

Nineteen Hundred and Twenty-two

NYIPLA

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**Mock Oral Argument:
*On Demand Machine Corporation
v. Ingraham Indus. Inc., Lighting
Source, Inc. and Amazon.com, Inc.***

**Amicus Brief Committee and Patent
Litigation Committee**

Annual Meeting, May 16, 2017

CLE Program I, 2:00 – 3:15 p.m.



Introduction

Ksenia Takhistova
Andrews Kurth Kenyon

US 5,465,213A – Method Claim

6. A method of high speed manufacture of a single copy of a book or of a selected portion of one or more books comprising the steps of:

- storing the text of a plurality of books in a computer in a bit mapped format,
- making available for selection one of said books or a portion of a plurality of said books to be manufactured,
- commanding a computer to print the text of such selected books,
- raster image printing said bit mapped text of such selected books on paper pages, binding said paper pages together, and
- storing graphical information corresponding to a cover for said selected books in a bit mapped format,
- commanding a computer to reproduce said graphical information on a book cover, and
- binding said paper pages together with said cover therearound to form said selected one of said books.



US 5,465,213A – System Claim

5. A book manufacturing system comprising:

computer memory means for storing data corresponding to the text of a plurality of books, and corresponding to cover graphics in a digital format,

selection means for selecting portions of such data,

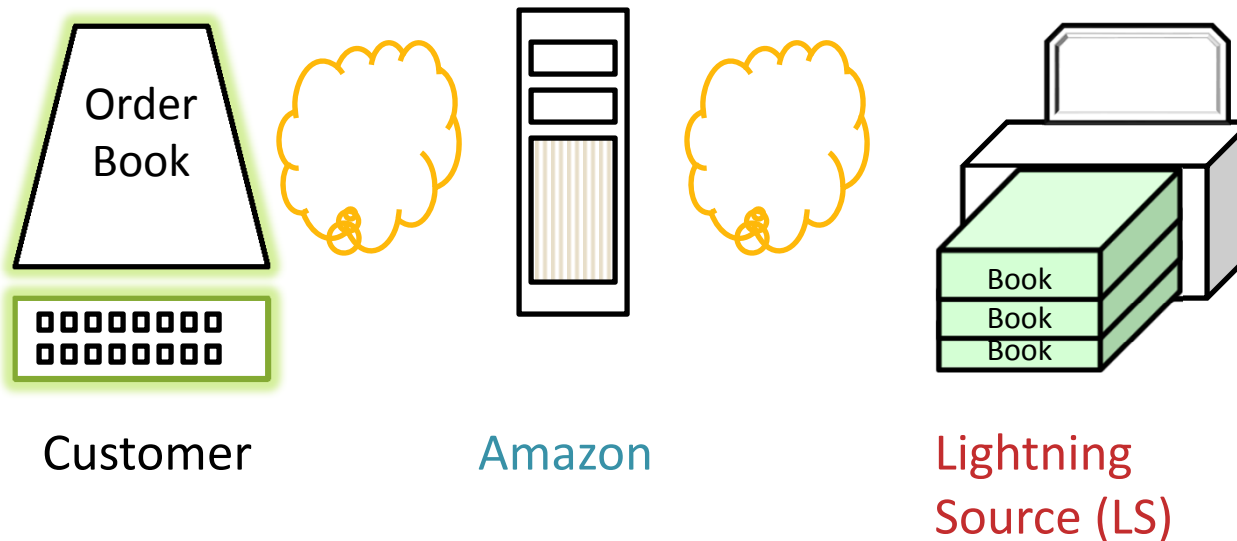
computer means for retrieving said selected data in response to a signal from said selection means,

means for high speed printing of said selected text data,

means for reproducing the selected cover graphics, and

finishing means for binding such reproduced text and such cover graphics together.

On Demand Machine Corp. v. Ingram Industries, Inc.

