

No. 2010-1291

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

MCKESSON TECHNOLOGIES INC.,
Plaintiff-Appellant

v.

EPIC SYSTEMS CORPORATION,
Defendant-Appellee

Appeal from the United States District Court
for the Northern District of Georgia in Case No. 06-CV-2965,
Chief Judge Jack T. Camp

BRIEF OF *AMICUS CURIAE*
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF REVERSAL, BUT IN SUPPORT OF NEITHER PARTY

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CERTIFICATE OF INTEREST

Counsel for *amicus curiae* American Intellectual Property Law Association, certifies the following:

1. The full name of every party or *amicus curiae* represented by me is:

American Intellectual Property Law Association.

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

Not applicable.

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

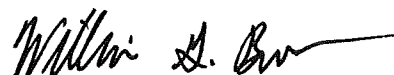
None.

4. The names of all law firms and the partners or associates appearing for the party or *amicus curiae* now represented by me in the trial court or are expected to appear in this Court are:

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STATEMENT OF INTEREST OF *AMICUS CURIAE*¹

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 16,000 members engaged in private or corporate intellectual property practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA members represent both owners and users of intellectual property.

AIPLA files this brief not to advocate for either side in this dispute, but rather to present the Association’s views as *amicus curiae* on the correct rule of law that applies to joint direct infringement. No consent of the parties was required for filing this brief pursuant to this Court’s May 26, 2011 Order.

¹ After reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

Inducement or contributory infringement liability for separate entities performing separate steps of a method patent claim requires only that all claim steps are performed to establish direct infringement, and that the statutory terms of Section 271(b) or (c), Title 35 are proven. Decisions of this Court have found that direct infringement was a predicate for proving indirect infringement. However, in order to prove direct infringement under these circumstances, those decisions mistakenly conflate infringement with liability and require that all steps in the method claim be performed by a “single entity” or by a party whose actions could be attributed to the named party by a formal agency relationship. In fact, infringement may be proven by simply showing that all steps of a method claim were performed, no matter how many separate actors performed separate steps; the determination of liability for such infringement, however, should be determined by traditional tort law principles of joint tortfeasance, which looks to the substantiality of the actor’s participation in producing the harm of infringement.

AIPLA believes the so-called “single entity” rule, as developed by recent panel decisions of this Court² (discussed *infra*), is based both on an incorrect

² *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010), vacated for en banc review; *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008); *BMC Resources, Inc. v. Paymentech, Lp*, 498 F.3d 1373 (Fed. Cir. 2007); *Cross Medical Products, Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293 (Fed. Cir. 2005).

construction of Section 271(a) and of the statutory structure of Section 271 as a whole. In mistakenly concluding that only principles of agency law are necessary to determine such infringement liability, the Court has strayed from the traditional tort law basis of patent infringement and has created loopholes for method claim infringement that drastically reduce the exclusive rights conferred by validly issued patents.

Sections 271(a), (b) and (c) must be construed to allow for infringement of a method claim by more than one actor. More particularly, the situations that can give rise to such joint infringement should be assessed under traditional principles of tort law liability for joint tortfeasors, especially as developed in the case law both before and after the 1952 Patent Act.

As set forth in more detail in AIPLA's brief *amicus curiae* in the *Ákamai* case, infringement of a method claim under Section 271(a) requires that every step was performed by one or more persons, but it does not require that every step of the claimed process was performed by a single entity. At the textual level, the subject of the statute is "whoever," a term which Congress has said in 1 U.S.C. §1 applies to one or more persons (unless context indicates otherwise, and nothing in the context or history of Section 271(a) indicates otherwise). The legislative history and overall statutory structure of Section 271 indicate that Congress wrote the infringement provision at Section 271(a) very broadly and went into more

detail in the subsequent paragraphs on indirect infringement. Liability should be based on a traditional joint tortfeasor analysis showing (1) performance of at least one claimed step, and (2) substantial participation in producing the performance of the method steps.

