

No. 12-786

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

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LIMELIGHT NETWORKS, INC.,  
*Petitioner,*

v.

AKAMAI TECHNOLOGIES, INC., ET AL.,  
*Respondents.*

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

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**BRIEF FOR AMICUS CURIAE  
INTERNATIONAL BUSINESS MACHINES  
CORP. SUPPORTING NEITHER PARTY**

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**BRIEF FOR INTERNATIONAL BUSINESS  
MACHINES CORP. AS AMICUS CURIAE  
SUPPORTING NEITHER PARTY**

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**INTEREST OF THE AMICUS CURIAE<sup>1</sup>**

International Business Machines Corporation (IBM) is a globally recognized leader in the field of information technology research, development, design, manufacturing, and related services. During IBM's more than 100-year history, its employees have included five Nobel laureates, five National Medal of Science recipients, and ten winners of the National Medal of Technology. The United States Patent and Trademark Office (PTO) has granted IBM tens of thousands of United States patents—more patents each year than any other entity, for the last 21 years. Accordingly, IBM has long served as a leading advocate for sound patent policy.

IBM is uniquely positioned to provide a balanced perspective on the competing interests at stake here—ensuring that patent claims are properly enforceable but also provide proper public notice of the claimed invention. As one of the most successful licensors of technology in the world, IBM relies on its patents to advance its business interests. As a provider of innovative products and services in a broad range of fields, IBM is frequently forced to defend against charges of infringement. IBM therefore has

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<sup>1</sup> Letters reflecting the parties' consent to the filing of this brief are on file with the Clerk or being lodged herewith. No counsel for a party authored any portion of this brief. No party and no other entity, except *amicus* and its counsel, made any monetary contribution toward the preparation or submission of this brief.



no inherent incentive to favor licensees over patent owners, or vice versa.

### SUMMARY OF ARGUMENT

This case came to the Federal Circuit as a dispute over the standard for establishing direct infringement—specifically, when the joint conduct of two entities can be combined to establish patent infringement. That was the basis of the panel’s ruling. But when the *en banc* decision issued, direct infringement had completely disappeared from the case. The Federal Circuit instead adopted a rule that created liability for *inducing* infringement, even when no one is liable for *committing* infringement. That misguided attempt to give patentees a new enforcement tool is contrary to the statute, to this Court’s decisions, and to the principle of public notice of patents’ scope. The myriad unintended consequences of that rule have yet to be fully appreciated. Had the Federal Circuit stayed on course and used this case to clarify the law of direct infringement by multiple parties, none of those problems would have arisen.

I. Infringement is defined in the statute: “[W]hoever without authority makes, uses, . . . or sells any patented invention, within the United States . . . during the term of the patent therefor, infringes the patent.” 35 U.S.C. § 271(a). In the context of a method claim, infringement means performing each and every step of the patented method. The claim gives the public notice that performing all the steps infringes the patent—and that performing fewer than all the steps does *not* infringe the patent.

The Federal Circuit held that there can be liability for induced infringement even where no one satisfies

all of the requirements in the statutory definition of infringement. The court insisted that inducement liability can be triggered when multiple entities “collectively” perform the steps of a patented method, even if those entities do not have the kind of relationship with one another necessary to make them jointly liable for direct infringement. Under the Federal Circuit’s holding, the accused infringer becomes responsible for the collective performance of method steps by multiple independent entities whenever he meets an attenuated and one-sided intent requirement. But Section 271(b) defines an inducer as one who “actively induces infringement of a patent,” and this Court has consistently held there cannot be induced infringement where there is no direct “infringe[ment]” as defined by Section 271(a). Actions that do not meet all of the elements of that definition, such as those that are not performed “within the United States” or are not performed “without authority,” are not a proper basis for proving either induced infringement under Section 271(b) or contributory infringement under Section 271(c),<sup>2</sup> even if they involve practicing all the elements of the patented invention. See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526-27 (1972); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 497-98 (1964) (*Aro II*). The reasoning of those cases is controlling here: actions that are not “infringe[ment]” under Section 271(a) cannot be a predicate for indirect infringement.

II. By creating liability where no one performs or is responsible for the performance of all the steps of a

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<sup>2</sup> Induced infringement and contributory infringement are collectively known as “indirect” infringement.

patent claim, the Federal Circuit’s decision contravenes the public-notice principle that is at the heart of the modern Patent Act. The present-day statute requires particularized “claims,” placing the burden on the patentee to tell the world precisely what steps or elements define his rights. Today, the patentee sets out the elements of his own claim, and every one of those elements is material. The balance between rewarding inventors and promoting innovation would be upset if the public could not invent and invest in reliance on those claimed elements: if any one of those elements is omitted, there must be no liability.

