

12-800

Supreme Court, U.S.
FILED

DEC 28 2012

OFFICE OF THE CLERK

No. 12-

IN THE
Supreme Court of the United States

EPIC SYSTEMS CORPORATION,
Petitioner,

v.

MCKESSON TECHNOLOGIES, INC.,
Respondent.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

WILLIAM H. BOICE
STEVEN D. MOORE
KILPATRICK TOWNSEND &
STOCKTON LLP
1100 Peachtree Street, N.E.
Suite 2800
Atlanta, GA 30309
(404) 815-6500

CARTER G. PHILLIPS*
ERIC A. SHUMSKY
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, DC 20005
(202) 736-8000
cphillips@sidley.com

TACY F. FLINT
SIDLEY AUSTIN LLP
One South Dearborn
Chicago, IL 60603
(312) 853-7000

Counsel for Petitioner

December 28, 2012

* Counsel of Record

BLANK PAGE

QUESTION PRESENTED

Whether a defendant may be held liable for *inducing* infringement of a patent that no one is liable for infringing.

PARTIES TO THE PROCEEDING

All parties to the proceeding are identified in the caption.

RULE 29.6 STATEMENT

Petitioner Epic Systems Corporation has no parent corporation, and no publicly held company owns 10% or more of its stock.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
PARTIES TO THE PROCEEDING	ii
RULE 29.6 STATEMENT	ii
TABLE OF AUTHORITIES	v
OPINIONS BELOW	1
JURISDICTION.....	1
STATUTORY PROVISIONS INVOLVED.....	2
INTRODUCTION	3
STATEMENT OF THE CASE.....	6
I. STATUTORY BACKGROUND.....	6
II. PROCEEDINGS BELOW	8
A. The Parties	8
B. District Court Decision.....	10
C. Federal Circuit Panel Decision	11
D. En Banc Decision	11
REASONS FOR GRANTING THE PETITION...	17
I. REVIEW SHOULD BE GRANTED BE- CAUSE THE ERRONEOUS DECISION BELOW CONFLICTS WITH THIS COURT'S PRECEDENTS.....	17
II. REVIEW SHOULD BE GRANTED BE- CAUSE THIS CASE PRESENTS AN IS- SUE OF GREAT IMPORTANCE TO THE PATENT SYSTEM.....	23
III. REVIEW IS APPROPRIATE NOW AND IN THIS CASE	28

TABLE OF CONTENTS—continued

	Page
CONCLUSION	31
PETITION APPENDIX	
APPENDIX A: <i>Akamai Techs., Inc. v. Limelight Networks, Inc.</i> , 692 F.3d 1301 (Fed. Cir. 2012).....	1a
APPENDIX B: <i>McKesson Techs., Inc. v. Epic Sys. Corp.</i> , 98 U.S.P.Q. 2d 1281 (Fed. Cir. 2011).....	100a
APPENDIX C: <i>McKesson Techs., Inc. v. Epic Sys. Corp.</i> , No. 1:06-CV-2965-JTC (N.D. Ga. Feb. 10, 2010).....	128a
APPENDIX D: <i>McKesson Techs., Inc. v. Epic Sys. Corp.</i> , No. 1:06-CV-2965-JTC, 2009 WL 2915778 (N.D. Ga. Sept. 8, 2009).....	131a
APPENDIX E: <i>McKesson Techs., Inc. v. Epic Sys. Corp.</i> , 463 F. App'x 906 (Fed. Cir. 2011) (order granting rehearing en banc).....	147a
APPENDIX F: <i>Akamai Techs., Inc. v. Limelight Networks, Inc.</i> , 419 F. App'x 989 (Fed. Cir. 2011) (order granting rehearing en banc)	150a

TABLE OF AUTHORITIES

CASES	Page
<i>Aro Mfg. Co. v. Convertible Top Replacement Co.</i> , 365 U.S. 336 (1961)	<i>passim</i>
<i>Aro Mfg. Co. v. Convertible Top Replacement Co.</i> , 377 U.S. 476 (1964)	8
<i>Atl. Cleaners & Dyers, Inc. v. United States</i> , 286 U.S. 427 (1932).....	21
<i>Bilski v. Kappos</i> , 130 S. Ct. 3218 (2010)	20, 22
<i>Carbice Corp. of Am. v. Am. Patents Dev. Corp.</i> , 283 U.S. 27 (1931).....	20
<i>Civix-DDI, LLC v. Hotels.com, LP</i> , ___ F. Supp. 2d ___, 2012 WL 5383268 (N.D. Ill. Nov. 1, 2012).....	25
<i>Comm'r v. Lundy</i> , 516 U.S. 235 (1996).....	21
<i>Corley v. United States</i> , 556 U.S. 303 (2009).....	22
<i>Deep9 Corp. v. Barnes & Noble, Inc.</i> , No. C11-0035JLR, 2012 WL 4336726 (W.D. Wash. Sept. 21, 2012)	25
<i>Deepsouth Packing Co. v. Laitram Corp.</i> , 406 U.S. 518 (1972).....	4, 17, 18
<i>Driessen v. Sony Music Entm't</i> , ___ F. Supp. 2d ___, 2012 WL 5293039 (D. Utah Oct. 23, 2012)	26
<i>Dynacore Holdings Corp. v. U.S. Philips Corp.</i> , 363 F.3d 1263 (Fed. Cir. 2004)	4
<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 535 U.S. 722 (2002).....	29
<i>Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank</i> , 527 U.S. 627 (1999).....	22
<i>Global-Tech Appliances, Inc. v. SEB S.A.</i> , 131 S. Ct. 2060 (2011).....	7, 20
<i>Joy Techs., Inc. v. Flakt, Inc.</i> , 6 F.3d 770 (Fed. Cir. 1993)	4

TABLE OF AUTHORITIES—continued

	Page
<i>KSR Int’l Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007).....	6
<i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370 (1996).....	6, 7
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012).....	6
<i>Microsoft Corp. v. AT&T Corp.</i> , 550 U.S. 437 (2007).....	23
<i>Microsoft Corp. v. i4i L.P.</i> , 131 S. Ct. 2238 (2011).....	23
<i>Mobasco Corp. v. Silver</i> , 447 U.S. 807 (1980).....	21
<i>NTP, Inc. v. Research in Motion, Ltd.</i> , 418 F.3d 1282 (Fed. Cir. 2005).....	27
<i>Prism Techs., LLC v. McAfee, Inc.</i> , No. 8:10CV220, 2012 WL 5385210 (D. Neb. Nov. 1, 2012).....	25
<i>Taniguchi v. Kan Pac. Saipan, Ltd.</i> , 132 S. Ct. 1997 (2012).....	21
<i>Transunion Intelligence LLC v. Search Am. Inc.</i> , No. 11-cv-01075 (D. Minn. Nov. 7, 2012).....	25
<i>Travel Sentry, Inc. v. Tropp</i> , No. 2011- 1023, 2012 WL 5382736 (Fed. Cir. Nov. 5, 2012).....	26
<i>Warner-Jenkinson Co. v. Hilton Davis Chem. Co.</i> , 520 U.S. 17 (1997).....	7

