2010-1045

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FUJITSU LIMITED, LG ELECTRONICS, INC.,
and U.S. PHILIPS CORPORATION,

Plaintiffs-Appellants,

v.

NETGEAR, INC.,

Defendant-Appellee.

Appeal From The United States District Court For The
Western District Of Wisconsin In Case No. 07-CV-0710,
Chief Judge Barbara B. Crabb

CORRECTED BRIEF OF AMICUS CURIAE ASSOCIATION OF CORPORATE COUNSEL INTELLECTUAL PROPERTY COMMITTEE IN SUPPORT OF APPELLEE

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DATED: MARCH 4, 2010

CERTIFICATE OF INTEREST

Counsel for amicus curiae, Association of Corporate Counsel Intellectual Property Committee, certifies the following:

The full name of every party represented by me is:

Association of Corporate Counsel Intellectual Property Committee

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 is:

Not Applicable.

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

None.

The names of all law firms and the partners or associates that appeared for the parties now represented by me in the trial court or agency or are expected to appear in this Court are:

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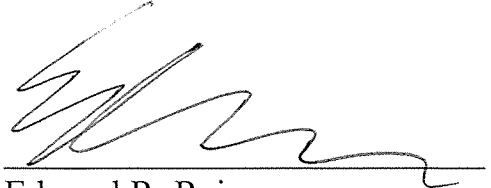
By: 

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I.

STATEMENT OF INTEREST

Association of Corporate Counsel is the world's largest organization serving the professional and business interests of in-house attorneys, with over 25,000 members employed by more than 10,000 public, private, and nonprofit corporations in 70 countries. Association of Corporate Counsel includes an Intellectual Property Committee (hereinafter "ACC") with more than 5,500 members that maintains an active interest in issues relating to the acquisition, protection, and enforcement of corporate intellectual property rights.

ACC's interest in this appeal is to improve the intellectual property laws of the United States as explained below. A robust and balanced intellectual property regime promotes innovation and this brief explains why allowing proof of advertised compliance with an industry standard to substitute for proof of infringement would be inconsistent with long-standing precedent in patent law and may chill the healthy and constructive adoption of industry standards. ACC has no interest in any party to this litigation or stake in the outcome of this appeal.

ACC submits this *amicus curiae* brief with the consent of all parties.

II.

SUMMARY OF ARGUMENT

At stake in this appeal is whether a patent holder bearing a patent declared "essential" to an industry standard should be allowed to prove infringement by simply showing that accused products comply with that standard—without comparing the patent to the accused product itself. The Appellants specifically argued below, and argue again on appeal, that the accused products infringe the asserted claims of their respective patents because they comply with the Institute of Electrical and Electronics Engineers ("IEEE") 802.11 standards.[1]

ACC respectfully submits that this Court should not adopt a "standards compliance" exception to the requirement of proof of infringement by comparison of asserted claims to accused products. There is a dangerous risk that this abbreviated analysis, by bypassing the normal infringement analysis, could ensnare activities that are not actually infringing. The record in this matter is a case study in the problems created by such an infringement theory. Additionally, such an infringement theory would be contrary to

[1] Specifically, Appellants allege that the accused products practice certain sections of the IEEE 802.11 Standard-2007 regarding wireless networking or the guidelines regarding the implementation of the 802.11 standard's Quality of Service requirements set out in the Wi-Fi Multimedia Specification.

public policy, because, among other things, permitting a "standards compliance" exception would discourage companies from acknowledging compliance with a standard for fear that it would unnecessarily subject them to the expensive world of patent litigation. This would impede the adoption of pro-competitive industry standards, even though there is a consensus that such standards promote innovation and benefit the consumer.

In sum, ACC respectfully requests that the Court not embrace any exception that weakens the cardinal rule of patent infringement that asserted claims must be compared to accused products on a limitation-by-limitation basis. *See, e.g., Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821 (Fed. Cir. 1992). If that foundational rule is honored, as it has been and as it should continue to be, the "standards compliance" analysis proposed by Appellants becomes merely an extra, inexact, and unwarranted analytic layer in what is already a complex litigation process.

III.