Yet here the Federal Circuit has created just such a form of liability without every element, by aggregating the acts of unrelated persons and imposing liability on their supposed common inducer—with whom they may have only a highly attenuated relationship. That rule upsets settled expectations by dramatically increasing the set of activities covered by each patent, including activities performed for years that the public reasonably believed were not infringing. Increased uncertainty and litigation will inevitably follow, especially in markets such as cloud computing, where the contributions of numerous product and service providers interoperate and are often consolidated. The statute’s scienter element—which as a practical matter is easily satisfied once a target receives notice of the alleged infringement—does little to keep that expansion of liability in check.

This new rule is not justified, as the Federal Circuit seemed to think, by the need to make sure patents covering certain technologies or drafted in a certain way are enforceable. On the contrary, pa-

tentees must draft their claims to anticipate how their inventions will be affected by emerging technologies, and when they fail to do so, the patentees and not the public must bear the consequences. Thus, if a patentee drafted her claim in such a way that the claim cannot be infringed by a single person or set of jointly responsible persons, that is the patentee's own fault. There is no reason to give such a patentee a powerful new liability weapon, especially when doing so undermines the public-notice function on which the patent system depends.

III. The Federal Circuit should have looked for a solution in the place where this case started: the principle of joint liability for *direct* infringement. By avoiding that issue, the Federal Circuit has left the test for joint liability for direct infringement hopelessly murky. In particular, it has suggested at times that joint liability will attach only when one party is the "mastermind" and the other the agent. It has even reversed a jury's finding of joint liability on the ground that the defendants, who were equal partners, could not control one another and so were not liable for each other's conduct. The Federal Circuit has failed to address longstanding questions regarding the proper scope of joint liability for infringement and instead has created an additional set of problems with its new inducement-only rule. The Federal Circuit should have tackled the problem with *direct* infringement that its own precedents have created, rather than establishing a new and significantly more problematic standard for liability by disrupting the law of *induced* infringement.

Remanding this case would allow the Federal Circuit to do what it should have done in the first in-

stance and what the patent community expected it to do: to consider the diverse circumstances in which parties are responsible for each other's actions even absent a hierarchical relationship, such as general partners and joint venturers. If divided infringement truly presents a problem, principles of joint responsibility for direct infringement likely can solve it.

### ARGUMENT

This case is here because at the *en banc* stage, the Federal Circuit tackled the wrong question and arrived at an answer that undermines sound patent policy. The panel had considered, and the *en banc* court was set to examine, a question of *direct* infringement under Section 271(a): “If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?” Pet. App. 196a.<sup>3</sup> As reflected in the 22 briefs submitted on rehearing by amici, including many of the world's leading companies, the Federal Circuit's precedents in that area were confused and ripe for clarification: it appeared that the Federal Circuit would find liability for direct infringement only when all steps of a patented method were performed by the same entity or someone under its “control or direction,” and the scope of “direction or control” appeared to be narrowing. *See* Pet. App. 109a-117a. By contrast, there was no confusion about the basic rule that *indirect* infringement under

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<sup>3</sup> As the panel opinion noted, “Akamai waived any assertion of indirect infringement before trial,” so the question on appeal was “one of direct infringement only.” Pet. App. 109a n.3.

Section 271(b) or 271(c) “requires a predicate finding of direct infringement.” *E.g.*, *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1380 (Fed. Cir. 2007); *see id.* at 1379.

Surprisingly and unnecessarily, the *en banc* court declined to address the question of joint direct infringement and instead dramatically expanded the law of induced infringement, contravening the statute and this Court’s precedents and departing from the fundamental principle of public notice that the present-day Patent Act embodies.

### **I. Liability For Inducing Infringement Is Necessarily Tied To Direct Infringement**

The patent statute defines inducement liability in Section 271(b): “Whoever actively induces infringement of a patent shall be liable as an infringer.” Applying that provision essentially involves two inquiries: inducement, which requires scienter, and infringement. This Court has consistently turned to Section 271(a) to define infringement for other provisions of the Patent Act, including Sections 271(b) and 271(c). A straightforward reading of the statute compels reliance on the single, uniform definition of infringement set forth in 271(a).

Against this settled approach, the Federal Circuit’s new rule creates an anomaly by improperly severing the connection between liability for direct infringement, under Section 271(a), and liability for inducing infringement, under Section 271(b). The *en banc* majority thought that the two concepts need not refer to one another, and that they simply set out different “type[s] of conduct that qualif[y] as infringing.” Pet. App. 20a. Effectively, the *en banc* court created a

new kind of “infringement,” completely untethered from the requirements of the statute and the prior decisions of this Court. But under the statute, infringement has only one defined meaning—*i.e.*, committing the acts specified in Section 271(a)—and this Court’s decisions show that inducing or contributing to infringement must incorporate every element of that definition as well.

Under the Federal Circuit’s rule, the “infringement” induced under subsection (b) need not be conduct that “infringes the patent” under subsection (a). That interpretation cannot be reconciled with the statute or with this Court’s cases.