STATUTES

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).....	23
35 U.S.C. § 112.....	6
§ 154(a).....	6
§ 271.....	<i>passim</i>

TABLE OF AUTHORITIES—continued

	Page
35 U.S.C. § 281	6, 21
§ 284	22
§ 286	22

SCHOLARLY AUTHORITIES

Nicole D. Galli & Edward Gecovich, <i>Cloud Computing and the Doctrine of Joint Infringement: ‘Current Impact’ and Future Possibilities</i> , 11 John Marshall Rev. of Intell. Prop. L. 673 (2012).....	29
Timothy R. Holbrook, <i>The Potential Extraterritorial Consequences of Akamai</i> , Emory Int’l L. Rev. (forthcoming), available at http://ssrn.com/abstract=2154277	27
Mark A. Lemley, <i>Inducing Patent Infringement</i> , 39 U.C. Davis L. Rev. 225 (2005)	7
Mark A. Lemley et al., <i>Divided Infringement Claims</i> , 33 AIPLA Q.J. 255 (2005)...	28

OTHER AUTHORITIES

<i>Webster’s Third New International Dictionary</i> (2002).....	20
1 Donald S. Chisum, <i>Chisum on Patents</i> (2012)	6
Dennis Crouch, <i>Joint Infringement: Federal Circuit Changes the Law of Inducement</i> , Patent Law Blog (Patently-O) (Aug. 31, 2012), http://www.patentlyo.com/patent/2012/08/joint-infringement-federal-circuit-changes-the-law-of-inducement.html	30

TABLE OF AUTHORITIES—continued

	Page
Susan Decker & William McQuillen, <i>Lime- light Must Face Akamai Online-Content Patent Claims</i> , Bloomberg (Aug. 31, 2012), http://www.bloomberg.com/news/ 2012-08-31/limelight-must-face-akamai- online-content-patent-claims-1.html	24
Milt Freudenheim, <i>Digitizing Health Rec- ords, Before It Was Cool</i> , N.Y. Times, Jan. 14, 2012, available at http://www. nytimes.com/2012/01/15/business/epic- -systems-digitizing-health-records- before-it-was-cool.html	8
Jorge A. Goldstein & Elizabeth J. Haanes, <i>Akamai/McKesson Decided—Implica- tions for Personalized Medicine Patents</i> , Nat'l L. Rev (Sept. 6, 2012), http://www. natlawreview.com/article/akamai mckesson-decided-implications- personalized-medicine-patents	26
Eric W. Guttag, <i>CAFC's Joint Infringement Conundrum: The Discordant En Banc Ruling in Akamai Technologies & Mc- Kesson Technologies, Part II</i> , IP Watch- dog (Sept. 4, 2012), http://www.ipwatch dog.com/2012/09/05/the-discordant-en- banc-ruling-in-akamai-technologies-and- mckesson-technologies-part-ii/id= 27820/	24

TABLE OF AUTHORITIES—continued

	Page
Kevin M. Littman & Robert Silverman, <i>Akamai and McKesson Federal Circuit En Banc Opinion May Affect Commercial and Technological Environments</i> , Martindale-Hubbell (Sept. 5, 2012), http://www.martindale.com/intellectual-property-law/article_Foley-Lardner-LLP_1580720.htm	24
Kevin E. Noonan, <i>Akamai Technologies, Inc. v. Limelight Networks, Inc. and McKesson Technologies, Inc. v. Epic Systems Corp. (Fed. Cir. 2012) (en banc)</i> , Patent Docs (Sept. 4, 2012), http://www.patentdocs.org/2012/09/akamai-technologies-inc-v-limelight-networks-inc-and-mckesson-technologies-inc-v-epic-systems-corp-f.html	26
Brienne S. Terril, <i>Tips for Drafting Cloud Method Claims Post-Akamai</i> , Law360 (Nov. 26, 2012), <i>availabel at</i> http://www.law360.com/ip/articles/393070?nl_pk=9d7e11e0-e30c-4c54-bbe8-595e5e0f3e52&utm_source=newsletter&utm_medium=email&utm_campaign=ip	29

BLANK PAGE

PETITION FOR A WRIT OF CERTIORARI

Epic Systems Corporation respectfully petitions for a writ of certiorari to review the judgment of the en banc panel of the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the United States District Court for the Northern District of Georgia granting summary judgment of non-infringement in favor of Epic is reproduced in the appendix to this petition (Pet. App.) at 131a-146a, and is available at 2009 WL 2915778. Following summary judgment, the district court dismissed Epic's counterclaims without prejudice, in an order that is reproduced at Pet. App. 128a-130a. The Federal Circuit panel decision affirming judgment for Epic is reproduced at Pet. App. 100a-127a, and reported at 98 U.S.P.Q. 2d 1281. The order of the court of appeals granting rehearing en banc is reproduced at Pet. App. 147a-149a, and is available at 463 F. App'x 906. The opinion of the Federal Circuit sitting en banc, in which it reversed the district court judgment in favor of Epic, and simultaneously decided the separate case of *Akamai Technologies, Inc. v. Lime-light Networks, Inc.*, is reproduced at Pet. App. 1a-99a, and reported at 692 F.3d 1301.

JURISDICTION

A panel of the court of appeals entered judgment on April 12, 2011. Pet. App. 100a. A timely petition for rehearing en banc was granted on May 26, 2011. *Id.* at 149a. The en banc court entered judgment on August 31, 2012. *Id.* at 1a. The court of appeals' jurisdiction was based on 28 U.S.C. § 1295(a)(1). On November 15, 2012, the Chief Justice granted Epic an extension of time to and including December 28, 2012,

within which to file a petition for a writ of certiorari. The Chief Justice also granted an equivalent extension of time to Limelight, Inc., the other appellee in the coordinated en banc proceedings. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The federal Patent Act provides in relevant part as follows:

Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

35 U.S.C. § 271(a)-(c).

INTRODUCTION

This Court should grant review for the reasons that the five dissenting judges below articulated in the sharpest possible terms. A “scant majority” of that Court, Pet. App. 31a (Newman, J., dissenting), has significantly “[b]roaden[ed]” liability for patent infringement, thereby effectuating “a sweeping change to the nation’s patent policy,” *id.* at 81a (Linn, J., dissenting). The majority concluded that a party may be held liable for inducing patent infringement when the conduct it induced would not itself be actionable as infringement. This “approach is contrary to both the Patent Act and to the Supreme Court’s longstanding precedent that ‘if there is no direct infringement of a patent there can be no contributory infringement.’” *Id.* at 76a (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) (“*Aro I*”); citing, *inter alia*, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972)). Simply put, the Federal Circuit’s “new rule is not in accordance with statute, precedent, and sound policy. It raises new issues unrecognized by the majority, and contains vast potential for abuse.” *Id.* at 31a (Newman, J., dissenting). These are compelling reasons for this Court’s review.