THIS COURT SHOULD NOT ADOPT A "STANDARDS COMPLIANCE" EXCEPTION TO THE LONG-STANDING RULE THAT PATENT CLAIMS MUST BE COMPARED TO ACCUSED PRODUCTS ON A LIMITATION-BY-LIMITATION BASIS

Appellants' infringement theory is that its patents are "essential" to the practice of an industry standard and, therefore, products complying with

that standard must therefore infringe. According to Appellants, there is no need to compare systematically the asserted claims of the patents to the accused products on a limitation-by-limitation basis. To support their unconventional approach, Appellants rely upon *Dynacore Holdings Corporation v. U.S. Philips Corporation*, 363 F.3d 1263, 1275-76 (Fed. Cir. 2004).

In *Dynacore*, however, this Court concluded that the IEEE standard at issue there and the asserted patent "teach two fundamentally different network architectures" such that "most if not all" compliant networks will not infringe. *Id.* at 1277. In doing so, the Court did not dispense with a comparison of the patent directly to the actual products themselves:

> Dynacore has not pointed to even a single network that both complies with the IEEE 1394 Standard and meets the "equal peers" limitation, nor has Dynacore presented anything other than speculation that such a network might actually exist.

Id. Moreover, in *Dynacore*, comparison of the standard to the claim was used to confirm that the patentee's infringement theory, even accepted at face value, was not viable. In other words, even if one could prove infringement by merely comparing a patent to a standard, Dynacore's theory failed because the patent did not cover the standard.

Indeed, this Court has never endorsed Appellant's suggested approach of proving infringement based solely on standards compliance.[2] As further explained below, such an exception to the normal infringement analysis is unwarranted and would be dangerous.

A. Using An Industry Standard As A Proxy For Infringement Is Fraught With Risk Because It Often Would Be Over-Inclusive

Experience with the implementation of industry standards teaches that allowing infringement to be proven based on standards compliance would result in non-infringing products (based on a traditional claims-to-accused products comparison) being found to infringe under this proposed scheme for determining infringement.

First, treating a written standard (or associated guidelines for implementation) as though it maps exactly to a real world implementation of that standard is artificial and can distort the analysis. As a simple example, there can be a significant gulf between how a standards body would draft a technical standards document as compared to how engineers would later implement those words with technology as a practical matter in the real-world.

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[2] ACC is not suggesting that evidence of standards compliance may never have a role in patent litigation. The purpose of this brief is simply to ensure that it does not play an improper role.

See, e.g., Cargill, Carl F., "Open Systems Standardization: A Business Approach," at 77-78 (1997) (noting that setting technical standards can sometimes be a political activity as well as a technological one). Thus, exact correspondence between the text of a standard and its engineering implementation cannot be safely assumed. Further, many standards are defined in terms of functional capabilities rather than structural requirements. The simple fact that a patent "reads" on a standard may ignore structural distinctions between the patent and the actual physical implementations of the product as they are deployed in the field because there is often more than one approach to achieving the same technical result.

Second, many standards provisions are optional, which the district court noted "means that a device can comply with a relevant section without actually practicing the requirement in the section." *See* Opinion and Order (Sept. 18, 2009), appended to LG's Appellant Brief at ADD-5. This is often true expressly, as with the IEEE 802.11 standard, but this can also evolve as a matter of industry practice. Thus, features of an industry standard that are thought to be necessary or are labeled "necessary" during the standard-setting process, may turn out to be optional, or even obsolete, after the standard is adopted and commercial implementations are deployed. Or, there might be regional differences in industry standards (*i.e.*, such as those

that exist with VHS formats or DVD region codes) such that the allegedly infringing method may not be practiced within the United States.

Indeed, "substantial" compliance with an industry standard is frequently practiced, particularly where the standard is voluntary, because absolute compliance is not always necessary or realistic. For example, the technical specification for MP3 audio files (ISO 11172-3) does not specify how encoding must be accomplished, especially at the upper end of the frequency spectrum (*i.e.*, above 16 kHz where human auditory perception is greatly diminished); as a result, some developers simply ignored this end of the spectrum in their implementations of the industry standard. *See, e.g.*, Hacker, Scot, "MP3: The Definitive Guide" (2000) (excerpt available at http://www.mp3-converter.com/mp3codec/implementation.htm). In a world of engineering solutions, perfect compliance would be a foolhardy goal, even were there a standards body capable of and interested in enforcing such compliance.[3] Of course, there may be some technical specifics within certain

[3] Even companies that certify products as "standards compliant" typically focus on interoperability testing rather than determining whether all sections of a technical standard are met. *See, e.g.*, http://www.allion.com/logo-program.html. Indeed, for some technologies, such as SD memory cards, verification of compliance with the industry standard occurs via self-certification using an approved Test Specification. *See, e.g.*, http://www.sdcard.org/developers/faq/#certification.

standards where exact compliance is important for purposes of that technology, but there is no good reason to assume that those particular specifics will match with the issues that happen to be important for a patent infringement analysis.