**A. Section 271(a) Defines  
“Infringement”**

There is only one definition of “infringement” in the Patent Act. “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.” 35 U.S.C. § 271(a). To be “infringement,” conduct must meet each and every element of that definition.

By establishing what is necessary for direct infringement, Section 271(a) gives content to the patentee’s “right to exclude,” 35 U.S.C. § 154(a). It thus sets out the substantive standards for a patentee’s civil action against an infringer, *see* 35 U.S.C. § 281 (“A patentee shall have remedy by civil action for infringement of his patent.”), or a declaratory-judgment action against a patentee, *see, e.g., Med-*

*tronic, Inc. v. Mirowski Family Ventures, LLC*, No. 12-1128, slip op. at 8-9 (Jan. 22, 2014).

But as this Court has recognized, Section 271(a) also defines “infringement” for other purposes: it is the source from which other provisions, including 35 U.S.C. § 271(b), draw their concept of patent infringement. *See, e.g., Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 (2011) (citing Section 271(a) as defining the infringing conduct that an inducer must induce); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 & n. 8 (1961) (*Aro I*) (Section 271(a) “defines ‘infringement’”). Subsection (a) defines what infringement *is*; subsection (b) and other provisions in the Patent Act rely on that definition.

Even if Section 271(a) were not a definitional provision *per se*, this Court would still presumptively apply the “normal rule” that the terms “infringes” and “infringement” in subsections (a) and (b) have a common meaning. *E.g., Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2004-05 (2012) (citations omitted). Here, while the meaning of “infringes” in subsection (a) as it applies to joint infringers may be somewhat unsettled, *see* Section III, *infra*, the *en banc* court made no effort to resolve that meaning, much less to reconcile it with the court’s construction of subsection (b). *See* Pet. App. 5a-6a. Instead, the court just needlessly cut the tie between subsections (a) and (b).



**B. The Federal Circuit Has Unmoored Inducement Liability From The Concept Of Infringement That Anchors It In The Statute**

The Federal Circuit apparently concluded that at least as it relates to liability for induced infringement, “there *has been* direct infringement” whenever all of the elements of a patented invention are practiced—no matter when or by whom. That conclusion necessarily ignores the definition of infringement written into the Patent Act by Section 271(a), including its explicit limitations and the implicit limitations recognized by this Court. For example, to be “infringement,” an act must be “without authority,” it must be “within the United States,” and it must be “during the term of the patent” for the patented invention. And relevant here, Section 271(a) limits liability for infringement of a method patent to “whoever . . . uses” the patented method, *i.e.*, to the person that performs each and every step of the patented method, either itself or through others for whose conduct it is legitimately responsible. This Court has made clear that those limitations on *direct* infringement also limit *indirect* infringement under Sections 271(b) and 271(c). By cutting the link with Section 271(a), the Federal Circuit leaves no reason why those important limitations—or any other limitation that this Court and the Federal Circuit have long read into the cause of action for direct infringement—would apply to liability under Section 271(b) or 271(c). The Federal Circuit’s decision cannot be squared with this Court’s decisions.

For example, in *Deepsouth*, this Court recognized that direct infringement is limited to actions “within

the United States,” 35 U.S.C. § 271(a), and it so limited contributory infringement as well. The defendant in *Deepsouth* exported the components of the patented invention, and the overseas customers assembled them—thus “making” the patented invention. If the defendant’s customers had been based in the United States, there is no doubt that the defendant would have been liable for induced or contributory infringement. But they were not based in the United States. And because they were not, their actions did not constitute infringement under the statute, and the defendant could not be held liable for contributing to infringement. 406 U.S. at 526-27.

Similarly, this Court’s decision in *Aro II* applies another limitation borrowed from Section 271(a). Direct infringement requires that the defendant acted “without authority.” 35 U.S.C. § 271(a). In *Aro II*, it was “clear” that the defendant’s customers were making the patented invention (by repairing it). 377 U.S. at 483. Those who did so “without authority” were infringers, and *Aro* was a contributory infringer. *See id.* at 483-85. But this Court determined that many of *Aro*’s customers “had a ‘license’” to repair the patented article. *Id.* at 497-98. “Hence they did not commit direct infringement under § 271(a) when they had the fabrics replaced,” and *Aro* “did not commit contributory infringement under § 271(c).” *Id.* at 498.<sup>4</sup>

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<sup>4</sup> Observing that the *Aro* cases involved a product claim, the Federal Circuit held that the problem of divided infringement does not arise for product claims as it does for method claims. Pet. App. 24a-25a. That policy-based distinction ignores this Court’s *reasoning*, which held that the limitations of Section 271(a) also limit indirect liability under Sections 271(b) and

