

Case No. 2010-1291

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

**MCKESSON TECHNOLOGIES INC. (Formerly
McKesson Information Solutions, LLC),**

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
ELECTRONIC FRONTIER FOUNDATION
IN SUPPORT OF DEFENDANT**

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August 9, 2011

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 29(a) and 47.4, counsel for Amicus Curiae certifies that:

1. The full name of the amicus represented by me is:

Electronic Frontier Foundation

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

N/A

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

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or are expected to appear in this Court are: Julie P. Samuels and Michael Barclay, Electronic Frontier Foundation, San Francisco, California.

August 9, 2011



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STATEMENT OF IDENTITY AND INTEREST OF AMICUS CURIAE

The Electronic Frontier Foundation (“EFF”) is a nonprofit civil liberties organization that has worked for more than 20 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 14,000 dues-paying members have a strong interest in helping the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest.

In recent cases, the Federal Circuit has correctly held that multiple parties may only be liable for the same infringement if one party is acting as an agent of the other. This requirement not only comports with longstanding legal and policy principles, it also provides essential protection for third parties who could unknowingly end up as defendants to an expensive patent lawsuit. Opening up third parties to that unacceptable risk could have drastic effects on innovation and experimentation. These are issues of critical importance to consumers and the public interest. As an established advocate for the interests of consumers and innovators, EFF has a perspective to share that is not represented by the parties to these appeals, neither of whom speaks directly for the interests of consumers or the public interest generally.

As part of its mission, the EFF has often served as amicus in key patent cases, including *Bilski v. Kappos*, 130 S. Ct. 3218 (2010); *Quanta Computer*,

Inc. v. LG Electronics Inc., 553 U.S. 617 (2008); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006); and *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011).

This brief is filed pursuant to Fed. R. App. P. 29(a) and to the Court's orders permitting the filing of amicus briefs, that is, the April 20, 2011 order in *Akamai Techs., Inc. v Limelight Networks, Inc.*, Nos. 2009-1372, -1380, -1416, -1417 ("*Akamai*"), and the May 26, 2011 order in *McKesson Techs. Inc. v. Epic Sys. Corp.*, No. 2010-1291 ("*McKesson*").¹

INTRODUCTION AND SUMMARY OF ARGUMENT

Appellants ask this Court to overturn the line of cases establishing limits on proving divided infringement. Such a ruling would create a new category of potential patent defendants: third-party users, consumers, and customers, *i.e.*, a group that is likely to lack both requisite knowledge of the patent laws and resources to make a robust defense. Essentially, Appellants ask the Court to rewrite patent law so these persons take on risk that they never contemplated and would be hard-pressed to mitigate.

¹ For convenience, the identical brief is being filed in both appeals. Akamai and McKesson are collectively referred to as "Appellants," and the respective panel opinions are cited as "*Akamai Slip Opn.*" and "*McKesson Slip Opn.*" No party's counsel authored this brief in whole or in part. Neither any party nor any party's counsel contributed money that was intended to fund preparing or submitting this brief. No person other than amicus, its members, or its counsel contributed money that was intended to fund preparing or submitting this brief.

There are several reasons why Appellants are wrong. First, there is a much simpler and safer answer to the problem Appellants identify: careful claim drafting to avoid the joint infringement issues about which Appellants complain. Indeed, rejecting Appellants' unwieldy alternative, and thereby encouraging such careful drafting, would better fulfill fundamental patent policy. A patent owner only upholds its end of the patent bargain when it drafts claims that clearly put parties on notice of potential infringement. Doing so avoids the uncertainty and potentially unbounded liability that vague claim terms create. That uncertainty is particularly problematic in the software and information technology (IT) areas, and especially burdens third-party users of those technologies.

By the same token, the Court should not be swayed by Appellants' complaint that the panel decisions in these appeals improperly result in patents that can never be enforced. As several of this Court's previous cases demonstrate, when a patent owner chooses to assert poorly drafted claims, there is nothing remarkable or unusual with a resulting finding of noninfringement, or even invalidity.