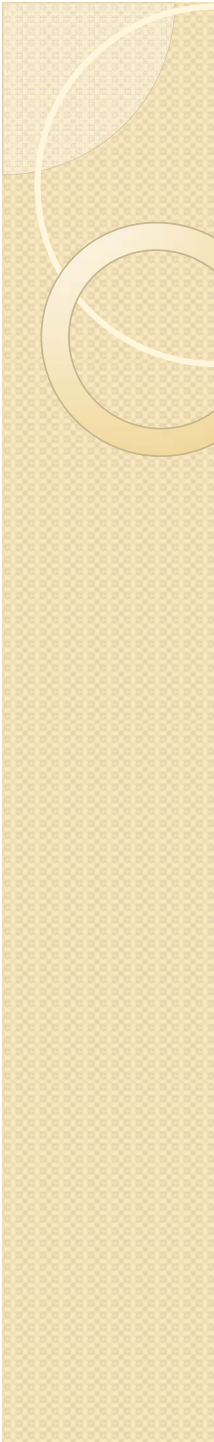


The Assertion:

Patentee ODMC argues that when, upon reviewing Amazon's promotional information, a customer orders a book from Amazon, and Amazon in turn orders that the book be printed by Lightning Source, the defendants together infringe the patent.

LS – Amazon Agreement

- **LS agrees:**
 - To store the text and cover graphics of a plurality of books, which are then available for manufacture;
 - To provide Amazon with a list of such available books;
 - In response to an Amazon's print command, to print the text and cover graphics of the ordered books; and
 - To bind the books with the cover graphics.
- **Amazon agrees:**
 - To make available for order the plurality of books stored by LS;
 - At check-out, to provide LS as an available printing source; and
 - If LS is selected as the source, to send the print command to LS to print and bind the text and cover graphics.



Method Claim: Plaintiff's Oral Argument

Michael P. Kahn
Akin Gump Strauss Hauer & Feld

<u>Claim 6 of U.S. Patent No. 5,465,213</u>	<u>Amazon and LS collectively Infringe</u>
6. A method of high speed manufacture of a single copy of a book or of a selected portion of one or more books comprising the steps of:	Collectively Defendants perform a method of high speed manufacture of a single copy of a book ... comprising the steps of:
storing the text of a plurality of books in a computer in a bit mapped format,	LS store the text of a plurality of books in a computer in a bit mapped format
making available for selection one of said books or a portion of a plurality of said books to be manufactured,	Amazon provides customers with a selection from Amazon website including one of those books to be manufactured by LS
commanding a computer to print the text of such selected books,	Amazon's computer commands LS's computer to print the text of the selected book
raster image printing said bit mapped text of such selected books on paper pages, binding said paper pages together, and	LS raster image prints the bit mapped text of the selected book on Amazon's command and binds the pages together
storing graphical information corresponding to a cover for said selected books ...,	LS (and Amazon) store graphical information corresponding to the book cover.
commanding a computer to reproduce said graphical information on a book cover, and	Amazon's computer commands LS's computer to print the book cover.
binding said paper pages together with said cover therearound to form said selected one of said books.	LS binds the book cover with printed pages of the book.



The New Standard

- Reaffirmed the “single-entity” rule
- Liability for direct infringement:
 - “[W]here that entity directs or controls the others’ performance”
 - “Where the actors form a joint enterprise”

Akamai Techs., Inc. v. Limelight Networks, Inc.,
797 F.3d 1020 at 1023 (Fed. Cir. 2015)



The New Standard – Direction or Control

- “[W]hen an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance.”

Akamai Techs., Inc. v. Limelight Networks, Inc.,
797 F.3d 1020 at 1023 (Fed. Cir. 2015)

The New Standard – Applied

- *Eli Lilly & Co. v. Teva Parenteral Medicines, Inc.*, 845 F.3d 1357 (Fed. Cir. 2017)

- A method of chemotherapeutic treatment:

1. Folic acid;

2. Vitamin B12; and

both prior to first
pemetrexed administration

3. Administration of
pemetrexed disodium

- Patients needed to take folic acid and vitamin B12 prior to administration

The New Standard – Applied

- *Eli Lilly & Co. v. Teva Parenteral Medicines, Inc.*, 845 F.3d 1357 (Fed. Cir. 2017)
 - A method of chemotherapeutic treatment:
 1. Folic acid;
 2. Vitamin B12; and
 3. Administration of pemetrexed disodium
- only after patient compliance
- If patients complied, doctors would provide the injections



The New Standard – Applied

- Here, there is no dispute that all steps are practiced
- Amazon performs some steps and conditions the benefit of the claimed method on LS's performance of the rest
- **LS must:**
 - store the text and cover graphics;
 - in response to an Amazon print command, print; and
 - bind the books with the cover graphics.