Just as Section 271(a) establishes that overseas conduct and authorized conduct are not “infringement,” it also establishes that “collective[]” conduct of the sort the Federal Circuit perceived here is not infringement. To the *en banc* court, inducing infringement includes inducing others to perform, “collectively,” the steps of a patented method. Pet. App. 2a, 6a, 9a. But as the *en banc* court used the word, “collectively” just means “separately.” And when the steps or elements of an invention are performed separately, rather than by the same person or entity, or those deemed legally responsible for one another’s actions, there is no infringement. That is because under the patent laws, “[e]ach element contained in a patent claim is deemed material to defining the scope of the patented invention.” *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997). Therefore, there can be no infringement unless the infringer performs *each and every* limitation (or the equivalent) set out in the patent. *See, e.g., id.* at 40 (stating that “the essential inquiry” is: “Does the accused product or process contain elements identical or equivalent to each claimed element of the patented invention?”); *Cimiotti Unhairing Co. v. Am. Fur Ref. Co.*, 198 U.S. 399, 410 (1905).<sup>5</sup>

If multiple entities’ “collectively” but separately performing the steps of a method is not enough to show direct infringement, without some sort of legal

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271(c). *See, e.g., Aro I*, 365 U.S. at 342 (Section 271(a) “defines ‘infringement’” for these purposes).

<sup>5</sup> In the context of a method claim, proving infringement requires proving that the infringer performed *each step* of the patented method, because each step is a limitation. *See, e.g., Canton Bio-Med. v. Integrated Liner Tech.*, 216 F.3d 1367, 1370 (Fed. Cir. 2000).

“relationship between the actors,” Pet. App. 6a, the straightforward conclusion is that such separate activity is not enough to serve as a predicate for *induced* infringement, either.<sup>6</sup> The Federal Circuit resisted that conclusion, holding that Section 271(a) does not define the predicate for induced infringement, but that reasoning would have required it to decide *Deepsouth* and *Aro II* squarely contrary to this Court’s holdings. The Federal Circuit would have reasoned that the patents were, in fact, being infringed, because in both cases someone was making the patented inventions, and the Federal Circuit saw “no reason” to distinguish between inducing others to “collectively practice the steps of the patent method” and inducing “a single direct infringer” to commit infringement as defined by Section 271(a).<sup>7</sup> Pet. App. 9a. But the law does see reason to distinguish: the patentee has no basis for expecting anyone to be liable for damages or injunctive relief when no one has met the definition of “infringement” set out in Section 271(a). That was the case in both *Deepsouth* and *Aro II*. And because there was no direct in-

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<sup>6</sup> Under the Federal Circuit’s test, the scienter element is the only tie that “connects” the inducer to the persons whose actions are being induced. Even that one-way connection is tenuous: the inducer must simply intend to cause actions that it knows are infringing (and this knowledge can be satisfied by proving “willful blindness”). *Global-Tech*, 131 S. Ct. at 2069. That is no substitute for a recognized relationship whereby at least one party is responsible for another’s actions. See Section II.C, *infra*.

<sup>7</sup> The Federal Circuit dismissed *Aro I* (Pet. App. 23a-24a) based on a “reconstruction-repair distinction,” which this Court explained in *Aro II* was significant only where the customer had a license. 377 U.S. at 480. Thus, *Aro*’s unlicensed customers did practice the invention and *were* directly liable simply for making a “repair.” *Id.* at 484-45.

fringement, there could be no contributory or induced infringement, and no liability.

Preserving the rule that liability for indirect infringement follows liability for direct infringement also preserves harmony among the Patent Act's liability and remedy provisions. By allowing liability for inducement without liability for infringement, the Federal Circuit's rule poses significant "new uncertainties" regarding remedy. Pet. App. 55a (Newman, J., dissenting). Patentees like respondents will be largely unable to obtain effective injunctive relief on an inducement-without-infringement theory: even if the defendant were enjoined from *inducement*, the persons who, "collectively," are practicing the steps of the patented method would be free to continue their conduct—their individual actions may constitute "pieces" of an "infringement" induced by another, but they are not liable for direct infringement as defined in Section 271(a). As a result, patentees' sole remedy will be to pursue the alleged inducer for damages. Under the statute, damages must be "adequate to compensate for the *infringement*, but in no event less than a reasonable royalty for the use made of the invention by the *infringer*," 35 U.S.C. § 284 (emphases added), but here there is no "infringement" and no "infringer" against whom damages may be assessed. As the alleged inducer likely lacks control over the induced entities (who otherwise would be joint infringers), it cannot stop those entities' activities or the resulting injury to the patentee. Neither can the patentee. So damages will continue to mount, with

the cost of compliance shifted to the alleged inducer in perpetuity.<sup>8</sup>

Congress has since created a way to impose induced-infringement liability on facts like those in *Deepsouth*. But in that new, narrow exception, Section 271(f), Congress preserved the principle that practicing a patent overseas is not infringement: Section 271(f) refers to the combination of components “outside of the United States in a manner that *would* infringe the patent *if* such combination occurred within the United States,” but it never treats the extraterritorial conduct *as* infringement. Rather, the enactment of Section 271(f) shows that a special statutory provision was needed to create liability for inducement absent direct infringement under Section 271(a). The adoption of that special exception certainly does not sever the link between infringement under Section 271(a) and indirect infringement under Section 271(b) or 271(c) for any conduct not covered by Section 271(f). To the contrary, Congress manifested its acquiescence in the broader principles for which the *Deepsouth* and *Aro II* decisions stand.