However, independent of any liability determination for Section 271(a) infringement, a party shown to have actively induced acts that satisfy each and every element of the patent claim—whether induced in one party or more than one—should be held liable under Section 271(b). Just as the substantiality of the conduct is the consideration for joint infringement liability under Section 271(a), that substantiality consideration is embodied in the statutory terms of Sections 271(b) and (c) for inducement and contributory infringement liability. This is seen in the actual text of the statute: a defendant contributing a staple article to the assembly of a patented device would not be liable for contributory infringement, first because the statutory condition supplying non-staples was not met, but second because supplying a staple article is not a substantial participation in causing the infringing result.

This approach to Section 271 does not subvert the statutory structure defining direct and indirect infringement because the Section 271(a) analysis is distinguishable from an assessment for inducement or contributory infringement under Sections 271(b) and (c), which are offenses that an actor can commit without

practicing any of the steps of the claim. For example, a party shown to have actively induced the acts that meet each and every element of the claim, without actually performing any step of a method claim itself, could be held liable under Section 271(b). Likewise, a party supplying unpatented, non-staple parts with knowledge that they are for assembly into a patented device could be liable under Section 271(c) without performing any act of making, using, selling, or offering for Section 271(a) infringement. Accordingly, there is no risk of undermining the statutory structure that distinguishes direct from indirect infringement.

This liability analysis does not require an agency relationship between the parties who perform the method steps or a contractual obligation to another to perform the steps. Instead, it conforms to the traditional tort law basis for patent infringement.

ARGUMENT

I. Indirect Infringement Liability Exists When All Claim Steps Are Performed and the Elements of Sections 271(b) or (c) Are Proved.

In its order declaring *en banc* review, this Court requested that the briefing address two questions: (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; and (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?

As to the first question, an entity or separate entities performing separate steps of a method claim could be liable for inducing infringement if the evidence showed that all of the steps of the method were practiced to establish direct infringement and that one or more of the named parties actively induced the conduct known to be a direct infringement. Such entities could be liable for contributory infringement if the evidence showed that all of the steps of the method were practiced to establish direct infringement and that one or more of the named parties supplied non-staple parts that were material to the invention and were known to be specially adapted for use in an infringing combination.³ Once the performance of all of the claim steps is demonstrated for the predicate direct infringement, liability for inducing infringement or contributory infringement requires proof of the statutory elements of Section 271(b) or (c), respectively.

As to the second question, neither direct nor indirect infringement liability is affected by the relationship between the relevant actors; instead, the actors' liability for both kinds of infringement is determined by the substantiality of their participation in producing the infringing result. For purposes of proving indirect infringement liability, the plaintiff must show that all of the elements of the claim

³ Indirect and contributory infringement are not mutually exclusive; a party can be liable for both.

were performed to demonstrate the occurrence of direct infringement, but it need not answer the liability question for that direct infringement. Once the performance of all of the claim steps is established, the liability question for indirect infringement simply turns on the terms of Section 271(b) or (c): did the defendant “actively induce” the directly infringing acts, or did the defendant contribute non-staple parts that were material to the invention and that were known to be specially adapted for use in an infringement of a patent.

As will be explained below, the difficulty of these issues in this and other similar cases grows out of the mistaken conflation of infringement and liability in determining direct infringement as a predicate for a claim of indirect infringement. Infringement is the harm to the patentee that must be redressed, and it is proved with evidence that the invention (in all of its elements) was practiced; the further determination of liability depends on whether the conduct of the named defendant(s) played a substantial part in producing the directly infringing acts.

II. Indirect Infringement Liability Requires Proof of Direct Infringement as Performance of All Claim Steps, Without Regard to the Number of Actors

The infringement alleged in this case is induced infringement under 35 U.S.C. §271(b), but the issue on appeal is what must be proved to establish direct infringement under 35 U.S.C. §271(a) as a prerequisite of establishing harm to the patentee for a claim of induced infringement. The panel in this case followed a

line of cases that misconstrued Section 271(a) direct infringement of a method claim to occur only where all of the claim steps are performed by a single entity or by parties that are directed or controlled by the defendant under a formal agency relationship. This “single entity” and “agency relationship” view has undermined not only process patent enforcement under Section 271(a), but also under Sections 271(b) and (c) for which direct infringement proof is a precondition.