Second, traditional strict liability reasoning counsels against Appellants' expansive view of joint infringement. Patent law—as with most areas of the law—relies on well-settled least-cost-avoider principles to determine which

party bears the burden of avoiding harm, and then requires that party to affirmatively act. In the case of infringement, a patent owner has the rare ability to determine the scope of her rights, specifically, by drafting claims that encompass infringing activity. Having given notice in this way, a patent owner may hold intruders on its limited monopoly strictly liable. However, the policies underlying the imposition of strict liability do not reach to third parties, who likely will not benefit from the notice function of the patent that they allegedly infringe. As such, economics and fundamental fairness dictate that an unsuspecting third party should not bear the costs of potential infringement. Rather, the patent owner, who may draft her claims however she sees fit, should bear the burden of drafting sensible claims.

Indeed, patent infringement is unlike many other strict liability torts—such as ultra-hazardous activity, harboring dangerous animals, and certain products liability torts—which impose strict liability because the defendant chooses to engage in activity that puts social welfare at risk and should be motivated to take steps to mitigate that risk. By contrast, there is no conceivable social benefit to imposing liability on unsuspecting third parties.

Third, McKesson argues that copyright law principles for imposing indirect liability should apply here and negate the panel decisions. Not so. Initially, it is highly questionable whether *indirect* liability copyright standards

could even apply to the *direct* patent infringement issue involved in these appeals. In any event, McKesson incorrectly states the standards for indirect copyright infringement. Finally, McKesson’s argument actually shows why this Court should rule against Appellants; to the extent the Court accepted McKesson’s invitation to misinterpret *Grokster*, that misinterpretation could either improperly influence or vary dramatically from the decisions in several pending copyright cases.

ARGUMENT

I. CAREFUL CLAIM DRAFTING, NOT BROADENED LIABILITY, IS THE BEST WAY TO EFFICIENTLY PROTECT BOTH PATENT OWNERS AND THIRD PARTIES

A. Appellants’ Approach Would Put Unsuspecting Third Parties At Risk of Litigation

Appellants ask this court to rewrite patent law so that any actor who performs a step of a patent claim could be held liable for infringement—even if the rest of the steps are performed by others. The ramifications of such a change are extraordinary and absurd: depending on how a claim is drafted, any downstream user of a technology—such as a Limelight customer who tags his content or a patient who initiates communication with her doctor—could find herself liable for infringement. Such a change would both harm those unsuspecting parties and do nothing to further the fundamental goal of the patent

system: spurring innovation. See Siddharth Khanijou, *Patent Inequity?: Rethinking the Application of Strict Liability to Patent Law in the Nanotechnology Era*, 12 J. Tech. L. & Pol’y 179, 195 (2007) (“The goal of increasing inventive activity is not furthered by making an innocent possessor who derives no benefit from the technology, and may in fact suffer harm, liable for infringement.”).

Appellants attempt to avoid the obvious implications of their theory by suggesting that liability would apply only to knowing infringers. Akamai Br. at 37. But patent infringement is a strict liability tort. 35 U.S.C. § 271(a). See also *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 645 (1999) (“Actions predicated on direct patent infringement . . . do not require any showing of intent to infringe; instead, knowledge and intent are considered only with respect to damages.”); 5 D. Chisum, *Patents* § 16.02[2], 16-31 (rev. ed. 1998) (“It is, of course, elementary, that an infringement may be entirely inadvertent and unintentional and without knowledge of the patent.”). And, patent law “is created and defined by statute.” *North Am. Phillips Corp. v. Am. Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994); see also *McKesson Slip Opn.* at 9. Unless Congress modifies the statute, Appellants’ manufactured limitation cannot hold.

To be clear, the possibility that unsuspecting third parties might face

litigation is not at all far-fetched. Recent events underscore the risk that patent plaintiffs will indeed threaten—and in some instances, actually sue—downstream users of a technology, and those users often lack indemnification. For example, Lodsys, LLC, recently sued eleven defendants for infringement in the Eastern District of Texas. *Lodsys, LLC v. Combay, Inc.*, No. 2:11-cv-00272 (E.D. Tex. filed May 31, 2011). Those defendants—each of which developed applications in Apple’s iPhone and Google’s Android operating systems—allegedly infringe patents for in-application purchases and upgrades. Notably, Apple and Google provided the technology to each of the defendants and mandated its use in developing applications for their products.² Apple and Google have taken licenses from Lodsys,³ leaving them immune from suit, but those licenses do not apply to the developers and Apple and Google have chosen

² This further highlights the allocation of burden problem, *infra* Part II. Here, application developers are much less likely to conduct thorough searches surrounding technology provided to them by companies such as Apple and Google. The resulting lawsuits on unsuspecting developers operate essentially as a tax on innovation that has reportedly driven many developers from the U.S. market. *See, e.g.*, Charles Arthur, *App Developers Withdraw From US as Patent Fears Reach ‘Tipping Point’*, The Guardian Apps Blog (July 15, 2011), <http://www.guardian.co.uk/technology/appsblog/2011/jul/15/app-developers-withdraw-us-patents>.