The New Standard – Joint Enterprise

- **“A joint enterprise requires proof of four elements:**
 - 1) an agreement, express or implied, among the members of the group;
 - 2) a common purpose to be carried out by the group;
 - 3) a community of pecuniary interest in that purpose, among the members; and
 - 4) an equal right to a voice in the direction of the enterprise, which gives an equal right of control.”

Akamai Techs., Inc. v. Limelight Networks, Inc.,
797 F.3d 1020 at 1023 (Fed. Cir. 2015)



Method Claim: Defendants' Oral Argument

Charles R. Macedo
Amster, Rothstein & Ebenstein

Akamai Techs., Inc. v. Limelight Networks, Inc. ("Akamai V")

"We will hold an entity responsible for others' performance of method steps in two sets of circumstances:

- (1) where that entity directs or controls others' performance, and**
- (2) where the actors form a joint enterprise."**

797 F.3d 1020, 1022 (Fed.Cir.2015) (en banc), cert. denied, Limelight Networks, Inc. v. Akamai Techs., Inc., 136 S. Ct. 1661 (2016)

"Direction or control" can be found where "an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance."

Akamai V, 797 F.3d at 1023.

A controlling "mastermind" is still required to meet "direction or control" test, after *Akamai V*.

A **joint enterprise** requires proof of four elements:

- 1) an agreement, express or implied, among members of the group;
- 2) a common purpose to be carried out by the group;
- 3) a community of pecuniary interest in that purpose, among the members; and
- 4) equal right to a voice in the direction of the enterprise, which gives an equal right of control.

Akamai V, 797 F.3d at 1023 (citing Restatement (Second) of Torts § 491 cmt. c)⁵

Travel Sentry, Inc. v. Tropp (E.D.N.Y. June 29, 2016)

“Tropp points to no evidence at all that could morph this relatively noncommittal ‘understanding’ between Travel Sentry and the TSA into a contract that renders Travel Sentry vicariously liable for the TSA’s actions.”

Travel Sentry, Inc. v. Tropp, Nos. 06-cv-6415, 08-cv-4446,
736 F. Supp. 2d at 638 (E.D.N.Y. June 29, 2016)



System Claim: Defendants' Oral Argument

Kenneth R. Adamo
Kirkland & Ellis

<u>Claim 5 of U.S. Patent No. 5,465,213</u>	<u>Amazon and LS collectively Infringe</u>
5. A book manufacturing system comprising:	Amazon's customers "put into use" Amazon and LS book manufacturing system:
computer memory means for storing data corresponding to the text of a plurality of books, and corresponding to cover graphics in a digital format,	LS provides computer memory which stores data corresponding to a plurality of books and cover graphics in digital format.
selection means for selecting portions of such data,	Amazon provides a website that allows Amazon's customers to select books to be printed.
computer means for retrieving said selected data in response to a signal from said selection means,	LS provides a computer than upon receiving instructions from Amazon's customers through Amazon will retrieve a book.
means for high speed printing of said selected text data,	LS prints the selected book using a high speed printer.
means for reproducing the selected cover graphics, and	LS prints the selected cover using a high speed printer.
finishing means for binding such reproduced text and such cover graphics together.	LS binds the selected book and selected cover together.