Owners of process patents must not be restricted to enforcing their rights against single entities that perform all of the steps in the method claim where all of those steps are performed by multiple parties acting together. The panel decision in this case and other panel decisions of this Court containing this limitation have created a gaping loophole that renders issued and future patents in important technologies virtually unenforceable. Under these decisions, the mere act of distributing any one claimed element to an unknowing third party could bypass the reasonable patent coverage protecting a valuable inventive contribution. To allow this situation to go uncorrected will encourage the development of business models designed to misappropriate the patented methods of others by ensuring that one or more steps of those methods are performed by separate third parties.

III. “Single Entity” Requirement for Direct Infringement Conflicts with the Statute and Tort Law Basis of Patent Enforcement.

The “single entity” requirement conflicts with the terms of the statute, undermines the statutory structure, departs from the traditional tort law basis for infringement actions, and discourages innovation.

A. Statutory Construction of “Whoever”

The answers to the Court’s questions on liability for indirect infringement of a method claim proceed fundamentally from the proposition that direct infringement, as the precondition for proving indirect infringement, does not require that a single entity performed every step of the claimed process. The basis for this proposition is found in the language of the patent statute, which addresses direct infringement at Section 271(a) (emphasis added) as follows:

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.

Thus, the controlling language in this case is “whoever ... uses ... any patented invention ... infringes the patent,” which contains nothing that confines the scope of Section 271(a) to infringement by a “single entity.”

As more fully explained in AIPLA’s brief amicus curiae in the *Akamai* case, the statutory construction of the grammatically singular term “whoever” compels a meaning of “person or *persons*.” In light of this construction, the statute cannot justifiably be limited to infringement by a single entity.

B. Statutory Construction of “Uses ... Any Patented Invention”

Infringement under Section 271(a) pertains to the use of “any patented invention.” As the case law makes clear, such a use occurs whenever every element of the claimed invention has been practiced. *Warner-Jenkinson Corp. v. Hilton Davis Corp.*, 520 U.S. 17 (1997) (holding that the doctrine of equivalents, like literal infringement, must be tested element by element); *Canton Bio-Med., Inc. v. Integrated Liner Techs., Inc.*, 216 F.3d 1367, 1370 (Fed. Cir. 2000); *Gen. Foods Corp. v. Studiengesellschaft Kohle GmbH*, 972 F.2d 1272, 1274 (Fed. Cir. 1992). For method patent claims, infringement occurs when all of the steps of the process are performed. *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 773 (Fed. Cir. 1993).

Where such an infringement exists, nothing in the statute or in the rule requiring that all claim steps are performed suggests that a remedy for patent infringement will lie only when the “use” of the patented invention results from a single person’s activities, rather than from the combined actions of two or more persons.

To the extent prior panel opinions have held otherwise, they did not analyze the issue by applying the historical tort principals that have traditionally been applied in patent cases. For example, while *BMC* held that the defendant could not be liable for direct infringement because it did not perform all of the claimed

method steps, it did so based on *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1568 (Fed. Cir. 1983), and *Cross Medical*, 424 F.3d at 1311. In *Fromson*, the court held that the judgment of direct and contributory infringement was based on an erroneous claim construction. Its passing comment that the defendant could not be liable where its customers performed one of the claimed steps was dicta that lacked any analysis of the joint tortfeasor issue or any citation to authority. In *Cross Medical*, the court found that the presence of the defendant's representatives in the operating room advising doctors on the use of its devices was insufficient to attribute the doctors' conduct to the defendant for Section 271(a) purposes. However, this decision was also reached in a conclusory way with no citation to authority.

These cases, and others like them, stem from a conflation of the proper analysis of infringement, which should first look to whether the unauthorized use of the claimed invention has occurred, and then to whether one or more of the persons involved in creating that harm may be held fairly liable for it. Under this two step approach, the first question is the traditional one: has every element of the patent claim been practiced such that an infringement has resulted? Once that harm to the patentee has been established, the next questions are: (1) who was involved in causing that harm, and (2) which of their participations were substantial enough to fairly hold them liable for causing that harm? This approach

preserves the requirement that direct infringement must be shown as a necessary predicate to proving indirect infringement. By contrast, requiring that a single entity be liable for direct infringement to serve as a precondition to finding indirect infringement undercuts the ability to enforce valid patents and encourages the outsourcing of method steps to circumvent legitimate enforcement efforts.