³ *See, e.g.*, Lodsys, LLC (May 15, 2011), <http://www.lodsys.com/1/post/2011/05/q-lodsys-is-trying-to-force-apple-to-take-a-license-by-pressuring-ios-developers.html>; Lodsys, LLC (May 15, 2011), <http://www.lodsys.com/1/post/2011/05/q-what-about-other-operating-systems-such-as-android.html>.

not to indemnify them.⁴ So the developers—using technology they are required to use by others and, in many cases, lacking the means to defend themselves—now face expensive litigation they could not possibly have anticipated for using technology provided by third parties. While they do not necessarily involve a divided infringement claim, the Lodsys cases show that no party—whether a developer, consumer, or user—can be certain she will escape a patent suit if she performs a step in a patented invention.

B. Appellants’ Problem Is Better Addressed By More Careful Claim Drafting

Appellants are asking this Court to rewrite patent law in order to address a problem that is largely of their own making. Patent law requires a patent owner to set out her invention “in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same” 35 U.S.C. § 112. This important notice function “promotes the invention, development, and commercialization of innovative products, one of the most important forms of competition, by helping third parties and patent owners avoid ‘uncertainty as to their rights.’” Federal Trade Commission, *The Evolving IP Marketplace: Aligning Patent Notice and*

⁴ See, e.g., Lodsys, LLC (May 15, 2011), <http://www.lodsys.com/1/post/2011/05/q-i-developed-on-apple-ios-or-other-platform-why-isnt-apple-or-other-os-vendor-responsible-or-taking-care-of-this-issue.html>.

Remedies with Competition 75, (Mar. 2011)⁵ (“FTC Report”) (citing *Gen. Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938)); *see also Retractable Tech. Inc. v. Becton, Dickinson & Co.*, ___ F.3d ___, 2011 WL 2652448, 99 U.S.P.Q.2d 1233 (Fed. Cir. July 8, 2011) (Plager, J., concurring) (“However much desired by the claim drafters, who want claims that serve as business weapons and litigation threats, the claims cannot go beyond the actual invention that entitles the inventor to a patent.” (internal citations omitted)).

Unfortunately, vague and poorly drafted claims are common, and that appears to be precisely the case here. For example, in the *Akamai* case, the relevant claim language that involves the third party’s “tagging” action is:

A content delivery method, comprising: distributing a set of page objects across a network of content servers managed by a domain other than a content provider domain, wherein the network of content servers are organized into a set of regions; for a given page normally served from the content provider domain, tagging at least some of the embedded objects of the page so that requests for the objects resolve to the domain instead of the content provider domain; in response to a client request for an embedded object of the page: resolving the client request as a function of a location of the client machine making the request and current Internet traffic conditions to identify a given region; and returning to the client an IP address of a given one of the content servers within the given region that is likely to host the embedded object and that is not overloaded.

⁵ Available at: <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>. *See also FTC Report Recommends Improvements in Patent System to Promote Innovation and Benefit Consumers*, Federal Trade Commission (Mar. 7, 2011), <http://www.ftc.gov/opa/2011/03/patentreport.shtm>.

U.S. Patent No. 6,108,703, cl. 34 (filed May 19, 1999) (emphasis added). In *McKesson*, the relevant claim language that includes the patient's initiation of the communication is:

A method of automatically and electronically communicating between at least one health-care provider and a plurality of users serviced by the health-care provider, said method comprising the steps of: initiating a communication by one of the plurality of users to the provider for information, wherein the provider has established a preexisting medical record for each user; enabling communication by transporting the communication through a provider/patient interface over an electronic communication network to a Web site which is unique to the provider, whereupon the communication is automatically reformatted and processed or stored on a central server, said Web site supported by or in communication with the central server through a provider-patient interface service center; electronically comparing content of the communication with mapped content, which has been previously provided by the provider to the central server, to formulate a response as a static or dynamic object, or a combined static and dynamic object; and returning the response to the communication automatically to the user's computer, whereupon the response is read by the user or stored on the user's computers said provider/patient interface providing a fully automated mechanism for generating a personalized page or area within the provider's Web site for each user serviced by the provider; and said patient-provider interface service center for dynamically assembling and delivering custom content to said user.