As this Court has explained, given Congress’s careful and calibrated attention to the patent laws, and in particular to the relationship between direct and indirect infringement, it would be inappropriate for this Court to reinterpret the statute to close openings that Congress left intact. Any such “loophole,” in

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<sup>8</sup> To protect themselves against this rule, service providers would need to seek promises from their customers to refrain from *non-infringing* activity when it gives rise to *inducement* liability against the service provider. Injecting such an issue will significantly distort ordinary business relationships in ways that previously were not possible.

[this Court's] judgment, is properly left for Congress to consider, and to close if it finds such action warranted." *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 457 (2007).

## **II. The Federal Circuit's Rule Of Liability Without Infringement Is Squarely Contrary To The Public-Notice Values Embodied In The Patent Act**

The present-day Patent Act requires patent applicants to specify in writing precisely what inventions they claim. That requirement reflects more than a century of Congressional refinement of the law to provide not only clearly defined rights for patentees, but also notice and certainty to inventors and the public. The balance between those values best "promote[s] the Progress of Science and useful Arts." U.S. Const. art. I, § 8, cl. 8.

Under the Federal Circuit's rule, a party trying to assess whether or not it could be liable for indirect infringement is forced to consider not just what steps of a claim it may perform itself, but also what steps other, independent entities might be performing and whether it might be accused of inducing their conduct. The *en banc* court allowed liability to be premised on a "collective[]" view of induced infringement, under which the elements of the patent are performed by different persons or entities that may have no connection to each other, aside from the one-sided and often attenuated scienter requirement for an inducer. Disaggregating the "infringement" in that manner deprives the public of adequate notice of what conduct they must forgo in order to avoid claims of induced infringement. This uncertainty

has a chilling effect on innovation and the investment that fuels it.

**A. Public Notice Encourages “Efficient Investment in Innovation”**

“A patent holder should know what he owns, and the public should know what he does not.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002). Patents provide an incentive both to innovators, who seek patent protection to license or exclude others from practicing inventions that fall within the scope of their patents, and to the public, who, informed by the patent disclosure, may provide additive or alternative innovations outside the scope of the patent. “[E]fficient investment in innovation” requires that the risk of infringement be reasonably ascertainable *before* any investment is made. *Id.* at 730-31.

Even the *possibility* of patent liability creates risks that may deter investment: no business wants to back a project that is removed from the market by injunction, much less one that results in a substantial award of damages. The Court observed many years ago that “[a] zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field.” *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942). In today’s economy and litigation climate, the “zone of uncertainty” is if anything even *more* inhospitable to innovation than a field where patent licenses are unambiguously required.



The Federal Circuit’s holding in this case undermines businesses’ ability to proceed with confidence in making an investment in new technology. By imposing liability under circumstances that are neither foreseeable nor predictable—the aggregation of non-actionable conduct by independent parties connected only by the limited scienter requirements of inducement—the Federal Circuit’s rule disturbs settled expectations of parties who have made investments in technology after evaluating and accounting for the risk of infringement.

**B. More Definite Patent Claims Promote Innovation By Both Informing The Public And Making The Scope Of The Patent Grant Clear**

In furtherance of the policy to promote “efficient investment in innovation,” *Festo*, 535 U.S. at 730-31, the Patent Act requires that a patentee not only describe, but “particularly point[] out and distinctly claim[] the subject matter which [he or she] regards as the invention.” 35 U.S.C. § 112(b). The present-day requirement that a patent “conclude with” these specific written “claims,” *id.*, was added to provide the public with better notice and greater certainty concerning the scope of the rights protected by a patent, after long experience under a system that instead allowed courts to define an inventor’s rights through litigation. *See, e.g., Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 957-58 (Fed. Cir. 1987) (*en banc*) (Newman, J., commentary).

The claim is the starting point for all analysis concerning the validity or infringement of the patent. Giles S. Rich, *Extent of Protection and Interpretation*

*of Claims: American Perspectives*, 21 Int'l Rev. Indus. Prop. & Copyright L. 497, 499 (1990) (“[T]he name of the game is the claim.”). The PTO compares the claims to the prior art to determine whether to issue a patent. Courts make the same comparison to assess any challenge to the patent’s validity and to determine whether the patent is infringed. In each respect, Congress’s decision to require a claim written by the patentee, rather than one constructed judicially through litigation, gives the outcome a degree of predictability that the previous system lacked—and that predictability, in turn, encourages investment in innovation.