This analytical framework subsumes not only single-actor and actor-agent infringements, but other situations, as in the case at bar, where several persons acting together produce the infringing harm and at least one of them has had such a substantial involvement in doing so that they fairly should be held liable for causing that harm.

As more fully explained in AIPLA's brief *amicus curiae* in the *Akamai* case, the history of Section 271, in fact, is consistent with the application of traditional tort doctrine to direct patent infringement, without the limitation of a "single entity" requirement. Section 271 was primarily enacted to respond to problems of contributory infringement and patent misuse, and the direct infringement provision at Section 271(a) is in some ways the broadest of the infringement provisions and perhaps the one most reliant on the common law.⁴

⁴ P.J. Federico, "Commentary on the New Patent Act," 75 J. Pat. & Trademark Off. Soc'y 161, 212 (1993); G. Rich, "Infringement Under Section 271 of the Patent Act of 1952," 35 J. Pat. Off. Soc'y 476 (1953); K. Lutz, "The New 1952 Patent Statute," 35 J. Pat. Off. Socy. 155, 157 (1953).

C. Statutory Construction: Section 271(a) Actions Against Multiple Parties Will Not Render Remaining Provisions of Section 271 Superfluous

It has been said that the statutory scheme for indirect infringement under Sections 271(b) and (c) will be subverted by permitting Section 271(a) actions against multiple parties, each performing less than all of the claim steps but together performing all of them.⁵ It will not. The correct consideration is not the statutory scheme for indirect infringement, but rather the statutory scheme for Section 271 infringement as a whole. Each separate paragraph of the statute is not an entirely discrete category of prohibited activity, and there may be a degree of overlap in the applicability of those paragraphs to a specific accused infringer's conduct.

The observation that applying Section 271(a) to independent conduct of multiple actors would undermine the separate remedy for indirect infringement fails to recognize the breadth of Section 271(a) and that it in fact is an indispensable part of an infringement claim under any paragraph of Section 271. It is well established that there can be no indirect infringement unless infringement under Section 271(a) is demonstrated.⁶ In that sense, Section 271(a) infringement is a necessary but not sufficient requirement for every indirect infringement claim.

⁵ *BMC*, 498 F.3d at 1381; *McKesson Technologies, Inc. v. Epic Systems Corp.*, No. 2010 (Fed. Cir. Apr. 12, 2011), vacated for en banc review.

⁶ *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 500 (1964).

Nor would Sections 271(b) and (c) be rendered “meaningless” or “superfluous” by the approach to Section 271(a) proposed here because those paragraphs continue to apply in circumstances where (a) does not.⁷ Sections 271(a), (b) and (c) provide both complementary and overlapping bases for imposing liability.⁸ For example, Section 271(a) does not apply to an entity that performs no steps of a patented method itself. However, that same entity could be liable for inducing infringement under Section 271(b).⁹ That entity could also be liable for contributory infringement under Section 271(c) by providing a non-staple, material component to perform the steps of the process.¹⁰ Moreover, when seeking relief for inducement or contributory infringement, a patent owner can obtain broader injunctive relief to prevent aiding and abetting a direct infringement. The same conduct that constitutes induced or contributory

⁷ *Connecticut National Bank v. Germain*, 503 U.S. 249, 253 (1992) (overlapping statutory sections not superfluous where each “confers jurisdiction over cases that the other section does not reach”); *James v. Santella*, 328 F.3d 1374, 1381-82 (Fed. Cir. 2003) (interpretation not superfluous where “prevailing party” not always “substantially innocent”).

⁸ See, e.g., *Arthrocare Corp. v. Smith & Nephew, Inc.*, 310 F.Supp.2d 638, 657-61 (D. Del. 2004), aff’d in part, vacated in part, 406 F.3d 1365 (Fed. Cir. 2005); *Drexelbrook Controls, Inc. v. Magnetrol Int’l, Inc.*, 720 F. Supp. 397, 407 (D. Del. 1989).

⁹ See, e.g., *Arthrocare Corp. v. Smith & Nephew, Inc.*, 406 F.3d 1365, 1376-77 (Fed. Cir. 2005). The Supreme Court in *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. ___, 131 S.Ct. 2060 (2011) recently addressed the requirements for establishing inducement of infringement under Section 271(b).