U.S. Patent No. 6,757,898, cl. 1 (filed Jan. 18, 2000).

In both cases, the claims might have been drafted to focus on a single entity. *Akamai Slip Opn.* at 17; Mark A. Lemley, *et al.*, *Divided Infringement Claims*, 33 AIPLA Q.J. 255, 272-75 (2005) (listing examples of how to redraft claims to avoid claims that can be practiced by multiple parties). For example,

in Akamai’s claim 34 reproduced above, the server side performed all the claimed steps except the “tagging” step, which was performed by the third party. The “tagging” step could easily have been drafted to provide for action by the server side also, as shown by this example (additions to the actual claim language are underlined, deletions are in strikethrough):

for a given page normally served from the content provider domain,
receiving at the server at least some tagged ~~tagging at least some of~~
~~the~~ embedded objects of the page so that requests for the objects
resolve to the domain instead of the content provider domain;

Such a simple change would have helped alleviate Akamai’s enforcement problem, at a far lower cost than the dramatic legal shift Appellants are asking for now.

C. Inadequate Claim Drafting Heightens the Risk to Third Parties

The notice function serves an important role in the larger patent bargain: in order to obtain a limited monopoly, a patent owner must teach the public how to practice the technology and also “apprise the public of what is still open to them.” *McClain v. Ortmyer*, 141 U.S. 419, 424, (1891); *PSC Computer Prods. v. Foxconn Int’l*, 355 F.3d 1353, 1359 (Fed. Cir. 2004). Yet, while important, the public notice function of software patents—often the type covering “interactive methods”—is notoriously ineffective, even for those skilled in the relevant art.

For example, the FTC states that little clarity exists in claim language typically used in software patents and, as a result, many in the IT sector have admitted to “frequently” not performing clearance searches and even simply ignoring patents. FTC Report at 80 (“the notice function ‘is not well served at all’”), 83 (noting a “fundamentally poor fit” between claim language and software-related patents). The problem is exacerbated by the fact that many “features are embodied in components supplied by other manufacturers,” leaving even those highly skilled in the art unable to ascertain the complicated and relevant patent landscape. *Id.* at 90.⁶

If highly-skilled IT workers have a hard time searching and understanding the relevance of software patents, it is difficult to imagine how a third-party user, developer, or consumer operating far downstream would be able to do so. Indeed, the claim language in each of the patents at issue here has been carefully parsed by patent examiners and patent attorneys, yet it still was not clear enough to avoid protracted litigation. *See, e.g.*, Order Regarding Claim Construction, *Akamai Techs., Inc. v. Limelight Networks, Inc.*, No. 1:06-cv-11109 (D. Mass. June 29, 2007); Order, *McKesson Techs Inc., v. Epic Sys. Corp.*, No. 1:06-cv-02965 (N.D. Ga. Aug. 29, 2008). If patent professionals and those skilled in the

⁶ By raising the standard for the written description requirement, *Ex parte Miyazaki*, No. 2007-3300, 2008 WL 5105055, 89 U.S.P.Q.2d 1207, 1212 (Bd. Pat. App. & Inter., Nov. 19, 2008), has helped mitigate the problem somewhat. Unfortunately, it is still acutely felt, especially in the context of software patents.

art have a difficult time understanding what exactly these claims cover (which is no wonder from their language), it is a rare third-party user or consumer who will.

This leaves the vast majority of potential third-party defendants without the benefit of the important notice function of the patents being asserted against them. Third parties will be left with no option but to accept unforeseen (and often unacceptable) risks. This is not how an efficient market works. *See Khanijou, supra*, at 195 (“[I]nadvertent users have no opportunity to transact or bargain for use of proprietary technology ahead of time because they have no knowledge of its possession. Patent enforcement, therefore, would serve as a means for patentees to extract ‘rents’ from individuals that never intended to use the patented technology.”).