Under the Federal Circuit’s rule, a party trying to assess whether or not it could be liable for indirect infringement is forced to consider not just what steps of a claim it may perform itself, but also what steps other independent entities might be performing and whether it might be accused of inducing their conduct. Notably, that inducement might be quite indirect: in one of the cases consolidated below, the Federal Circuit held that inducement liability could lie where the defendant, Epic, “does not perform any steps of the patent,” but those steps are instead divided between Epic’s customers *and its customers’ customers*. Pet. App. 4a; *see id.* at 29a-30a.

That regime is fundamentally incompatible with the public-notice function of patent claims, and it poses a direct threat to some of the most vibrant and flourishing areas of the modern economy. For example, the emerging field of cloud computing enables new business models which involve sharing of computing resources among entities that have only tenuous relationships. Software as a service (“SaaS”) is

one such model, whereby “[c]loud-based applications(s)’ run on distant computers ‘in the cloud’ that are owned and operated by others and that connect to users’ computers via the Internet and, usually, a web browser.” IBM, *What Is Cloud? Computing as a service over the Internet*, <http://www.ibm.com/cloud-computing/us/en/what-is-cloud-computing.html> (last visited Mar. 2, 2014). Cloud computing enables “convenient, on-demand network access” precisely because it allows shared resources to be “rapidly provisioned and released with minimal management effort or service provider interaction.” Peter Mell & Timothy Grance, Nat’l Inst. of Standards & Tech., Special Publication 800-145, *The NIST Definition of Cloud Computing 2* (Sept. 2011), <http://csrc.nist.gov/publications/nistpubs/800-145/SP800-145.pdf>. These relationships might well be deemed to trigger inducement liability under the Federal Circuit’s test, but that outcome is wholly inconsistent with the principle of public notice. By contrast, limiting induced infringement to situations where there is direct infringement—either through a single direct infringer acting alone or in conjunction with parties for which it is legally responsible—serves the public-notice function of patent claims. The public will be able to understand the scope of a patent right, because infringement will depend on all steps of the claimed invention being performed by a single entity (or other entities for which it is properly held responsible). That makes it possible to assess the infringement risk correctly. With the cloud of uncertainty removed, investment in innovation can flourish.

### C. The Specific-Intent Element Does Not Provide Public Notice

The *en banc* majority suggested that its rule is compatible with providing adequate public notice because induced infringement requires specific intent to cause infringement. Pet. App. 7a n.1. But the intent element of inducement is not an effective shield. The Federal Circuit has held that a letter or a complaint alleging infringement can provide knowledge of a patent and the alleged infringing acts. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1364 n.4 (Fed. Cir. 2006) (letter provided knowledge); *Mentor H/S Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001) (same); *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1342 (Fed. Cir. 2012) (complaint provided knowledge). If a party receives notice and does not immediately cause the allegedly infringing conduct to cease, the patentee likely can make out the intent element of induced infringement. See *Golden Blount*, 438 F.3d at 1364 n.4; *Mentor H/S*, 244 F.3d at 1379; *In re Bill of Lading*, 681 F.3d at 1342. Therefore, a party that is not infringing because it lacks the requisite intent may be liable for inducing infringement upon receiving a letter or complaint.

Moreover, “a wide variety of acts” have been found to constitute active inducement, and many of them involve only a distant relationship between the inducer and induced entity, including advertising, instruction, and product repair. *E.g.*, 5 Donald S. Chisum, *Chisum on Patents* § 17.04[4], at 17-154 to 17-186. Thus, under the Federal Circuit’s test, providing instructions for use of unconnected steps of a patented method could give rise to inducement liability

on receipt of a notice letter, even if those unconnected steps standing alone have never infringed and will never infringe any patent claim. A manufacturer or service provider that had invested in its business and spent years operating lawfully—possibly after a thorough patent clearance concluding there was no infringement and no liability—could suddenly become liable as an inducer after receiving a notice letter accusing the manufacturer of aggregating the activities of its customers into an infringing whole. The Federal Circuit’s rule would allow that result even if the activities, taken separately, had been in the public domain for years. And that rule may now embolden opportunistic patentees to draft claims specifically designed to surprise manufacturers after they and other entities with which they have some attenuated relationship have invested in practices that they reasonably believed were non-infringing. This possibility of ambush and the unwarranted loss of investment caused by the Federal Circuit’s rule does not promote innovation; to the contrary, it instead amounts to an unwarranted removal of subject matter from the public domain where it had been squarely fixed.