¹⁰ See, e.g., *Preemption Devices, Inc. v. Minnesota Mining & Mfg. Co.*, 803 F.2d 1170, 1174 (Fed. Cir. 1986).

infringement may also independently constitute an act of direct infringement. For example, selling an infringing product is a direct infringement and may also be an act of inducing a customer to sell or use the infringing device.¹¹ However, the law is clear that if these are multiple bases for liability, that does not allow multiple recovery of damages, *e.g.*, *Aero Prods. Int'l, Inc. v. Intex Rec. Corp.*, 466 F.3d 1000, 1017 (Fed. Cir. 2006).

Despite an overlap in the scope of infringement set out in paragraphs (a), (b) and (c) of Section 271, the direct and indirect provisions can be distinguished as to liability. One distinction is that Section 271(a) imposes strict liability on joint tortfeasors, requiring “substantial participation” of the named defendant in producing the infringing result. The type of activity required for indirect infringers under paragraphs (b) and (c), however, is different insofar as the named defendant need not practice any element of the patent claim, although some involvement must be proved with evidence of knowledge and of the materiality of the steps performed or of the part contributed. This distinction operates to prevent the imposition of liability on actors who otherwise participate in producing the infringement by carrying out claim steps that are not a substantial contribution to or are otherwise too remote from the infringing harm.

¹¹ See *e.g.*, *Global-Tech Appliances*, 131 S. Ct. at 2064.

Sections 271(b) and (c) were enacted to codify existing law of contributory infringement, not to change existing law of direct infringement. There is no indication in the statutory history that Congress intended to exclude joint infringement when it enacted Sections 271(a), (b) and (c). The Supreme Court in *Aro Manufacturing Co.* drew upon common-law principles, not a new “rule of law,” in stating that “a contributory infringer is a species (not a genus) of joint-tortfeasor, who is held liable because he has contributed with another to the causing of a single harm to the plaintiff.” *Id.* at 500.

Accordingly, statute and its application in the case law support the conclusion that Section 271(a), in addition to Sections 271(b) and (c), is available for actions against multiple actors infringing method patent claims.

IV. Joint Tortfeasor Law, Not Agency Law, Is the Correct Basis for Determining Infringement by Multiple Parties Sued Under Section 271(a)

The panel decision in this case concluded that the induced infringement charge had to be dismissed because the showing of direct infringement failed. Because a step in the method claim was performed by an unnamed party and that step could not be attributed to the named party, no named single party performed all of the claim steps.

However, the correct basis for assessing infringement by multiple parties sued for infringement under Section 271(a) is joint tortfeasor law, not agency law.

Recent decisions of this Court that require a principal's direction or control of an agent to determine which actions are attributable to a "single entity" incorrectly leave behind the tort law basis of infringement and foreclose many interactive technologies from obtaining enforceable patent rights.¹²

As explained above, a direct infringement determination should establish whether there has been a tortious harm inflicted on the patentee by the unauthorized practice of all of the method steps in the patent claim, without regard to the number of actors engaged in the performance of such steps. Where that infringement is demonstrated, the assessment of which actor or actors should be liable for the harm of infringement should be determined by the substantial and causative nature of their participation in producing the infringing harm to the patentee.

In shorthand, the query is: (1) were all of the claim steps practiced to demonstrate infringement; (2) who were the actors engaged in the performance of the claim steps; and (3) was the performance of the claim step(s) by a particular actor a substantial and causative part of the harm inflicted on the patentee? This

¹² See *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1852) ("The franchise which the patent grants, consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee."); see also *McKesson Techs. Inc. v. Epic Sys. Corp.*, No. 2010-1291, slip op. at 6 (April 12, 2011) (Newman J. dissenting) ("A patent that can never be infringed is not a patent in the definition of the law, for a patent that cannot be infringed does not have the 'right to exclude.'").

analysis permits the liability determination to be made according to the specific conduct presented in a wide variety of factual settings, rather than by looking for formal relationships between actors, which can easily be manipulated to circumvent the patent owner's enforcement rights. Where direct infringement under traditional joint tortfeasor principles is established, an agency relationship between defendants certainly may provide grounds for direct infringement liability, but the agency issues are not relevant to the determination of direct infringement itself.¹³

However, this analysis of direct infringement does not change the analysis that is applicable to indirect infringement liability. If all of the claim steps are performed, liability for indirect infringement is determined by evidence on the statutory terms of Sections 271(b) and (c).