D. There is Nothing Remarkable About a Patent That, for Practical Purposes, Cannot be Infringed

Akamai and McKesson make much of the notion that the single party rule renders some patents “unenforceable.” Akamai Br. at 34; McKesson Br. at 50-51 (arguing that a valid issued patent “ought not to be an unenforceable mirage”); *see also McKesson Slip Opn.* at 17 (“[a] patent that cannot be enforced on any theory of infringement, is not a statutory patent right” in any meaningful sense) (Newman, J., dissenting)). Essentially, Akamai and

McKesson argue that all issued patents must be enforceable and capable of being infringed—even if better claim drafting would have resulted in different claims that unquestionably could be infringed. *See BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2007).

However, there is nothing remarkable about patents that cannot be infringed or enforced because of poor claim drafting. A leading example from this Court is *Chef Am., Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1373-75 (Fed. Cir. 2004). That case involved a patent for cooking dough: the claims required heating the dough to a temperature “in the range of about 400° F. to 850° F.” *Id.* at 1371. The only problem was that doing so would burn the dough “to a crisp.” *Id.* at 1373. The defendant understandably did not perform this step of the patented method. This Court affirmed a judgment of non-infringement, notwithstanding the fact that the patent was, as here, effectively left unenforceable. The Court refused to rewrite the claims to read heat the “dough *at* a temperature” instead of what was written, heat the “dough *to* a temperature.” *See id.* at 1375 (emphasis added). As a result, this Court declined to preserve the patent rights that *Akamai* and *McKesson* here urge must always be present. The Court agreed with the district court’s assessment of the case:

Courts are not permitted to redraft claims Plaintiff’s patent could have easily been written to reflect the construction plaintiff attempts to give it today. It is the job of the patentee, and not the court, to write patents carefully and consistently.

Id. at 1373.

In more extreme circumstances, this Court has held claims invalid because of poor drafting, thus precluding their enforcement against anyone. *See Process Control Corp. v. HydReclaim Corp.*, 190 F.3d 1350, 1357 (Fed. Cir. 1999) (claim was held invalid under 35 U.S.C. § 112 since, as written, it recited an impossibility); *Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1349 (Fed. Cir. 2002) (holding that “perpendicular” does not mean “parallel,” hence claim was invalid).

The patent owners in *Chef Am.*, *Process Control* and *Allen Eng’g*—as well as Akamai and McKesson in these cases—could each have drafted their claims to help avoid the outcome of which Akamai and McKesson complain. Penalizing inadequate drafting is a good way to encourage patent applicants to write better claims. And in any event, the fact that some claims are poorly drafted, resulting in unenforceable patents, is no reason to rewrite the law on joint liability.

II. THE PRINCIPLES UNDERLYING STRICT LIABILITY DICTATE THAT ONLY ONE PARTY BE LIABLE FOR DIRECT INFRINGEMENT.

A. The Least Cost Avoider Principle Favors the Single-Party Rule

It is axiomatic that the party in a position to best eliminate harm should bear the costs of that harm. *See, e.g., United States v. Carroll Towing Co.*, 159

F.2d 169, 173 (2d Cir. 1947) (“if the probability be called P; the injury, L; and the burden, B; liability depends upon whether B is less than L multiplied by P: *i.e.*, whether B less than PL”). Imposition of strict liability takes Judge Hand’s formula one step further by codifying the creation of incentives targeted at the least cost avoider to remove the threat of injury to society. As Judge Posner explained:

By making the actor strictly liable—by denying him in other words an excuse based on his inability to avoid accidents by being more careful—we give him an incentive, missing in a negligence regime, to experiment with methods of preventing accidents that involve not greater exertions of care, assumed to be futile, but instead relocating, changing, or reducing (perhaps to the vanishing point) the activity giving rise to the accident.

Ind. Harbor Belt R. Co. v. Am. Cyanamid Co., 916 F.2d 1174, 1177 (7th Cir. 1990).

Patent law has long reflected this same calculation, placing the burden of avoiding harm (*i.e.*, infringement) on the party in the best position to avoid it. On the one hand, if a potential user wants to use patented technology, he is responsible to seek and obtain the proper license, when he has knowledge that the technology is patented. *See, e.g., In re Seagate Tech., LLC*, 497 F.3d 1360, 1368-69 (Fed. Cir. 2007). On the other hand, it is a patent owner who bears the burden of monitoring and prosecuting infringement, since she is in the best position to do so. *See Wamlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1339 (Fed.