Generally speaking, patent infringement occurs when a defendant “practices” each of the constituent “elements” of a patent “claim.” This is so-called “direct” infringement. See 35 U.S.C. § 271(a). In addition, patent owners may seek to impose liability on an entity that does not itself practice each element of a patent claim, but is related in some fashion to another entity that did. This is “indirect” or “secondary” infringement. Before 1952, the common law had no uniform answer concerning the scope of liability in such circumstances. Congress provided the answer

when it enacted the Patent Act of 1952. Through 35 U.S.C. § 271(b) and (c), it permitted an entity that does not itself perform each element of a claim to be held liable for intentionally inducing or contributing to direct infringement by another. During the intervening 60 years, both this Court and the Federal Circuit repeatedly have held, explained, and assumed that there is no indirect infringement unless another party engages in direct infringement.¹ Congress repeatedly has amended the patent laws, and never disturbed this understanding.

In the spring of 2011, the Federal Circuit granted rehearing en banc in the *Akamai* case to address a different question concerning patent infringement—namely, “If separate entities each perform separate steps of a method claim,^[2] under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?” Order (Pet. App. 151a). Soon thereafter, the court also granted rehearing en banc in this case, and sought further briefing on the circumstances under which a party may be liable “for inducing infringement or for contributory infringement” when “separate entities each perform separate steps of a method claim.” *Id.* at 148a.

In response to these briefing orders, 34 amicus briefs were filed in the court below. Notwithstanding this extensive briefing, and that the case remained under submission for nine months following a coordi-

¹ *E.g.*, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972); *Aro I*, 365 U.S. at 341; *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1272 (Fed. Cir. 2004); *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993).

² The distinction between a method claim and a product claim is discussed *infra* at 6 & nn.4-5.

nated oral argument in the two cases, the en banc majority did not resolve the question that Judge Newman termed “the sole reason for this rehearing *en banc*.”³ Specifically, a bare majority held in a per curiam decision that there may be induced infringement even when there is not (and could not be) liability for an underlying act of infringement. Put otherwise: On the logic of the Federal Circuit majority, even where no one “infringes” under § 271(a), a party may nonetheless induce “infringement” under § 271(b). Pet. App. 10a; see also *id.* at 20a.

This Court’s review is warranted, not only because the decision below is flatly inconsistent with this Court’s precedents, see Pet. App. 76a-78a (Linn, J., dissenting); *id.* at 31a (Newman, J., dissenting), and not only because this novel rule is illogical and countertextual, but because of the fundamental importance of the question presented. The decision below expands liability for indirect infringement in a way that Congress easily could have implemented in the past 60 years had it wished, and the holding will have far-reaching consequences. The decision will affect a variety of industries: not only the healthcare industry, which is directly at issue in this case, but also every realm in which Internet-based or software patents are common, as well as those involving business methods. In those fields and others, liability now has been expanded in ways that patent trolls and cutthroat competitors will use and abuse. Review is appropriate now and in this case to provide timely and final guidance to the numerous businesses, pa-

³ Pet. App. 31a (Newman, J., dissenting); cf. *id.* at 3a (“Much of the briefing in these cases has been directed to the question whether direct infringement can be found when no single entity performs all of the claimed steps of the patent.”).

tent applicants, and litigants affected by this decision.

STATEMENT OF THE CASE

I. STATUTORY BACKGROUND

The Patent Act confers on those who obtain a patent the right to exclude others from making, selling, or using the patented invention for a specified period of time. 35 U.S.C. § 154(a). A patent includes both a general description of the invention, and specific “claims,” which “particularly point[] out and distinctly claim[] the subject matter which the inventor or a joint inventor regards as the invention.” *Id.* § 112. The claims set the boundaries of the patent right. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373 (1996). Patents commonly contain more than one claim, and the claims themselves commonly contain multiple elements. There are different types of patent claims, including claims that cover products,⁴ and, relevant here, claims that cover methods. A “method claim” (also known as a “process claim”) recites a series of steps leading to a useful result.⁵

To protect the right to exclude, “[a] patentee shall have remedy by civil action for infringement.” 35 U.S.C. § 281. Infringement under the Patent Act may

⁴ A claim covering a product is known in patent lingo as an “apparatus” or “system” claim. See 1 Donald S. Chisum, *Chisum on Patents* § 1.02 (2012); e.g., *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007) (litigation concerning a patented “mechanism for combining an electronic sensor with an adjustable automobile pedal”).

⁵ See 1-1 *Chisum on Patents* § 1.03; e.g., *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1295 (2012) (litigation concerning a patented method for administering and monitoring the effects of a specific drug).

be direct or indirect. Direct infringement is addressed in § 271(a):

[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

In order to establish infringement under § 271(a), a patentee must demonstrate that the product or method alleged to be infringing “practices” each element of the asserted patent claim. *Markman*, 517 U.S. at 374; *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997). Direct infringement is a strict liability offense. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 n.2 (2011). For this reason, among others, a defendant will be held liable for direct infringement only when it practices each element of the claim, or when any claim elements not practiced by the defendant itself are practiced by some other party whose conduct is attributable to the defendant. Pet. App. 6a (citing cases).⁶

A party indirectly infringes a patent if it either actively induces (35 U.S.C. § 271(b)), or contributes to (*id.* § 271(c)), an act of direct infringement. Under § 271(b), “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” This occurs when a party leads another to engage in conduct that the inducer knows constitutes patent infringement. *Global-Tech*, 131 S. Ct. at 2068. The other form of indirect infringement is contributory infringement, which concerns “the sale of a component or other product that can be used to infringe a patent.” Mark

⁶ As noted, the standard for attributing another party’s acts to the defendant is the question the Federal Circuit originally granted rehearing to address. *Supra* at 4; Pet. App. 151a.

A. Lemley, *Inducing Patent Infringement*, 39 U.C. Davis L. Rev. 225, 227 (2005); see 35 U.S.C. § 271(c). Like induced infringement, contributory infringement requires a showing of scienter. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 489-90 (1964) (“*Aro II*”). Those who are found to have actively induced or contributed to infringement are fully liable as infringers. 35 U.S.C. § 271(b)-(c).

II. PROCEEDINGS BELOW

A. The Parties

Petitioner Epic, which was the defendant below, was founded in a basement apartment in 1979 by its CEO and a few employees. It was a pioneer in the field of electronic medical records, and it now has grown to more than 6,000 employees whose software is used by hundreds of thousands of healthcare professionals to help keep track of records for some 40 million patients. Epic provides software, training, and support to large health systems such as Kaiser Permanente, and healthcare providers including the Cleveland Clinic, Johns Hopkins, and Cedars-Sinai Medical Center.⁷ Epic does not itself provide health care, nor does it use the software accused of infringement to communicate with patients. Pet. App. 136a.

Beginning in 1997, Epic produced software that allowed an authorized healthcare provider to access patients’ medical information through personalized web pages. CAFC JA 10273-74, 10292. Soon thereafter, Epic developed software (later named MyChart) that

⁷ See Federal Circuit Joint Appendix (CAFC JA) 10268-70; Milt Freudenheim, *Digitizing Health Records, Before It Was Cool*, N.Y. Times, Jan. 14, 2012, available at <http://www.nytimes.com/2012/01/15/business/epic-systems-digitizing-health-records-before-it-was-cool.html>.

permitted patients to access their own personalized medical information over the Internet. *Id.* at 1077. Epic licenses MyChart to healthcare organizations, which use it to allow healthcare providers' patients to access information such as medical records, treatment information, and scheduling information. Pet. App. 102a.