A. Authority Cited in Panel Opinions Fail to Provide a Theory of Liability Consistent with Patent Enforcement Rights

The principal cases that led to *en banc* consideration of the required showing for multiple-actor infringement of a method claim under Section 271(a) were

¹³ For example, vicarious liability may be a proper basis for identifying the actors engaged in performing method claim steps where the defendant (1) profits from the activities of the direct infringer, (2) has the right, ability or duty to control those activities, and (3) declines to do so. *See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005). This circumstance would apply to respondeat superior liability where an employer effectively stands in the shoes of its employee engaged in direct infringement.

BMC, *Muniauction* and *Akamai*.¹⁴ As more fully explained in AIPLA’s brief *amicus curiae* in *Akamai*, those decisions turn on the relationship between the named defendant who performs some of the claim steps and the unnamed actors who perform the remaining claim steps. This is not the appropriate analysis for assessing infringement because it invites a defendant to simply outsource steps to avoid infringement, a practice repudiated under established rules of tort law.¹⁵ Moreover, the requirement of a formal agency relationship in *Akamai* severely limits the use of vicarious liability, which has long been recognized as an alternative theory of liability.

B. Panel Decisions of this Court Have Strayed from Tort Law Basis of Patent Infringement

The panel decisions on actions involving multiple parties who together practice all claim steps but individually practice less than all have strayed from the longstanding tort law basis for establishing infringement. Concern for the enforcement of patent rights against defendants who outsource the performance of

¹⁴ The Court ordered en banc review in *Akamai* where the issue is direct infringement under Section 271(a) alone because the issue of inducement was waived. *En banc* review in this case presents the question of Section 271(b) inducement, although the vacated panel opinion did not analyze the merits of the inducement claim and instead ruled that the claim failed for lack of direct infringement.

¹⁵ Although not presented by the facts of this case, a “mastermind” theory of liability could also be applied to other settings where the performance of claim steps by unnamed actors the named defendant could be attributed to a Section 271(a) defendant that orchestrates the steps of others, knows that all of the steps are being performed, and enjoys the commercial benefit of the infringement.

claim steps to avoid liability has been a matter of concern in the law for a long time. Although it arose in the context of a combination utility patent, the seminal decision in *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871) is instructive.

The claim at issue in *Wallace* was directed to an improved lamp comprising the combination of a chimney and a burner, and infringement was alleged against the maker and seller of the burner, which was useless without the chimney. The Court acknowledged that one who uses some but not all of the parts, is not an infringer, but it did not find this an adequate answer where the defendant is one of several joint infringers. Judge Woodruff explained as follows:

It cannot be that, where a useful machine is patented as a combination of parts, two or more can engage in its construction and sale, and protect themselves by showing that, though united in an effort to produce the same machine, and sell it, and bring it into extensive use, each makes and sells one part only, which is useless without the others, and still another person, in precise conformity with the purpose in view, puts them together for use. If it were so, such patents would, indeed, be of little value. In such case, all are tortfeasors, engaged in a common purpose to infringe the patent, and actually, by their concerted action, producing that result.

Id. at 80. The *Wallace* decision rejected the possibility of avoiding infringement by showing only partial performance by individuals where entire performance is accomplished by concerted action. This principle applies to method claims as well as to combination apparatus claims where the steps of the claimed method are

analogous to the combined elements of the claimed apparatus. In this respect, the *Wallace* decision is a repudiation of a “single entity” rule.¹⁶

C. The Relationship Between Actors Does Not Affect Direct or Indirect Infringement Liability

The assessment of indirect liability should not focus on the relationship of the party or parties which individually or in combination met the elements of the claimed patent. Instead, courts should simply confirm that the completed infringement occurred and then move on to assess the acts and the mental state of the party facing liability under the terms of Section 271(b) or (c). At a minimum, by recognizing the separate questions of infringement and assessment of which parties should be liable for such infringement, the Court may avoid the trap of a single entity rule which both eviscerates the statutory intent of 271(b) and (c) and creates loopholes in coverage and incentives to action which do not align with the goals of the patent system as a whole.