Lastly, many users can and do configure the equipment they purchase such that they are never *used* in compliance with the technical requirements of a standard. Consequently, even if equipment is designed or advertised to be standards compliant, it may never reach that state or be used that way by the user community.[4]

In sum, allowing standards compliance to serve as a surrogate for the traditional infringement analysis is too inexact to be reliable. Only rarely, if ever, is there a perfect correspondence between the abstract ideal spelled out in the text of a technical standard and the real-world implementations of the technology, particularly if compliance is voluntary (or where certain provisions are optional). In colloquial terms, there is way too much play in the joints.

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[4] Here, for example, the district court expressly noted that, despite her prior finding that compliance with certain sections of the 802.11 standard would necessarily infringe, the accused Netgear products are shipped to customers "in a default mode with fragmentation disabled" and "[w]ithout enabling fragmentation, customers use defendant's products in a non-infringing manner." *See* Opinion and Order (Sept. 18, 2009), appended to LG's Appellant Brief at ADD-60.

B. Using An Industry Standard As A Proxy For Infringement Threatens To Improperly Shift The Burden To The Accused Infringer To *Disprove* Infringement

If a "standards compliance" theory of infringement were permitted, it could have the legally improper effect of shifting the burden of proof on infringement. Specifically, in essence it would be the accused infringer who would have to show why a broad-brush allegation of infringement under a theory of standards compliance does not meet the legal test for infringement based on a limitation-by-limitation basis.

For example, an accused infringer may have to show that its products do not follow the standard exactly, or if they do, that its customers do not in practice use the product according to the standard, or that the feature is actually or effectively optional. Shifting the burden to the accused infringer to show non-infringement is legally improper and unfairly tilts the playing field. *See SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1123 (Fed. Cir. 1985) (reaffirming that "[t]he patentee bears the burden of proving infringement by a preponderance of the evidence."); *Nutrinova Nutrition Specialties and Food Ingredients GmbH v. Int'l Trade Comm'n*, 224 F.3d 1356, 1359-60 (Fed. Cir. 2000) (explaining that even in the context of a burden-shifting statute such as 35 U.S.C. § 295, the burden of proving

infringement rests with the patentee unless certain conditions are met). Yet, there is a major risk of just such burden shifting if a "standards compliance" infringement theory is permitted.

Another potential problem arises when holders of so-called "essential" patents assert them against industry players in piecemeal litigation rather than simultaneously sue all makers of products compliant with the standard. In such situations, the patent holder would presumably first attack whichever company was perceived to be the weakest (or whose product most closely aligns with the language of the asserted claims). Even if the burden were not improperly shifted to subsequently sued companies to show that their implementations do not infringe, they would still face an uphill battle if there were a prior judgment that at least one standards-compliant product infringes, particularly when the later-filed suit is in the same judicial district or before the same judge.

C. Using An Industry Standard As A Proxy For Infringement Could Have An Undesirable Chilling Effect On Standards-Setting Activities

Industry standards play an important role in the world economy. Allowing compliance with a standard to become an unfair litigation handicap is thus potentially quite harmful.

1. Pro-competitive Industry Standards Are Important

Industry standards are crucial to driving innovation because they are essential to ensuring predictability, compatibility, and interoperability, a trait consumers prefer when adopting new technologies. There are many everyday examples of how much consumers rely on industry standards; for example, without standardization, consumers could not rely upon electrical plugs to have a particular shape or electrical outlets to use a particular voltage.

Industry standards also promote competition because they allow consumers to choose between different providers of products or services that are close substitutes for one another. *See, e.g.*, Lemley, Mark A., "Intellectual Property Rights And Standard-Setting Organizations," 90 Cal. L. Rev. 1889, 1896-97 (2002) (describing this and other pro-competitive effects of standardization, such as facilitating markets for replacement parts or services). Because of industry standards, a consumer wishing to buy a DVD player is not limited to only buying one manufacturer's products. Further, consumers benefit from price competition among makers of such interoperable products. *See, e.g.*, Curran, Patrick D., "Standard-Setting Organizations: Patents, Price Fixing, And Per Se Legality," 70 U. Chi. L. Rev. 983, 986 (2003) (further noting that industry standards also lower information costs because

consumers can rely on their knowledge of other products compliant with the same standard).