A patient who uses MyChart initiates communication with his or her healthcare provider by logging onto a website using a patient-specific username and password given by the healthcare provider. Pet. App. 136a. Having thus accessed a personalized MyChart web page, the patient can retrieve information from, and exchange communications with, the healthcare provider. *Id.* at 102a. Healthcare providers who use MyChart do not require their patients to initiate any form of communication, to log into the system, or to use MyChart at all. *Id.* at 142a-143a; see also *id.* at 4a. Epic also plays no role in a patient's decision whether to use MyChart.

Respondent McKesson Technologies, Inc. is the assignee of U.S. Patent No. 6,757,898 ("the '898 patent"), which it acquired in July 2000, along with related software. Within months, McKesson "mothballed" the software, which was not meeting sales projections. Since that time, McKesson has not sold a system that it believes to be covered by the '898 patent, nor licensed the '898 patent to anyone else. CAFC JA 5015-17, 5370, 10130-31, 10232-35, 10441.

The '898 patent "relates to 'an automated system of electronic communication between a health-care or medical service provider and his/her patient.'" Pet. App. 132a (quoting '898 patent, col. 1, ll. 5-13). The patent contains only method claims. McKesson withdrew proposed system claims during the prosecution of the patent, and never pursued them further. CAFC

JA 10315-16, 10378-80. Claim 1 (which is representative of the asserted claims) comprises several steps, including the steps of initiating a communication from a patient to a healthcare provider, transporting the communication to the healthcare provider's website, formulating a response to the communication, and returning the response to the patient's computer. Pet. App. 102a-103a (reproducing claim 1); *id.* at 133a (district court order summarizing claim 1). The patent as drafted requires the participation of multiple parties; a patient must perform the step of initiating communications, while healthcare providers are alleged to perform the remaining steps. *Id.* at 4a, 140a-141a.

B. District Court Decision

McKesson sued Epic in December 2006, alleging that by licensing its MyChart software to healthcare providers, Epic actively induced infringement of the '898 patent. Pet. App. 4a. The district court granted summary judgment of non-infringement to Epic. The key facts were undisputed: When patients use MyChart, it is they (and not the healthcare provider) who perform the step of initiating communications; and healthcare providers using MyChart do not direct or control patients to initiate the communication. *Id.* at 140a-141a. Thus, because healthcare providers do not perform every step of the patented methods, and do not direct or control patients in performing the step of initiating communications, McKesson could not "demonstrate that any single party *directly* infringes the '898 patent." *Id.* at 142a. That conclusion was fatal to McKesson's claim that Epic *indirectly* infringed the patent: "because a party must first show direct infringement in order to succeed on a claim of indirect infringement, McKesson's claims of indirect infringement fail." *Id.* at 142a-143a.

C. Federal Circuit Panel Decision

The Federal Circuit affirmed. It recognized that “McKesson alleged induced infringement, which requires a direct infringer.” Pet. App. 104a. Because “no single party performs every step of the asserted method claims,” the “sole issue presented ... relates to whether the relationship between Epic’s customers (MyChart providers) and the MyChart users is such that performance of the ‘initiating a communication’ step may be attributed to the MyChart providers.” *Id.* at 105a. The court rejected McKesson’s contention that the patients, in initiating communications, acted as agents for MyChart providers. *Id.* at 106a. Thus, because the undisputed facts established that “MyChart users choose whether or not to initiate communications with their providers and are under no obligation to do so,” there was “no viable legal theory under which the actions of MyChart users may be attributed to Epic’s customers.” *Id.* at 107a-108a. McKesson therefore could not establish direct infringement, and “[a]bsent direct infringement, Epic cannot be liable for indirect infringement.” *Id.* at 108a.

D. En Banc Decision

The Federal Circuit granted rehearing en banc. Pet. App. 147a-149a. In addition to the briefing it previously had requested in *Akamai*, see *id.* at 151a, the court invited additional supplemental briefing from the parties and amici:

1. If separate entities each perform separate steps of a method claim, under what circumstances, if any, would either entity or any third party be liable for inducing infringement or for contributory infringement?
2. Does the nature of the relationship between the relevant actors—e.g., service provider/user;

doctor/patient—affect the question of direct or indirect infringement liability?

Id. at 148a (citation omitted).

1. In a per curiam opinion, the Federal Circuit majority jointly resolved this case and *Akamai*. It did not address the standard for divided direct infringement. Pet. App. 3a. Instead, it held that an accused infringer may be held liable for indirect infringement even if no one has directly infringed the asserted patent claims. That is, if a party “knowingly induces others to engage in acts that collectively practice the steps of the patented method,” then that party has “actively induced infringement” under § 271(b)—even though no one is “liable as a direct infringer” under § 271(a). Pet. App. 9a.

In explaining its conclusion, the majority started with a policy justification. It reasoned that “[a] party who knowingly induces others to engage in acts that collectively practice the steps of the patented method—and those others perform those acts—has had precisely the same impact on the patentee as a party who induces the same infringement by a single direct infringer....” Pet. App. 9a. Next, the majority turned to the legislative history of the Patent Act of 1952, focusing heavily on testimony offered by Giles Rich before the House Committee on the Judiciary. *Id.* at 12a-14a. The court also drew support from an extended analogy to common-law inducement in tort and criminal law. *Id.* at 14a-20a.

Finally, the court turned to the text and structure of § 271. It addressed the dissenters’ argument “that the approach we adopt today has the effect of ‘defin[ing] direct infringement differently for the purposes of establishing liability under § 271(a) and (b).” Pet. App. 20a. The majority responded that

Section 271(a) does not define the term “infringement.” Instead, it simply sets forth a type of conduct that qualifies as infringing, i.e., it provides that anyone who makes, uses, or sells, etc., any patented invention “infringes the patent.” Section 271(b) sets forth another type of conduct that qualifies as infringing, i.e., it provides that anyone who induces infringement “shall be liable as an infringer.” But nothing in the text of either subsection suggests that the act of “infringement” required for inducement under section 271(b) must qualify as an act that would make a person liable as an infringer under section 271(a).

Id. Nor, the majority concluded, was its result incompatible with this Court’s prior opinions stating that there can be no indirect infringement without direct infringement. *Id.* at 25a.

Accordingly, the majority reversed the judgments for defendants in both cases. It concluded that Epic could be “held liable for inducing infringement if it can be shown that (1) it knew of McKesson’s patent, (2) it induced the performance of the steps of the method claimed in the patent, and (3) those steps were performed.” Pet. App. 29a. And in *Akamai*, the majority recognized that the patentee (*Akamai*) had not even pursued a claim of induced infringement, but rather had sued on direct infringement only; nonetheless, *Akamai* “should be given the benefit of this court’s ruling.” *Id.* at 30a.