Cir. 1998):

Allocating the burden to patentees to seek out infringers is proper, furthermore, because compared to potential infringers, they are in the best position to know the scope of their patent protection and, therefore, also to know likely places to find infringement. This superior knowledge generally allows them to incur comparatively lower costs in investigating potentially infringing activities than competitors would incur conducting patent searches on every aspect of their products and notifying the patentee of their results.

By the same token, it is the patent owner's burden to draft proper claims that define the scope of her rights. As this Court has stated:

as between the patentee who had a clear opportunity to negotiate broader claims but did not do so, and the public at large, it is the patentee who must bear the cost of its failure to seek protection for this foreseeable alteration of its claimed structure.

Sage Prods., Inc. v. Devon Indus., Inc., 126 F.3d 1420, 1425 (Fed. Cir. 1997).

This rule is rooted in principles of fairness and economics. Attention to fundamental fairness is particularly important in cases where a party's choice to broaden the scope of her patent (for instance, by growing liability to cover more than one actor) could, on Appellants' theory, leave unsuspecting third parties legally—and financially—liable for infringement. Imposing *ex post facto* liability on infringing parties—particularly third parties who unknowingly perform only one step of a claimed invention—opens them up to risks they neither intended to take nor could have anticipated. Such imposition of liability would remove the burden from the party best-positioned to bear it (the patent

owner) and impermissibly shifts it to a third party in the *worst* position to bear it.

Economic factors likewise counsel that a potential third-party defendant is particularly ill-suited to bear the cost of avoiding infringement. In theory, the patent system should work to put potentially infringing parties on notice of existing patents, leaving those parties to either design a work-around⁷ or take a license from the patent owner. In most cases, the system accomplishes this goal based on its strict liability regime by creating incentives for potential infringers to complete thorough patent searches before launching a product:

Since the total costs to the potential infringer are all of the costs borne by anyone, these are also the social cost associated with possible infringement. Thus, a rule of strict liability leads to the socially optimal amount of search (S^*), *i.e.*, the social cost minimizing quantity of search. Strict liability for patent infringement is allocatively efficient in the sense that the socially efficient quantity of resources is allocated to searching patent records and analyzing them for possible infringement.

Roger D. Blair & Thomas F. Cotter, *Strict Liability and its Alternatives in*

⁷ The law favors designing around existing patents. *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538 (Fed. Cir. 1991) (“designing or inventing around patents to make new inventions is encouraged”); *State Indus., Inc. v. A. O. Smith Corp.*, 751 F.2d 1226, 1235-36 (Fed. Cir. 1985) (“One of the benefits of a patent system is its so-called ‘negative incentive’ to ‘design around’ a competitor’s products, even when they are patented, thus bringing a steady flow of innovations to the marketplace.”). It does not make sense to punish parties for finding new and different ways to practice an invention—even when those new ways include different parties practicing the claimed steps. If a party has taken the time to research a successful design-around, such as those implemented by Limelight and Epic, it should bear the fruit of its work by practicing its product or service without liability.

Patent Law, 17 Berkeley. Tech. L.J. 799, 823 (2002).

This delicate balance of socially optimal search amounts is thrown off, however, when unknowing and unprepared downstream users become potential infringers. Those users lack incentives (and oftentimes requisite knowledge and resources) to search. Thus, imposing this burden on them does little to help avoid infringement. Instead, it simply encourages the proliferation of expensive litigation. For example, a potential plaintiff who would rather sue than exercise the bargained-for monopoly over its invention would likely benefit from imperfect searching, as it would lead to more potential infringements.

It makes no sense to depart from well-established least-cost avoider principles in patent law by extending liability to such potential defendants who unknowingly use a small part of a patented technology. Following Judge Posner's logic in *Indiana Harbor*, the only way those potential "joint infringers" could change their behavior to avoid liability would be to not engage in the behavior at all—in other words, not try new products or services, hampering the economy and inhibiting innovation.