Section 271(a) liability should be based on a traditional joint tortfeasor analysis showing (1) performance of at least one claimed step, and (2) substantial participation in producing the performance of the method steps. Thus, liability would attach only to each named defendant who (a) has had some involvement in

¹⁶ This proposition is presented in two leading treatises of the day together with the relevant case law. 3 W. Robinson, *Patents* §924, p. 101 (1890), and G. Curtis, *Patents* §309b, p. 401 (1873).

performing the claim steps, *and* (b) has had a substantial involvement in causing the infringing harm.

Section 875 of the Restatement on Torts states: “[i]t is implicit that any one of a number of persons whose tortious conduct is a substantial factor in causing harm is liable for the harm in absence of a superseding cause.” Comment d to Section 834 of the Restatement explains as follows:

When a person is only one of several persons participating in carrying on an activity, his participation must be substantial before he can be held liable for the harm resulting from it. This is true because to be a legal cause of harm a person’s conduct must be a substantial factor in bringing it about. (See §§ 431-433, and § 876). When there is reasonable doubt, the question is for the trier of fact. (See § 434). Thus if the operation of a dance hall unreasonably interferes with the comfortable enjoyment of a neighboring residence, the proprietor is liable, but a patron normally does not participate in the objectionable activity to such an extent as to justify imposing liability upon him for the invasion. Likewise, a workman employed with others to dig a cesspool does not participate to a sufficient extent to justify holding him liable for harm to another’s land caused by its negligent use.

This assessment of an actor’s substantial participation in producing the infringement is consistent with the approach taken elsewhere in the patent statute. The following provisions illustrate that the substantiality of the conduct in causing the infringing harm is a factor in determining whether liability attaches and whether conduct is exempt from liability as insubstantial:

- Section 271(c) requires, for contributory infringement, the provision of a “material part of the invention” while exempting activity relating to “a staple article or commodity of commerce suitable for substantial noninfringing use;”

- Section 271(f)(1) requires the provision of “a substantial portion of the components of an invention”;
- Section 271(f)(2) requires the supply of a “component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article”; and
- Section 271(g)(2) provides an exemption for products which “become[] a trivial or nonessential component of another product.”

Applying these tort principles in the patent context, a direct infringement may take place, even in the absence of an agency relationship, when two or more persons acting together practice all the steps of a method claim. However, liability for that infringement will attach only to those persons whose conduct was a substantial factor in causing the infringement. While it will generally be left for the jury to decide the issue of substantiality, the statute does provide safe harbors relating to the provision of staple products and commodities of commerce suitable for substantial noninfringing uses.

Customers who simply carry out a few steps of a patented method, or deploy certain modules of a patented software application, should not ordinarily be liable for schemes or systems set up by a commercial party. Rather, the commercial party should remain liable for the infringement, even if, as the commercial actor clearly intends and as a reasonable proximate result of their actions, those additional steps or claimed components are carried out by such customers.

Conclusion

There is no black letter rule in the statute or in the case law that provides a simple answer to the questions presented in this case. Instead, there is a confluence of legal principles that need to be harmonized in a way that preserves the effectiveness of the statute for vindicating the rights conferred by a patent and in a way that is consistent with longstanding doctrines that have informed the application of the statute. Tort law as applied to joint infringement, not agency law, provides the best set of principles toward that end.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I filed the foregoing **BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF REVERSAL, BUT IN SUPPORT OF NEITHER PARTY** on July 1, 2011, by mailing the original and eighteen (18) copies thereof by overnight courier service, Federal Express, via Priority Overnight service (for delivery on July 5, 2011) to:

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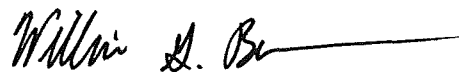
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CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(7)(C) of the Federal Rules of Appellate Procedure, the undersigned certifies that:

1. This brief complies with the type-volume limitation of FED. R. APP. P. 29(d) and 32(a)(7)(B) because this brief contains 5830 words, excluding the parts of the brief exempted by FED. R. APP. P. 32(a)(7)(B)(iii), as determined by the word processing system used to generate the brief.

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Dated: July 1, 2011



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