2. In a pointed dissent joined by Judges Dyk, Prost, and O’Malley, Judge Linn explained that “[t]he majority’s approach is contrary to both the Patent Act and to the Supreme Court’s longstanding precedent that ‘if there is no direct infringement of a patent there can be no contributory infringement.’” Pet. App.

at 70a (citing *Aro I*, 365 U.S. at 341, and *Deepsouth*, 406 U.S. at 526). The majority’s decision to “[d]ivorc[e] liability under § 271(a) from liability under § 271(b) is unsupported by the statute, subverts the statutory scheme, and ignores binding Supreme Court precedent.” *Id.* at 72a. The majority had “assume[d] the mantle of policy maker,” having “decided that the plain text of § 271(a) and (b) fails to accord patentees certain extended rights that a majority of this court’s judges would prefer that the statute covered,” and had sought to “correct this situation” by “effectively rewrit[ing] these sections, telling us that the term ‘infringement’ was not, as was previously thought, defined by Congress in § 271(a), but instead can mean different things in different contexts.” *Id.* at 69a.

The text of the statute, Judge Linn explained, is simple:

Reading subsection (b) in light of subsection (a) is a straightforward exercise. Section 271(a) defines infringement, and, in turn, § 271(b) and (c) establish indirect infringement liability A person who practices the entire invention is an infringer, liable under subsection (a); a person who actively induces such practice is an inducer, liable under subsection (b) The negative inference is equally straightforward: A person who does not practice the entire invention is not liable under subsection (a); a person who actively induces such partial practices is not liable under subsection (b)

Pet. App. 74a.

The majority’s contrary conclusion depends on the erroneous “assert[ion] that ‘[s]ection 271(a) *does not define* the term ‘infringement.’” Pet. App. at 75a

(second alteration in original). If, as the majority held, § 271(a) does not define “infringement,” then the term is left undefined in the statute, and can apparently “be defined however this court wants without reference to *any* statutory provision.” *Id.* But to “divorce” the term “infringes” in § 271(a) from the term “infringement” in § 271(b) and (c) makes no sense: “Congress is presumed to have intended the word ‘infringement’ in § 271(b) and (c) to target the same conduct as ‘infringes’ in § 271(a); it is the same word, simply used as a verb in paragraph (a) to define the act.” *Id.* at 76a. The majority’s reasoning also is contradicted by both House and Senate Reports on the Patent Act of 1952, as well as this Court’s statement in *Aro I* that “‘§ 271(a) of the new Patent Code ... defines ‘infringement.’”” *Id.* at 75a (quoting 365 U.S. at 342).

For the same essential reason, Judge Linn explained, the majority’s interpretation of § 271 conflicts with this Court’s decisions. Pet. App. 77a-78a. Its reading of *Aro I* was inappropriately “limited”: “The question of whether or not there was *liability* for an underlying act of direct infringement was squarely at issue in *Aro*, and the Court held that without ‘direct infringement *under § 271(a)*,’ i.e., *liability*, there can be no indirect infringement.” *Id.* at 77a (quoting 365 U.S. at 341). The facts of *Aro I* may have been different, but the core principle—“Unless someone is liable as a direct infringer, no one is liable for indirect infringement”—is “indistinguishable.” *Id.* at 77a-78a.

3. Judge Newman dissented separately, and with equal fervor. She would have addressed the underlying issue concerning the test for divided infringement, and on that basis she would have ruled for the plaintiffs. Pet. App. 36a-46a. She devoted most of her attention, however, to the question presented here, as

to which she harshly criticized the majority for enacting “dramatic changes in the law of infringement.” *Id.* at 31a. Like Judge Linn, Judge Newman explained that the majority’s reading of § 271(b) “has no foundation in statute, or in two centuries of precedent.” *Id.* at 33a. To the contrary, its interpretation is inconsistent with extensive case law that “reflects that liability for inducement depends on liability for direct infringement.” *Id.* at 51a (citing cases).

Judge Newman also focused on the confusion and adverse consequences likely to arise in the wake of the majority’s decision:

The *en banc* majority, embracing this new rule, does not acknowledge the new problems of enforcement and compensation and defense that are also created, the new opportunities for gamesmanship and abuse and inequity. For example, if the direct infringers are not liable for infringement, one wonders whether they are subject to damages or injunction. These and other critical issues should be considered before a new law of inducement-only infringement is adopted.

Pet. App. 33a. Under the majority’s new rule, “potential for abuse looms large, for the majority does not require proof of direct infringement, but holds that the entity that advises or enables or recommends the divided infringement is fully responsible for the consequences of the direct infringement.” *Id.* at 61a. In sum, “[t]his new rule simply imposes disruption, uncertainty, and disincentive upon the innovation communities. ... [T]urmoil will surely be created, to the detriment of technological advance and its industrial development, for stability and clarity of the law are essential to innovative commerce.” *Id.* at 32a, 36a.

REASONS FOR GRANTING THE PETITION**I. REVIEW SHOULD BE GRANTED BECAUSE THE ERRONEOUS DECISION BELOW CONFLICTS WITH THIS COURT'S PRECEDENTS.**

The decision below depends on the proposition that “infringement” in § 271(b) means something different than conduct that is proscribed by § 271(a) because it “infringes.” A defendant can induce “infringement,” the majority held, and therefore “be liable as an infringer,” see 35 U.S.C. § 271(b), even if the induced party (or parties) could not be held liable as one who “infringes the patent,” *id.* § 271(a) (emphases added). Thus, the majority explained, “[r]equiring proof that there *has been* direct infringement as a predicate for induced infringement is not the same as requiring proof that a single party would be *liable* as a direct infringer.” Pet. App. 9a; *accord id.* at 20a (“nothing in the text of either subsection [(a) or (b)] suggests that the act of ‘infringement’ required for inducement under section 271(b) must qualify as an act that would make a person liable as an infringer under section 271(a)”). That reasoning is inconsistent with at least two decisions of this Court, which understood § 271 to require actionable direct infringement as a predicate to indirect infringement.

In *Deepsouth Packing Co. v. Laitram Corp.*, the Court considered liability for contributory infringement under § 271(c). The facts of that case were extreme. Deepsouth, the defendant, had sought to put itself beyond the territorial reach of the Patent Act by making the parts of a patented shrimp deveining machine in the United States, selling and shipping the parts to foreign buyers, and instructing the buyers how to assemble the parts. 406 U.S. 518, 523 (1972). Assembling the complete, patented machine required

less than one hour. *Id.* at 524. But, Deepsouth argued, there could be no liability because “both the ‘making’ and the ‘use’ of the machines occur abroad and [the patentee’s] lawful monopoly over the making and use of the machines throughout the United States is not infringed.” *Id.*

The Court agreed. Relevant here, “it is established that there can be no contributory infringement without the fact or intention of a direct infringement. ‘In a word, if there is no [direct] infringement of a patent there can be no contributory infringer.’” *Deepsouth*, 406 U.S. at 526 (quoting *Mercoind Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 677 (1944) (Frankfurter, J., dissenting)) (alteration in original). Because “[t]he statute makes it clear that it is not an infringement to make or use a patented product outside of the United States,” the patentee was required to “show a § 271(a) *direct infringement* by Deepsouth in the United States.” *Id.* at 527 (emphasis added). The patentee could not do so, and Deepsouth therefore was not liable for contributory infringement. In the decision below, the en banc majority did not address *Deepsouth*, citing it only in passing. Pet. App. 8a.