B. The Public Welfare Concerns that Undergird Common-Law Strict Liability Torts Counsel Against Extension Of Strict Liability For Infringement To Unknowing Third Parties

Appellants' proposal also makes little sense in light of the public welfare

and safety concerns that motivate most strict liability torts.⁸

Most tort liability—including secondary liability—requires that those liable acted with some level of scienter. *See, e.g.*, Restatement (Second) Torts § 876(a), cmt. c (2011) (a party that “innocently, rightfully and carefully does an act that has the effect of furthering the tortious conduct or cooperating in the tortious design of another is not for that reason subject to liability”). As an exception to this rule, patent infringement joins a small and distinct group of common-law torts, “which, although lawful are so fraught with the possibility of harm to others that the law treats them as allowable only on the terms of insuring the public against injury.” 74 Am. Jur. 2d Torts § 12. Those torts include liability for harm arising from abnormally dangerous activities, liability for harm done by animals, and a subset of products liability, which applies to the manufacture and distribution of defective merchandise. These common law torts arise from the following concerns:

- Abnormally dangerous (“ultrahazardous”) activity torts are based on a policy of law that “imposes upon anyone who for his own purposes creates an abnormal risk of harm to his neighbors, the responsibility of relieving against that harm when it does in fact

⁸ There is no question that patent infringement sounds in tort. *See, e.g., Cabrice Corp. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931) (“Infringement, whether direct or contributor, is essentially a tort, and implies invasion of some right of the patentee.”).

occur. The defendant's enterprise, in other words, is required to pay its way by compensating for the harm it causes, because of its special, abnormal and dangerous character." Restatement (Second) of Torts §519 cmt. d.

- Harm caused by animals: limited to "the kind of harm that might reasonably be expected to result from the intrusion of the kind of animal involved . . . consistent with the limitation of strict liability to foreseeable risk." Restatement (Second) of Torts §504 cmt. g. The principle underlying this policy is "that by keeping a wild animal of a class that has dangerous propensities, its possessor has created a danger not normal to the locality in question." *Id.* § 507 cmt. e. Unlike strict liability for livestock trespass, which exists because the likelihood of harm is normal to the locality and activity in question, this liability exists to protect the public safety against unforeseen danger. *Id.*
- Strict products liability: three distinct policy concerns underlie this area of strict liability: "(1) that the demands of the public interest in human life and safety require the implementation of broad protection against the sale of products that are defective; (2) that manufacturers represent that their product is safe and suitable and

solicit and invite the public to use the product; and (3) that the business that reaps profits by placing the defectively dangerous product into the stream of commerce should bear the losses.” 63 Am. Jur. 2d Products Liability § 508 (citing *DiGuilio v. Goss Int’l Corp.*, 389 Ill. App. 3d 1052 (Ill. App. Ct. 2009)). “[S]trict products liability’ is a term of art that reflects the judgment that products liability is a discrete area of tort law which borrows from both negligence and warranty. It is not fully congruent with classical tort or contract law.” Restatement (Third) of Torts: Products Liability § 1 (2011).

In the above situations, the tortfeasor is strictly liable: (1) because he is best-positioned to prevent (2) serious harms to safety and welfare from occurring, and (3) should be strongly encouraged to do so.

In the patent context, however, the same concerns about human safety and public welfare simply do not apply; strict liability is justified instead by factors (1) and (3). Moreover, in the circumstances at issue here, the unknowing third-party defendant is likely not able to prevent the harm arising from infringement. *See supra* Part II.A. Thus, there is no social benefit to imposing liability upon him. Indeed, strict liability will harm the social welfare by deterring individuals (by using threats of infringement suits) from using innovative new technologies

and thereby discouraging investment in those technologies. *See, e.g.*, Richard Posner, *Strict Liability: A Comment*, 2 J. Legal Stud. 205, 216-17 (1973) (explaining how the imposition of strict liability can lead to costs to efficiency to society).

Given these policy considerations, if direct patent infringement must remain a strict liability tort, *at least* it should not apply broadly to unknowing third parties. Thus, the Court should not adopt Appellants’ expansive theories of joint liability.

III. MCKESSON IMPROPERLY RELIES ON COPYRIGHT LAW PRINCIPLES

A. McKesson Misstates Copyright Law on Joint Liability

McKesson relies on copyright law principles to support its “direction or control” theory. McKesson Br. at 31-33. For example, McKesson claims that “[u]nder the copyright cases, liability stems from a defendant’s decision to profit from infringement ‘while declining to exercise a right to stop or limit it.’” *Id.* (citing *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005)).

McKesson both misapplies and misstates *Grokster* and other copyright cases (such as *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996), and *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963)).