**D. Patentees Draft Their Own Claims,  
So Any Perceived Need To Enforce  
Poorly Drafted Claims Does Not  
Justify Sacrificing Public Notice**

The Federal Circuit’s ruling appears to be predicated on its belief that it would be unfair to a patentee if prospective infringers could evade infringement by dividing steps of a claim between them. But during the process of prosecuting a patent application, the patentee controls the application and the patent

claims that are submitted for examination. The patentee thus can draft its claims to capture direct infringement, and avoid drafting a claim whose steps are performed by different, unrelated entities. If he does not, the burden of that choice properly falls on him—whereas the Federal Circuit’s rule places the burden on the inventing and investing public.

Only modest effort is needed to draft claims to capture a direct infringer and avoid the risk of divided infringement. Pet. App. 95a-96a (Linn, J., dissenting). Specific claim drafting techniques to avoid the risk of divided infringement are well known and have been the subject of legal scholarship. Mark A. Lemley, *Divided Infringement Claims*, 33 *AIPLA Q.J.* 255, 272-73, 282 (2005) (advising that claims be drafted to capture the actions of a single party and providing examples); see, e.g., *Emtel, Inc. v. Lipid-labs, Inc.*, 583 F. Supp. 811, 829 n.7, 840 (S.D. Tex. 2008) (providing an example of how the claim of the patent-in-suit could have been rewritten to avoid a divided infringement issue).

More generally, innovation in technology regularly leads to innovation in claim drafting. If a new technology makes divided infringement possible, drafters working on patents in that field should compensate by focusing their claims to capture a single direct infringer. For example, early in the evolution of software, patentees did not have a claim format to cover the actions of software providers who shipped their software on disks or drives to end-user customers. Method and apparatus claims were practiced by end users and not software providers, who were liable only for indirect infringement. Innovative claim drafting addressed the problem by focusing coverage on

the software provider: IBM drafters developed the so-called *Beauregard* claim, which claims “a computer readable storage medium” encoding particular instructions. Such a claim is infringed when the software is encoded on a disk, not when it is run. See, e.g., Ryan Sharp *et al.*, *Can Beauregard Claims Show You the Money?*, 2 *Cybaris: An Intell. Prop. L. Rev.* 25, 31-32 (2011). As software distribution evolved to distribution over networks, claim drafters began to adjust again.

While patent practitioners are free to adapt their claim drafting to address the advent of new technologies, the patent statute must remain technology-neutral, not construed to advantage or disadvantage specific technologies such as the interactive network technology at issue in this case. See *IBM Amicus Br.* at 22-23 & n.10, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, No. 13-298. Section 271(b) does not change its meaning based on whether the patent supposedly being infringed is a method patent or an apparatus patent, or based on whether it involves software or machinery. Either an induced-infringement claim requires proof of direct infringement, or it does not. The statute is technology-neutral, and as such, it should not be warped for the sake of protecting holders of one class of patents.

Given patentees’ substantial freedom to draft claims as they wish, the problem that the Federal Circuit sought to solve here is a problem of patentees’ own making. There is no reason for the Federal Circuit to adopt a rule so at odds with the public-notice considerations that the patent laws embody.

### III. The Federal Circuit Should Devote Its Attention To Joint Infringement

The *en banc* court appeared to regard its unprecedented alteration of the law of indirect infringement as a necessary response to the phenomenon of divided infringement. It adopted its rule—induced infringement without actionable direct infringement—because it perceived the sole alternative as a “single entity” rule, which would completely defeat liability where the infringing acts are divided among more than one entity. *See, e.g.*, Pet. App. 3a, 10a, 12a, 18a n.5, 21a, 22a, 23a n.6, 29a. But the rule that indirect infringement requires direct infringement is settled in the law and this Court’s cases, whereas the “single entity” rule is not. The Federal Circuit would have done better to re-examine whether its own “single entity” cases set an unduly high bar to joint liability for *direct* infringement. If this Court remands, the Federal Circuit will have another opportunity to re-examine that rule—and may be able to resolve the very divided-infringement problem it identified here.

The Federal Circuit has acknowledged that “[a] party cannot avoid infringement . . . simply by contracting out steps of a patented process to another entity.” *BMC*, 498 F.3d at 1381. “In those cases, the party in control”—the “mastermind”—“would be liable for direct infringement,” because the mastermind is responsible for its agent’s acts as well as its own. *Id.* Together, those acts add up to patent infringement. *See also, e.g.*, Pet. App. 37a-41a (Newman, J., dissenting).