The majority did at least address *Aro I*, upon which *Deepsouth* relied, but it gave this Court’s opinion an insupportably narrow reading. *Aro I* rejected the application of indirect infringement liability where no actionable direct infringement had occurred. *Aro* (the accused infringer) provided fabric pieces designed for use in patented convertible tops. 365 U.S. at 338-39. The Court was called on to decide whether *Aro* could be liable as a contributory infringer. The answer, the Court said, turned on whether use of the fabric pieces

by the purchaser himself would in itself constitute a *direct* infringement under § 271(a), for it is

settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement ... and that ‘if the purchaser and user could not be amerced as an infringer certainly one who sold to him ... cannot be amerced for contributing to a non-existent infringement.’”

Id. at 341 (quoting *Mercoïd*, 320 U.S. at 674 (Roberts, J., dissenting)). Although the users did practice the patented invention, they were not liable as direct infringers because their use of Aro’s fabric tops was a permissible repair. *Id.* at 342. Aro therefore could not be liable for contributory infringement. *Id.* at 341-42.

Given the clear language of *Aro I*, the en banc majority effectively had to concede its meaning, but nonetheless declined to apply it:

In the course of its analysis, the *Aro* Court quoted from a dissenting opinion in an earlier case, which stated that “if the purchaser and user [of a product] could not be amerced as an infringer certainly one who sold to him ... cannot be amerced for contributing to a non-existent infringement.” *Although the reference to a direct infringer being “amerced” as an infringer could suggest that the Court considered liability for direct infringement as a predicate for indirect infringement*, the Court in both cases was addressing direct infringement involving only a single party.

Pet. App. 24a-25a (emphasis added; citation omitted); see also *id.* at 25a (noting that *Aro* dealt with product rather than method claims). This Court’s precedents are entitled to more weight and greater respect than this. And, in fact, *Aro I* is indistinguishable on the core legal question. According to the Federal Circuit majority, in *Aro I*, the purchasers were “not guilty of

infringement at all.” *Id.* at 24a. But that is equally true here—the healthcare providers and patients who use MyChart also are “not guilty of infringement at all.” As Judge Linn explained, “[n]ot being liable under § 271(a) based on the doctrine of permissible repair is indistinguishable from not being liable under § 271(a) based on the fact that ... no one has performed a complete act of direct infringement.” *Id.* at 77a.

“Infringement” by its plain terms connotes unlawful conduct. The majority is forced to embrace the counterintuitive notion that “infringement” under § 271(b) occurs whenever “all the steps of a claimed method [are] performed”—regardless of whether the conduct is proscribed under the patent laws or is perfectly lawful. *Id.* at 3a. But “[i]n patent law, as in all statutory construction, [u]nless otherwise defined, “words will be interpreted as taking their ordinary, contemporary, common meaning.”” *Bilski v. Kappos*, 130 S. Ct. 3218, 3226 (2010). And the plain meaning of “infringement” is a violation or a transgression. E.g., *Webster’s Third New International Dictionary* 1161 (2002) (defining infringement as “breach, violation, nonfulfillment” and “the unlawful manufacture, use, or sale of a patented or copyrighted article”); see also *Global-Tech*, 131 S. Ct. at 2065 n.2 (direct infringement requires “*unauthorized* use of a patented invention”) (emphasis added); *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931) (“Infringement ... implies invasion of some right of the patentee.”).

It is unsurprising, then, that the majority’s decision to divorce “infringement” in § 271(b) from “infringes” in § 271(a) also is inconsistent with this Court’s explanation that § 271(a) “defines ‘infringement.’” *Aro I*, 365 U.S. at 342; see also *Global-Tech*, 131 S. Ct. at

1065 (discussing conduct that “amount[s] to infringement, *i.e.*, the making, using, offering to sell, selling, or importing of a patented invention. See § 271(a).” (emphasis added)). Sections 271(b) and (c) were enacted in the Patent Act of 1952 to codify the ways that someone *not* committing an infringing act nevertheless can be held “liable” as an “infringer.” And they do so by referring to inducing or contributing to “infringement”—the same “infringement” that this Court said is “define[d]” in § 271(a). *Aro I*, 365 U.S. at 342.

In using the term “infringement” consistently to describe violations of sections 271(a), (b), and (c), without drawing a distinction between the term “infringes” in subsection (a) and “infringement” in (b) and (c), *Deepsouth* and *Aro I* follow the “natural presumption that identical words used in different parts of the same act are intended to have the same meaning.” *Atl. Cleaners & Dyers, Inc. v. United States*, 286 U.S. 427, 433 (1932); *accord Mobasco Corp. v. Silver*, 447 U.S. 807, 826 (1980). That rule applies to different grammatical forms of the same word. See, *e.g.*, *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2004 (2012) (construing the term “interpreter” in light of the term “interpretation”). And, the “classic case for application” of this “normal rule of statutory construction” occurs when, as here, there is an “interrelationship and close proximity of the[] provisions of the statute.” *Comm’r v. Lundy*, 516 U.S. 235, 250 (1996) (internal quotation marks omitted).

Provisions throughout the Patent Act confirm that there is no basis to interpret the word “infringement” differently from the term “infringes.” The Act, like this Court, repeatedly uses the noun form “infringement” to refer broadly to the conduct proscribed by § 271. For instance, § 281 provides that “[a] patentee

shall have remedy by civil action for *infringement* of his patent” (emphasis added). If, as the majority maintains, “infringement” encompasses lawful acts for which there is no remedy, then § 281 is rendered false. That is why the majority must disparage § 281 as a mere “preamble’ for the sections on remedies.” Pet. App. 21a. But a duly enacted statutory provision cannot be so lightly dismissed.⁸ Other statutory provisions similarly use the noun form “infringement,” and equate “infringement” with conduct that “infringes.”⁹

Congress sought to resolve the scope of indirect liability in the 1952 Act when it enacted sections 271(b) and (c), and if Congress was unhappy with how the Court interpreted those provisions in *Aro I*, it has had 50 years in which to correct any deficiencies. It has

⁸ See, e.g., *Bilski*, 130 S. Ct. at 3228 (rejecting interpretation of one patent provision that would render another section “meaningless,” as such an interpretation “violate[s] the canon against interpreting any statutory provision in a manner that would render another provision superfluous”); *Corley v. United States*, 556 U.S. 303, 314 (2009) (rejecting statutory interpretation of one subsection that renders another subsection “nonsensical and superfluous”); see also Pet. App. 79a-80a (Linn, J., dissenting).