Depending on the industry, standards-setting can also have other beneficial effects, such as promoting public safety, security, individual privacy or environmental interests. *See, e.g.*, Lemley, at 1897 (using the example of industry standards for fire resistence in construction). Standards are particularly important in nascent technologies because they promote adoption of the rapidly-evolving technology by more users and growth of the industry as a whole. *See, e.g.*, De Vellis, James C., "Patenting Industry Standards: Balancing The Rights Of Patent Holders With The Need For Industry-Wide Standards," 31 AIPLA Q.J. 301, 306-07 (2003).

Both of the Appellants' briefs expressly recognize the importance of industry standards to the field of wireless networking. *See* Fujitsu Appellant Brief at 11 ("It is crucial to manufacturers and consumers that different brands of wireless networking devices work together."); LG Appellant Brief at 6 ("Interoperability allows different brands of wireless networking devices to work together on the same network. This is important so that a user can purchase any brand of device to access any compliant network."). Section 1.2 of the IEEE 802.11 standards specification (available at http://standards.ieee.org/getieee802/download/802.11-2007.pdf) itself

points out that setting a standard for wireless connectivity "also offers regulatory bodies a means of standardizing access to one or more frequency bands for the purpose of local area communication."

2. A Chilling Effect Should be Avoided

Adopting a rule that standards compliance can be a proxy for proving patent infringement would likely stifle the very innovation that setting industry standards is intended to promote. If holders of so-called "essential" patents could simply prove infringement by any product that practices the standard (or is advertised to be compliant) without demonstrating that the asserted claims are met on a limitation-by-limitation basis, it would deter the entry of competitors into the field. Industry players might be dissuaded from making products compliant with standards, or might not publicize their compliance, if each implementation is automatically deemed to infringe "essential" patents or even if it shifts the burden to disprove infringement. It might even become more difficult and time-consuming to set industry standards in the first place, as lowering the bar for proving infringement of an "essential" patent would raise the stakes for different factions battling over what the standard should be.

This "chilling" effect would prevent the rapid technological advancement that standards-setting is intended to promote. Companies

would not necessarily be able to develop interoperable products without engaging in one-on-one agreements on technical standards. This could have the additional effect of restricting the playing field to larger companies that have the resources and patent portfolios to participate in patent pools or standards-setting organizations.[5]

Moreover, under the current regime, smaller companies that may not have the same resources to become intimately involved in a standards-setting organization and attempt to incorporate their patented technology into the actual standard are still encouraged to be innovative in their implementation of such standards by optimizing their products to not only outperform their competitors' implementations of such standards, but also to design around other's patents. There would be significantly less incentive for such innovation if this Court were to endorse a rule that allowed holders of "essential" patents the presumption that all implementations complying with an industry standard necessarily infringe. Indeed, if there

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[5] A patent pool is a mechanism by which two or more patent owners can aggregate their patent portfolios to license them to one another (or to third parties) with standard terms, thus lowering the transaction costs of licensing. *See* Merges, Robert P., "Institutions for Intellectual Property Transactions: The Case for Patent Pools," at 10-11 (Aug. 1999), available at: http://www.law.berkeley.edu/institutes/bclt/pubs/merges/pools.pdf. Patent pools are "creatures of necessity" when different entities hold patents on "the basic building blocks" of a particular standards-based technology. *Id.* at 17.

were such a presumption in place, an industry player would face the Hobson's choice of either seeking licenses for all patents that are asserted to be "essential" to an industry standard (even those that read on portions of the standard that it does not practice) or risk being exposed to liability for patent infringement. Further compounding the problem, unscrupulous patent holders would also be tempted to assert that patents unrelated (or only tenuously related) to an industry standard are "essential" in order to extract licensing fees. This anti-competitive side-effect could result in higher transaction costs as well as fewer choices and higher prices on products for consumers.