Where the Federal Circuit may have erred is in requiring not just agency, but hierarchy, suggesting that “arms-length agreements” may defeat liability



because neither party exercises “control or direction” over the other—*i.e.*, because there is no mastermind. *BMC*, 498 F.3d at 1381; *see also Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008) (“[T]he claim is directly infringed only if one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party, *i.e.*, the ‘mastermind.’”). The lack of a mastermind apparently caused the court of appeals to throw out a jury’s verdict of joint infringement against two co-venturers, despite their close working relationship (considerably closer than the relationships here, between a vendor and its customers or even its customers’ customers, *see p. 19, supra*). The two companies “formed a strategic partnership, enabled their two programs” (which together performed the patented method and embodied the patented apparatus) “to work together, and collaborated to sell the two programs as a unit.” *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1371 (Fed. Cir. 2010). The jury found them both directly liable, jointly. Yet because the evidence was “insufficient for [the] jury to infer control or direction,” *id.* at 1380-81, both the district court and the Federal Circuit felt they had to throw out the verdict. *Id.*; *see also Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, No. 2:06 CV 381, 2009 WL 943273, at \*3 (E.D. Tex. Apr. 3, 2009) (holding that because “emsCharts and Softtech are two separate companies,” “one of the companies needed to control or direct the other for their [conduct] to be joint infringement”), *aff’d in relevant part*, 614 F.3d at 1380-81.

Rather than concluding that divided infringement presents a hopelessly intractable problem warranting a drastic solution like the one adopted below, this

Court should direct the Federal Circuit to re-examine its standards for divided *direct* infringement. The current law acknowledges that companies cannot automatically defeat patent liability merely by outsourcing a single step of the patented method. *See* p. 25, *supra*. And if cooperating parties too often escape infringement liability, that situation may be traceable to the Federal Circuit’s particular focus on the hunt for the “mastermind.”

Long before the current Patent Act was adopted, the common law recognized that the principle of agency does not depend on a hierarchical relationship between principal and agent. The most basic principles of partnership law make clear that equals—such as partners or joint venturers—may bind each other. That is because they have both agreed to create a partnership and to serve as its agents—and hence, as agents of each other—even though neither partner has the absolute right to control or direct the other. *See, e.g.*, Revised Uniform Partnership Act § 301 (1997) (“Each partner is an agent of the partnership for the purpose of its business.”); *see also, e.g., Kansallis Fin. Ltd. v. Fern*, 659 N.E.2d 731, 736 n.7 (Mass. 1996) (Fried, J.) (“Partners are the general agents of each other while transacting the partnership business . . . .”) (citation omitted); *Gramercy Equities Corp. v. Dumont*, 531 N.E.2d 629, 632 (N.Y. 1988) (partners and joint venturers are “agents for each other” and therefore “jointly and severally liable to third parties for ‘any wrongful act or omission of any partner acting in the ordinary course of the business of the partnership’” (quoting N.Y. P’ship Law §§ 24, 26(1))).

True joint venturers face no public-notice problem like the one that confronts potential inducers under the decision below, *see* Part II, *supra*. Joint venturers accept responsibility for one another's actions within the scope of the joint venture—a far more definite proposition than the actions of customers' customers, or others whom a defendant may be said to have “induced.”

The Federal Circuit should exercise caution, however, when fashioning rules for joint direct-infringement liability absent a mastermind. Partners and joint venturers, properly and rigorously defined, may fairly be held responsible for each other's actions. But any approach to joint direct-infringement liability that does not depend on such established, concrete, legally significant relationships could subject separate actors to unpredictable liability in the same manner as the “inducement without infringement” approach the Federal Circuit took in this case. Providing reasonable predictability and preserving the public-notice function of patent claims requires a clearly defined, readily ascertainable, and sufficiently high standard of purposeful, collective action between parties.

Accordingly, before this Court concludes that the divided-infringement problem is intractable, the Federal Circuit should have the opportunity to decide this case as it should have in the first instance, under the rubric of divided direct infringement, and to provide guidance for other cases like this one.<sup>9</sup>

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<sup>9</sup> In addition to joint liability, the Federal Circuit has held that a defendant can be directly liable if its device or software performs a patented method or uses a patented system, even if someone else switches on the device or runs the software. But

Sustained attention to the problem at the appellate level over time may result in a better-thought-out rule. IBM takes no position on the outcome, except that this Court should not pretermitt the process. *Cf.*, *e.g.*, *Warner-Jenkinson*, 520 U.S. at 40 (leaving the “refine[ment of] the formulation of the test for equivalence” to the Federal Circuit “in the orderly course of case-by-case determinations”).

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the standards are altogether unclear. *Compare, e.g., SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1329-31 (Fed. Cir. 2010) (maker of devices and software responsible for performance of patented method when customers use device), *with Centillion Data Sys. v. Qwest Commc’ns Int’l, Inc.*, 631 F.3d 1279, 1286-88 (Fed. Cir. 2011) (defendant’s software does not “make” or “use” patented method when customers use it).

**CONCLUSION**

The judgment of the court of appeals should be reversed, and the case should be remanded to the court of appeals to decide the question of direct infringement and, if necessary, to apply the correct standard for induced infringement.

Respectfully submitted.

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