⁹ 35 U.S.C. § 271(d) (describing “relief for *infringement* or *contributory infringement*”), § 271(d)(3) (same), *id.* § 271(e)(1), (2) (“act of *infringement*”), *id.* § 284 (authorizing “damages adequate to compensate *for the infringement*” for, among other things, claims for direct *infringement* under § 271(a)); *id.* § 286 (“no recovery shall be had for any *infringement* committed more than six years prior to the filing of the complaint”) (all emphases added). Cf. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999) (using the terms “*infringement*,” “*infringing*” and “*infringes*” more than 100 times, and doing so interchangeably); e.g., *id.* at 641-42 (“College Savings argues that by *infringing* a patent and then pleading immunity to an *infringement* suit, a State not only *infringes* the patent” (emphases added)).

not done so. This is not due to unwillingness to create new bases for liability under the Act, which Congress did when it enacted sections 271(e), (f), and (g). See Pet. App. 82a-83a (Linn, J., dissenting). Indeed, Congress enacted § 271(f) as a targeted response to the particular situation at issue in *Deepsouth*, while leaving *Deepsouth* otherwise intact. See *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 442 (2007). Congress also has undertaken broad revisions to the patent laws, including just last year. See, e.g., America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). See Pet. App. 82a-83a (Linn, J., dissenting) (“Congress knows how to create alternative forms of infringement,” but “apparently does not take issue with this court’s interpretation of § 271(a), (b), and (c)”). If changes are to be made to the scope of indirect infringement liability, it is for Congress, not the Federal Circuit, to do so. *Microsoft Corp. v. i4i L.P.*, 131 S. Ct. 2238, 2252 (2011) (“For nearly 30 years, the Federal Circuit has interpreted § 282 as we do today.... Indeed, Congress has left the Federal Circuit’s interpretation of § 282 in place despite ongoing criticism, both from within the Federal Government and without.... Any recalibration of the standard of proof remains in [Congress’s] hands.”).

II. REVIEW SHOULD BE GRANTED BECAUSE THIS CASE PRESENTS AN ISSUE OF GREAT IMPORTANCE TO THE PATENT SYSTEM.

In the Federal Circuit, McKesson affirmed that its “appeal requires an answer to [a] precedent-setting question of exceptional importance.”¹⁰ Indeed, the de-

¹⁰ Pet’n for Reh’g and Reh’g En Banc of Plaintiff-Appellant McKesson Technologies, Inc. at 1, *McKesson Techs. Inc. v. Epic Sys. Corp.*, No. 2010-1291 (Fed. Cir. filed Apr. 29, 2011).

cision below particularly merits review because of the breadth and immediacy of its impact. As industry observers quickly recognized, the ruling will affect a range of industries and technologies, including “disputes over software, financial systems and medical diagnostic testing.”¹¹ Indeed, although the decision was handed down less than four months ago, it already has generated extensive discussion among lower courts and commentators, who perceive the decision to dramatically expand liability for induced infringement while failing to address numerous basic questions.

First, the decision below will expose participants in a variety of industries to new liability. The effects of the decision will be particularly strong for information technology companies, because “interactive computer-based technologies ... often involve more than one ‘actor’ to be practiced.”¹² Multiple courts already

¹¹ Susan Decker & William McQuillen, *Limelight Must Face Akamai Online-Content Patent Claims*, Bloomberg (Aug. 31, 2012), <http://www.bloomberg.com/news/2012-08-31/limelight-must-face-akamai-online-content-patent-claims-1-.html>.

¹² See Eric W. Gutttag, *CAFC’s Joint Infringement Conundrum: The Discordant En Banc Ruling in Akamai Technologies & McKesson Technologies, Part II*, IP Watchdog (Sept. 4, 2012), <http://www.ipwatchdog.com/2012/09/05/the-discordant-en-banc-ruling-in-akamai-technologies-and-mckesson-technologies-part-ii/id=27820/>; see also Kevin M. Littman & Robert Silverman, *Akamai and McKesson Federal Circuit En Banc Opinion May Affect Commercial and Technological Environments*, Martindale-Hubbell (Sept. 5, 2012), http://www.martindale.com/intellectual-property-law/article_Foley-Lardner-LLP_1580720.htm (discussing the Federal Circuit’s “sharp turn ... on the subject of so-called ‘divided infringement’” and its effect on “[t]echnologies involving separate entities that perform discrete and distinct steps—prominently, but by no means exclusively, Internet-driven systems and processes that utilize multiple ac-

have recognized that, after *Akamai*, additional liability now exists in the technology sector that was not there before. That plaintiffs must amend their complaints in many of these cases in order to capture this broader liability speaks volumes about the novelty of the theory embraced by the Federal Circuit. See, e.g., *Civix-DDI, LLC v. Hotels.com, LP*, ___ F. Supp. 2d ___, 2012 WL 5383268, at *4-5 (N.D. Ill. Nov. 1, 2012) (granting reconsideration, in light of the decision below, of a prior order awarding summary judgment of noninfringement by a website); *Prism Techs., LLC v. McAfee, Inc.*, No. 8:10CV220, 2012 WL 5385210, at *2 (D. Neb. Nov. 1, 2012) (granting leave, in light of the decision below, to file an amended complaint asserting new claims of induced infringement based on the software-developer defendant’s alleged “instructions and assistance to their customers regarding software activation”); *Transunion Intelligence LLC v. Search Am. Inc.*, No. 11-cv-01075 (D. Minn. Nov. 7, 2012) (Dkt. No. 136) (granting leave, in light of the decision below, to file an amended complaint to assert a claim that the defendant induced performance by third parties of the “inputting data” step of a software patent); cf. also *Deep9 Corp. v. Barnes & Noble, Inc.*, No. C11-0035JLR, 2012 WL 4336726, at *10 (W.D. Wash. Sept. 21, 2012) (noting that patent-infringement suit involving Barnes & Noble’s Nook product was “factually similar” to this case; declining leave to amend the complaint to assert induced infringement only due to the advanced stage of proceedings).

The decision below also portends a dramatic expansion of liability in the area of medical patents. Pharmaceutical companies “will find that it is easier than before to be accused of inducing. If, with knowledge of

tors (such as database facilities, network providers, and end-users”).

a two-step [personalized medicine claim], the company labels a new drug or diagnostic test with personalized medicine instructions (e.g., ‘test for mutation X and, if present, treat with drug Y’) it could be liable for inducing infringement even though neither the physician nor the clinical laboratory are knowledgeable of the patent and are innocent actors.”¹³ In light of this decision, “infringement could be found under circumstances common in modern medicine—a physician orders an infringing diagnostic test and then treats using the diagnostic results as her guide.”¹⁴

¹³ Jorge A. Goldstein & Elizabeth J. Haanes, *Akamai/McKesson Decided—Implications for Personalized Medicine Patents*, Nat’l L. Rev (Sept. 6, 2012), <http://www.natlawreview.com/article/akamaimckesson-decided-implications-personalized-medicine-patents>.

¹⁴ Kevin E. Noonan, *Akamai Technologies, Inc. v. Limelight Networks, Inc. and McKesson Technologies, Inc. v. Epic Systems Corp.* (*Fed. Cir. 2012*) (*en banc*), Patent Docs (Sept. 4, 2012), <http://www.patentdocs.org/2012/09/akamai-technologies-inc-v-limelight-networks-inc-and-mckesson-technologies-inc-v-epic-systems-corp-f.html>. “This outcome,” the author hastened to note, “will only occur should the majority’s views ultimately prevail, something that in all candor is just not very likely.” *Id.*

Additional post-*Akamai* cases demonstrate that the decision’s impact will reach other industries beyond these. See *Travel Sentry, Inc. v. Tropp*, No. 2011-1023, 2012 WL 5382736 (Fed. Cir. Nov. 5, 2012) (reversing summary judgment of noninfringement in light of the decision below; the patentee alleged that the defendant, a manufacturer of locks for airline luggage, induced infringement of patent that required performance by a lock manufacturer and luggage screening authority); *Driessen v. Sony Music Entm’t*, ___ F. Supp. 2d ___, 2012 WL 5293039 (D. Utah Oct. 23, 2012) (declining, based on the decision below, to dismiss claim that Sony induced infringement by selling Music Pass product to retailers, where asserted patent claims were allegedly infringed by collective acts of retailers and end-users).