D. Using An Industry Standard As A Proxy For Infringement Would Harm Judicial Efficiency

Using industry standards as a proxy for infringement would interject additional steps into the infringement analysis. Instead of (1) construing the claims, then (2) comparing the asserted claims to the accused products, under Appellants' proposed test, the court would (1) construe the claims, (2) determine whether the asserted claims read on the industry standard, then (3) determine whether the accused product complies with the industry standard to infer whether the asserted claims read on the

accused product, and presumably (4) evaluate the accused infringer's showing why such an analysis is inapplicable to the facts of each particular situation.

This is precisely what appears to have happened in this case. For example, the district court faced the task of determining what "synchronously" in claims 2 and 8 of U.S. Patent No. 6,018,642 meant and construed it to mean "at the same time." *See* Opinion and Order (Sept. 10, 2008), appended to LG's Appellant Brief at ADD-100 The 802.11 standard, however, "requires merely that a station wake up early enough to be able to receive a beacon signal." *See* Opinion and Order (Sept. 18, 2009), appended to LG's Appellant Brief at ADD-45 (emphasis in original). Thus, the district court (correctly) went on to consider the proffered evidence on whether the accused products shift to a power-on state at the same time as the receipt of a "beacon signal," another Court-construed term that does not map directly onto the 802.11 standard. *Id.* at ADD-45-ADD-48.

The extra step between comparing the asserted claims to the accused products, at best, will be unnecessary in the cases where the language of the claim exactly maps onto the language of the standard and, at worst, will introduce opportunity for error and further disputes when the claim language is different from the language of the standard. Additional judicial resources would also be wasted in determining whether the allegedly "essential" patent

is in fact "essential" to the practice of the standard. Moreover, as demonstrated in the instant case, allowing a patentee to pursue a theory of infringement based on standards compliance (or allowing an extra round of summary judgment motions on this ground) merely consumes more judicial resources, even when the patentee prevails in demonstrating that practice of an industry standard would necessarily infringe an asserted patent.

Still more judicial resources would be wasted in determining whether collateral estoppel should apply in cases where a holder of a so-called "essential" patent obtains a favorable ruling from one court, then proceeds to file additional lawsuits asserting that other entities making products compliant with an industry standard infringe. Later-sued entities would likely argue that they did not have a full and fair opportunity to contest the earlier rulings regarding whether a patent is "essential" to an industry standard, whether the drafted claim language is broad enough to encompass the industry standard such that a compliant product necessarily infringes, or whether only certain implementations or certain optional features infringe. Indeed, it might raise due process concerns if such rulings were later deemed to have preclusive effect. Although holders of "essential" patents would no doubt argue that it would create judicial efficiencies, adopting a blanket rule that standards

compliance can be a proxy for proving patent infringement would unfairly ignore the fact-specific nature of each of these inquiries.

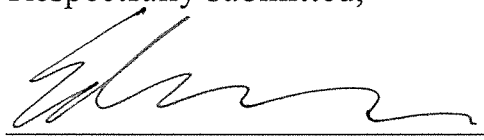
IV.

CONCLUSION

For the aforementioned reasons, this Court should not approve of an "industry standard" exception to the normal patent infringement analysis.

Dated: March 4, 2010

Respectfully submitted,



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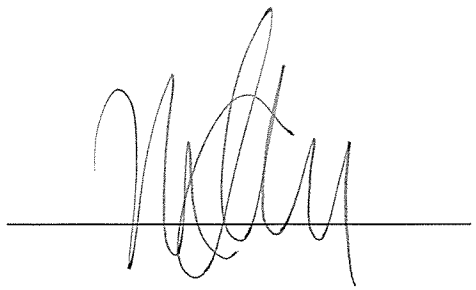

CERTIFICATE OF COMPLIANCE

V.

THIS BRIEF COMPLIES WITH THE TYPE-VOLUME LIMITATION OF FEDERAL RULE OF APPELLATE PROCEDURE 32(A)(7)(B).

☒ The brief contains 3561 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

VI.

THIS BRIEF COMPLIES WITH THE TYPEFACE REQUIREMENTS OF FEDERAL RULE OF APPELLATE PROCEDURE 32(A)(5) AND THE TYPE STYLE REQUIREMENTS OF FEDERAL RULE OF APPELLATE PROCEDURE 32(A)(6).

☒ The brief has been prepared in a proportionally spaced typeface using Microsoft Word 2002 in Times New Roman, 14 point font.

Dated: March 4, 2010

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