First, McKesson relies on those cases to provide a standard for *direct* infringement—but *Grokster*, *Napster*, *Fonovisa* and *Shapiro* are all *indirect* infringement cases. *Grokster*, 545 U.S. at 920-21; *Napster*, 239 F.3d at 1101; *Fonovisa*, 76 F.3d at 261; *Shapiro*, 316 F.2d at 306. At a minimum, it’s highly questionably whether standards for imposing indirect liability even apply to direct patent infringement, which is a strict liability tort. *See, e.g., McKesson Slip Opn.* at 10.

Second, McKesson misstates *Grokster*’s holding. *Grokster* did not impose liability solely because of “a defendant’s decision to profit from infringement ‘while declining to exercise a right to stop or limit it’” McKesson Br. at 31. Whatever that means, it diverges from *Grokster*. *Grokster* restricted inducement liability to a narrow category of persons: only those “who distribute[] a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement [are] liable for the resulting acts of infringement by third parties.” 545 U.S. at 936-37. The Court found that the *Grokster* defendants satisfied this test by sending explicit messages to their users “designed to stimulate others to commit violations.” *Id.* at 937. Their “active steps were taken with the purpose of

bringing about infringing acts.” *Id.* at 938.⁹

Thus, *Grokster* goes far beyond the mere direction-or-control test that Appellants assert. *Grokster* requires (1) a high level of intent to cause infringement, (2) affirmative steps to foster infringement, and (3) that the direct infringement at issue actually resulted from the defendant’s inducing conduct.

B. Relying on *Grokster* in This Case Could Have Undesirable Consequences for Copyright Law

Improperly expanding indirect infringement law based on a misreading of *Grokster* and similar cases will have consequences far beyond this case. In copyright cases involving indirect liability, copyright owners have argued for expansive liability similar to what Appellants assert here. Therefore, if this Court adopts an overbroad view of *Grokster* for patent law, that holding could have the unintended consequence of affecting copyright cases considering the same issue, because of the “historic kinship” between the two areas of law. *See* McKesson Br. at 32.

For example, in *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1115 (C.D. Cal. 2009), the plaintiff asserted that a user-generated content website be held liable under similar “right to control” theories

⁹ The section of *Napster* that McKesson cites deals with vicarious liability, a form of copyright liability that does not even exist in patent law. 239 F.3d at 1022-24. *Napster* is not applicable to this case.

that McKesson espouses. The *Veoh* court rejected that theory insofar as it applies to the Digital Millennium Copyright Act, 17 U.S.C. § 512(c). *Id.* at 1115-16. Similarly, in *Viacom Int'l Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514, 527 (S.D.N.Y. 2010), the court required a detailed level of actual knowledge on the right to control issue.

Both *UMG v. Veoh* and *Viacom v. YouTube* are on appeal to their respective circuits (Ninth Circuit Appeal No. 09-56777 and Second Circuit Appeal Nos. 10-3270 and 10-3342, respectively). To the extent the Court accepted McKesson's invitation to misinterpret *Grokster*, that misinterpretation could either improperly influence the decisions in those cases, or run directly contrary to them. The Court should decline McKesson's invitation to unnecessarily complicate issues pending in those copyright cases.

CONCLUSION

The Court should confirm the panel decisions in these appeals.

August 9, 2011

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Brief of Amicus Curiae Electronic Frontier Foundation was filed on this date pursuant to Fed. R. App. P. 25(a)(2)(B)(ii) by dispatch of the original and thirty copies by Federal Express for delivery to the clerk on the next business day, addressed as follows:

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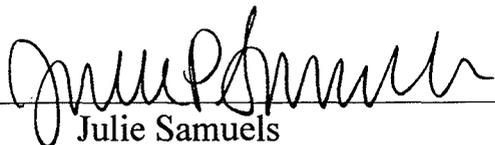
On the same date, two true and correct bound copies of the foregoing Brief of Amicus Curiae Electronic Frontier Foundation were served on counsel for all parties on this date by Federal Express overnight delivery, addressed as follows:

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1. The foregoing Brief of Amicus Curiae Electronic Frontier Foundation complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B). The brief is printed in proportionally spaced 14-point type, and there are 6,140 words in the brief according to the word count of the word-processing system used to prepare the brief (excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii), that is, the tables of contents and citations, and certificates of counsel, and by Fed. Cir. R. 32(b), that is, the certificate of interest, the statement of related cases, and the addendum in an initial brief of an appellant).

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