Governing Legal Standard

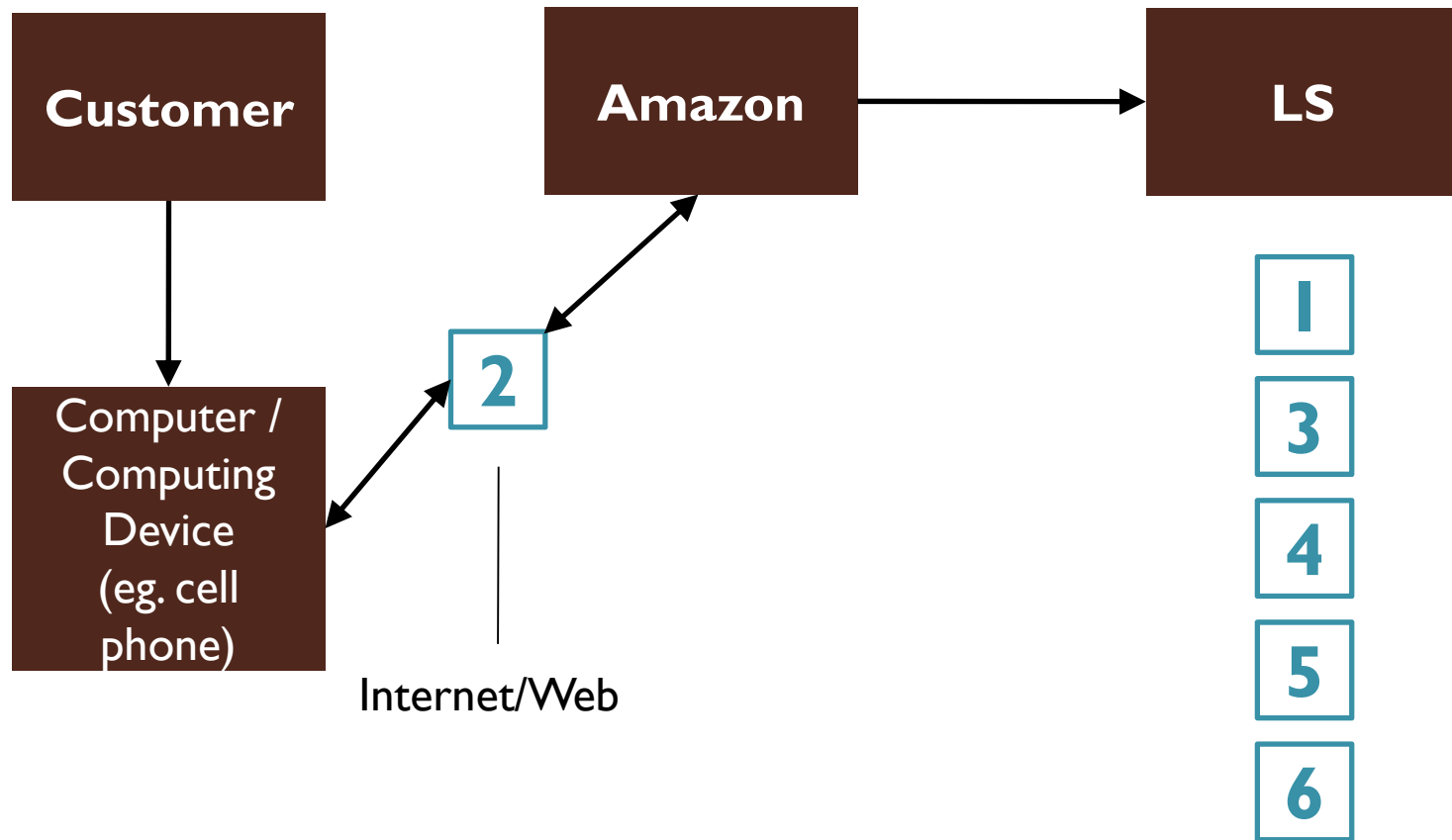
Centillion Data Systems remains controlling precedent as to system claim divided infringement after ***Akamai***; ***Akamai*** is inapposite

- *Centillion Data Systems* involves systems claims and divided infringement of that system
- *Akamai* involves method claims and divided practice of that method (as does *Eli Lilly & Co.*, 843 F.3d 1357 (Fed. Cir. 2017))
- Plaintiff's counsel agrees ("We agree that *Centillion* survives the Supreme Court's decision in *Akamai*, and that the method claim cases have little applicability to the system claim here")

Centillion Data Systems, 631 F.3d 1279 (Fed Cir. 2015);
Akamai, 797 F.3d 1020 (Fed. Cir. 2015) (en banc), on remand from 134 S. Ct. 2111 (2014)

Real World Customer – Amazon – LS Systems vs Claim 5 Limitations

5.A book manufacturing system, comprising:



Plaintiff Failed to Prove Infringement Under *Centillion Data Systems* Analysis

- **Centillion requires:**

In order to be found to “use” a claimed system, “a party must put the invention into service, i.e., control the system as a whole and obtain benefit from it.”

