreme Court has often given weight to its placement within the larger statutory framework. For example, in *Henderson ex rel. Henderson v. Shinseki*, 562 U.S. 428, 439 (2011), the Court found that a statute's "placement" within "the enacting legislation" indicated that it was in no way "jurisdictional." It drew this conclusion from the statute's placement "in a subchapter entitled 'Procedure,'" as contrasted with a "separate provision, captioned 'Jurisdiction; finality of decisions,'" which "prescribes . . . jurisdiction." *Id*. Likewise in *Florida Dept. of Revenue v. Piccadilly Cafeterias, Inc*., 554 U.S. 33, 47 (2008), the Court found it "informative that Congress placed" a relevant statute "in a subchapter entitled, 'POSTCONFIRMATION MATTERS'" and concluded that its "placement. . .within a subchapter expressly limited to postconfirmation matters undermines" the view that it "covers preconfirmation transfers." In *Porter v. Nussle*, 534 U.S. 516, 527 (2002), the Court read a statutory provision "in its proper context," giving weight to its "unqualified heading." And this Court, too, has considered statutory titles important in concluding that they did not create a statutory defense. *See Motorola, Inc. v. U.S.*, 729 F.2d 765, 770 (Fed. Cir. 1984).

Given the importance of statutory headings and placement in these cases, the clear difference in heading between § 101 ("inventions patentable") and "conditions for patentability" referred to in § 282 demands that they be construed distinctly, a reading *Versata* itself recognized but erroneously dismissed as "hyper-technical."[13] *Versata* at 1330. Supreme Court precedent on statutory construction compels the opposite conclusion.

B. *VERSATA* CANNOT OVERCOME THE STATUTORY GAP BETWEEN § 282 AND § 101 WITH DICTA OR HISTORICAL PRACTICE.

None of the cases cited in *Versata* stand for the proposition that § 101 is available as a litigation defense. None of them involve more than passing references to § 101—references unnecessary to their outcomes and hence mere dicta.[14] For this reason alone, "*stare decisis*" does not apply because this Court has "never squarely addressed the issue, and [has] at most assumed" the answer. *Brecht v. Abrahamson*, 507 U.S. 619, 631 (1993) (concluding, therefore, that "we are free to address the issue on the merits.").

---

[13] *Versata* cited *Dealertrack, Inc. v. Huber,* 674 F.3d 1315, 1330 n. 3 (Fed. Cir. 2012), as casting doubt on this plain reading of the statute because "[t]he title of a statute . . . cannot limit the plain meaning of the text," but that canon is inapposite here.[13] The title of § 101 does not limit its text, but distinguishes § 101 from other sections.

[14] *See Graham v. John Deere Co.*, 383 U.S. 1 (1966) (analyzing § 103, not § 101); *Standard Oil Co. v. American Cyanamid*, 774 F.2d 448 (Fed. Cir. 1985) (deciding whether patent was invalid as indefinite and obvious); *Aristocrat Technologies Australia PTY Ltd v. Intern. Game Technology*, 543 F.3d 657 (Fed. Cir. 2008) (deciding whether "improper revival" was a litigation defense).

It is true that "[s]tare decisis reflects a policy judgment that in most matters it is more important that the applicable rule of law be settled than that it be settled right." *State Oil Co. v. Khan*, 522 U.S. 3, 20 (1997) (quotation omitted). But in today's climate, a statutory misconstruction resulting in the invalidation of 70% of challenged patents is proving "unworkable."[15] *See Johnson v. U.S.*, 135 S.Ct. 2551, 2562 (2015) ("The doctrine of *stare decisis* allows us to revisit an earlier decision where experience with its application reveals that it is unworkable.") (citation omitted).

The Supreme Court has not hesitated to disapprove a long-recognized cause of action where it was inconsistent with the statutory text. *See Central Bank*, 511 U.S. at 177. And it has recently reversed this Court, refusing to read the defense of laches into § 282 where it was unsupported by the statutory text. *See SCA Hygiene*, 137 S.Ct. at 963.

This Court should sit *en banc* to correct the statutory misconstruction here and clarify that § 101 is unavailable as a litigation defense. The health of the patent system depends more on the law being "right," than on it merely being "settled."

CONCLUSION

In light of the foregoing, *amici* urge this Court to sit *en banc* and reverse the district court's holding that § 101 is available as a litigation defense.

[15] *See supra* note 4.

Respectfully submitted,

Dated: June 19, 2017

/s/ Steven R. Daniels

Steven R. Daniels
FARNEY DANIELS PC
800 S. Austin Avenue, Suite 200
Georgetown, Texas 78626
Telephone: (512) 582-2828
Facsimile: (512) 582-2829
Email: SDaniels @farneydaniels.com

Counsel of Record for Amici Curiae
Raymond A. Mercado, Ph.D., Akron Inventors Club, American Society of Inventors, Central Kentucky Inventors Council, Christian Inventors Association, Edison Innovators Association, Independent Inventors of America, Invention Accelerator Workshop, Inventors Association of South Central Kansas, Inventors Network of Minnesota, Inventors Network of the Capital Area, Inventors Network of the Carolinas, Inventors Network of Wisconsin, Inventors Society of South Florida, Inventors' Roundtable, Music City Inventors, National Innovation Association, Rocket City Inventors, San Diego Inventors Forum, Tampa Bay Inventors Council, and US Inventor, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on June 19, 2017, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

I further certify that, upon acceptance and request from the Court, the required paper copies of the foregoing will be delivered to the Clerk, United States Court of Appeals for the Federal Circuit, 717 Madison Place, N.W., Washington, D.C. 20439.

/s/ Steven R. Daniels

Steven R. Daniels
FARNEY DANIELS PC
800 S. Austin Avenue, Suite 200
Georgetown, Texas 78626
Telephone: (512) 582-2828
Facsimile: (512) 582-2829
Email: SDaniels @farneydaniels.com

Counsel of Record for Amici Curiae