The decision below may also extend infringement liability by expanding “the extraterritorial reach of a patent under § 271(b).” Timothy R. Holbrook, *The Potential Extraterritorial Consequences of Akamai*, at 3, *Emory Int’l L. Rev.* (forthcoming), available at <http://ssrn.com/abstract=2154277>. Section 271(a) limits liability to infringement that occurs in the United States, and a patented method is infringed under § 271(a) only if each step of the method is performed in the United States. *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005). Section 271(b), by contrast, contains no such territorial restriction. That posed no problem before the decision below: “Because active inducement before *Akamai* required an act of direct infringement, induced infringement had territorial constraints” by operation of § 271(a). Holbrook, *supra*, at 3. Now that the Federal Circuit has divorced § 271(b) from the limits of § 271(a), circumstances may have changed: “By removing § 271(a) as a prerequisite to induced infringement, it seems that the strict territorial rule should also be removed.” *Id.* at 12.

Thus, “one could induce infringement of a method claim when performance of the method straddles territorial borders,” or potentially even “induce someone else to perform the entire method outside of the United States.” *Id.* For similar reasons, now that “infringement” may be induced even when there is no actor liable for an underlying act of direct infringement, there may now be additional situations in which the direct infringer may have some excuse from liability (whether “permissible repair” as in *Aro I*, patent misuse, experimental use, or another defense) but a defendant still could be held liable for inducing infringement. These expansions of liability are not only unsupported in text or precedent, but unfair.

On the majority's reasoning, a defendant may be held liable "for inducing an act that is something less than an infringement, and thus *not* itself wrongful, tortious, or a breach of duty. Pet. App. 90a (Linn, J., dissenting). But, "in the complexities of technology and commerce, one must wonder at the imposition of liability solely for 'urg[ing]' or 'encourag[ing]'" a lawful act. *Id.* at 33a (Newman, J., dissenting). This significant change in the law merits the Court's review.

III. REVIEW IS APPROPRIATE NOW AND IN THIS CASE.

This Court should not delay in addressing the Federal Circuit's expansion of inducement liability, for multiple reasons.

First, the issue cannot percolate further. It lies within the exclusive jurisdiction of the Federal Circuit, and the decision below plainly represents that court's final word. This is true not only because the decision was rendered by the full court, but also because of the circumstances surrounding the decision. It came about only after the Federal Circuit granted review to consider two separate cases involving patents in different fields of endeavor; issued orders requesting supplemental briefing, Pet. App. 148a-149a; 151a, invited and received the participation of dozens of amici, and collectively wrote more than a hundred pages in three separate opinions. Erroneous though the decision was, it arose out of a decisionmaking process that shows no likelihood of reconsideration.

Second, review is appropriate immediately because the decision below may have a substantial impact on how patent claims are drafted. Applicants draft and prosecute patent claims with careful consideration of the law of infringement in order to ensure that their claims are ultimately enforceable. See Mark A. Lem-

ley et al., *Divided Infringement Claims*, 33 AIPLA Q.J. 255, 272 (2005) (patent “prosecutors and their clients are best served by understanding divided or distributed infringement problems and developing proactive claiming strategies to avoid these problems”); Nicole D. Galli & Edward Gecovich, *Cloud Computing and the Doctrine of Joint Infringement: ‘Current Impact’ and Future Possibilities*, 11 John Marshall Rev. of Intell. Prop. L. 673, 691 (2012). Commentators already are recommending that patent applicants take new approaches to drafting their claims in light of the Federal Circuit’s decision.¹⁵ The Court should review the question presented now in order to provide timely guidance on this important question.

Third, review is appropriate now because of the significant uncertainty likely to result from the decision below. Uncertainty is particularly unwelcome in patent law, where questions about the scope of infringement liability dampen innovation. Cf. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-31 (2002) (“A patent holder should know what he owns, and the public should know what he does not.”). Here, although the majority rewrote the rules for induced infringement, it effective-

¹⁵ See Brienne S. Terril, *Tips for Drafting Cloud Method Claims Post-Akamai*, Law360 (Nov. 26, 2012), http://www.law360.com/ip/articles/393070?nl_pk=9d7e11e0-e30c-4c54-bbe8-595e5e0f3e52&utm_source=newsletter&utm_medium=email&utm_campaign=ip (patent applicants “who previously drafted claims from the perspective of a single actor to avoid the issue of joint infringement should now consider preparing at least some method claims that encompass steps that are potentially performable by two or more parties” and should “be creative in considering what possible relationships might exist among potential infringers and prepare method claims that address the combined activities of those infringers”).

ly ignored their implementation. As Judge Newman noted, “Since the direct infringers cannot be liable for infringement, they do not appear to be subject to the court’s jurisdiction. Perhaps the inducer can be enjoined—but will that affect the direct infringers? Since the inducer is liable when he breaches the ‘duty’ not to induce, is the inducer subject to multiplication of damages?” Pet. App. 55a. In short, “the decision opens a can of worms that will continue to squirm for years to come.”¹⁶ The Court should grant review now, rather than letting such uncertainty persist.

Finally, this case presents an excellent vehicle for addressing the question presented. It arises out of a square holding of the court below, which turned on no particular facts, and which are materially undisputed in any event. The asserted patent claims a technically simple method, and there is no dispute that the actions of two parties—a provider and a patient—are necessary under the plain terms of the patent for all steps of the asserted claims to be performed. Pet. App. 140a-141a. There also is no dispute that it is patients who choose whether to “initiate a communication” with their providers, and are not obligated to do so. *Id.* at 141a. In short, there is no factual or case-specific issue that would disrupt this Court’s ability to review and opine on the dispositive legal issue. Review is appropriate now and in this case to address this issue of great importance to all those who innovate.

¹⁶ Dennis Crouch, *Joint Infringement: Federal Circuit Changes the Law of Inducement*, Patent Law Blog (Patently-O) (Aug. 31, 2012), <http://www.patentlyo.com/patent/2012/08/joint-infringement-federal-circuit-changes-the-law-of-inducement.html>.

CONCLUSION

For the foregoing reasons, the petition for a writ for certiorari should be granted.

Respectfully submitted,

WILLIAM H. BOICE
STEVEN D. MOORE
KILPATRICK TOWNSEND &
STOCKTON LLP
1100 Peachtree Street, N.E.
Suite 2800
Atlanta, GA 30309
(404) 815-6500

CARTER G. PHILLIPS*
ERIC A. SHUMSKY
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, DC 20005
(202) 736-8000
cphillips@sidley.com

TACY F. FLINT
SIDLEY AUSTIN LLP
One South Dearborn
Chicago, IL 60603
(312) 853-7000

Counsel for Petitioner

December 28, 2012

* Counsel of Record

BLANK PAGE