- **Centillion presents an analysis of an “on demand” system infringement:**

We hold that the on-demand operations is a “use” of the system as a matter of law. The customer puts the system as a whole into service, i.e., controls the system and obtains benefit from it. The customer controls the system by creating a query and transmitting it to Qwest’s back-end. The customer controls the system on a one request/one response basis. This query causes the backend processing to act for its intended purpose to run a query and return a result.

The user may then download the result and perform additional processing as required by the claim. If the user did not make the request, then the back-end processing would not be put into service. By causing the system as a whole to perform this processing and obtaining the benefit of the result, the customer has “used” the system under § 271(a). It makes no difference that the back-end processing is physically possessed by Qwest.”

- **Contract between LS and Amazon: basis for Amazon / LS “agency”**

LS agrees to store text and cover content and agrees to print and bind in response to a request from the Amazon system. Amazon agrees to list for sale books stored by LS, at check-out to list LS as an available manufacturing source and to send a command for printing and binding **if** the customers select LS as the manufacturing source.

Plaintiff Failed to Prove Infringement Under *Centillion Data Systems* Analysis

- Neither Amazon nor LS is a direct infringer, as neither puts the whole system into service.

“We agree with Qwest that ... it does not ‘use’ the patented invention under the appropriate test from *NTP*. Qwest must put the claimed invention into service, i.e. control the system and obtain benefit from it While Qwest [LS] may make the back-end processing elements [that upon receiving instructions from Amazon’s customers through Amazon produces the book], it [Amazon / LS] never ‘uses’ the entire claimed system because it never puts into service the [customer’s] personal computer data processing means.” *Centillion*, 631 F.3d at 1285-86.

- Neither Amazon nor LS is a vicarious/joint infringer, as neither Amazon nor LS directs customer, nor does customer act as agent for either. (*Centillion*, 631 F.3d at 1286-87).
- Similarly, LS does not direct its direct customer, Amazon, nor does LS act as its agent. (*Id.*)

“Qwest in no way directs its customers to perform nor do its customers act as its agents. While Quest provides the software and technical assistance, it’s entirely the decision of the customer whether to install and operate this software on its personal computer data processing means.”



System Claim: Plaintiff's Oral Argument

David Leichtman
Leichtman Law

Centillion and OnDemand System Claims Compared

Centillion Claim 1: A system for presenting information to a user comprising:

- (1) storage means for storing transaction records,
- (2) data processing means for generating summary reports **as specified by a user** from the transaction records,
- (3) transferring means for transferring the transaction records and summary reports to a user, and
- (4) **personal computer data processing means adapted to perform additional processing on the transaction records.**

Centillion concedes that the claim includes both a "back-end" system maintained by the service provider (claim elements 1, 2, and 3) and a "front-end" system maintained by an end user (claim element 4).

On Demand Claim 5: A book manufacturing system comprising:

- (1) computer memory means for storing data corresponding to the text of a plurality of books, and corresponding to cover graphics in a digital format,
- (2) selection means for selecting portions of such data,**
- (3) computer means for retrieving said selected data in response to a signal from said selection means,
- (4) means for high speed printing of said selected text data,
- (5) means for reproducing the selected cover graphics, and
- (6) finishing means for binding such reproduced text and such cover graphics together.

Vicarious Liability by Amazon for Direct Infringement By LS – Criteria Are Met

- The “user” initiates the infringement of the entire system by ordering. **LS** thus infringes by accepting the order. *Centillion*. There is no additional “front end” element 4 as in *Centillion* that gives **LS** a defense.
- As to [Amazon](#), an actor infringes vicariously by profiting from direct infringement (*Akamai V*, citing *Grokster* Supreme Court decision)

A **joint enterprise** has four elements:

1. An agreement among the members of the group
 2. A common purpose carried out by the group
 3. A community of pecuniary interest in that purpose
 4. Equal right of voice in the direction of the enterprise which gives an equal right of control.
- Here, [Amazon](#) is **LS**'s sales agent and promotes the infringing system to users; [Amazon](#) benefits in a pecuniary way by receiving a commission from **LS**; they both equally control whether to accept the customer's request. Thus, the elements of a joint enterprise are met.