

**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
NEW YORK INTELLECTUAL PROPERTY LAW
ASSOCIATION IN SUPPORT OF DEFENDANT-
APPELLEE ON REHEARING EN BANC**

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Association certifies the following:

1. The full name of every party or amicus represented by me is: New York Intellectual Property Law Association.

2. The party represented by me as amicus curiae is the real party in interest.

3. The parent companies, subsidiaries (except wholly owned subsidiaries) and affiliates represented by me are: None.

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STATEMENT OF INTEREST OF AMICUS CURIAE

The New York Intellectual Property Law Association (“NYIPLA” or “the Association”) is a bar association of more than 1,600 attorneys whose professional interests and practices lie principally in the areas of patents, copyrights, trademarks, trade secrets and other forms of intellectual property. Since its founding in 1922, NYIPLA has been committed to maintaining the integrity of the U.S. patent law and to the proper application of that law and the related bodies of contract and trade regulation law to commercial transactions involving patents.

The NYIPLA and its undersigned counsel represent that they have authored this brief, that no party or counsel for a party in this proceeding authored any part of the brief, and that no person other than the NYIPLA, its members or its counsel, including any party or counsel for a party, made any monetary contribution intended to fund the preparation or submission of the brief.

The arguments set forth in this brief were approved on or about August 9, 2011, by an absolute majority of the total number of officers and members of the Board of Directors (including those who did not vote for any reason, including recusal), but may not necessarily reflect the views of a majority of the members of the NYIPLA or of the organizations with which those members are affiliated. After reasonable investigation, the NYIPLA believes that no person who voted in favor of the brief, no attorney in the firms or companies with which such persons

are associated, and no attorney who aided in preparation of this brief represents a party in this litigation. Some such persons may represent entities that have an interest in other matters which may be affected by the outcome of this proceeding.

This brief is filed pursuant to paragraph 6 of the Order granting the petition for rehearing en banc (May 26, 2011), which provided that amicus briefs may be filed without consent and leave of Court.

INTRODUCTION AND SUMMARY OF ARGUMENT

At the risk of redundancy, but with the goal of consistency, this brief largely tracks the arguments presented in the NYIPLA's amicus brief previously filed in *Akamai Technologies, Inc. et al. v. Limelight Networks, Inc.*, Appeal Nos. 2009-1372, -1380, -1416, and -1417 ("the *Akamai* appeal"). There is additional discussion in this brief of the fact pattern presented here, and the Court could save time by reviewing only this brief.

This appeal, and the *Akamai* appeal, lie at the intersection of two well-established doctrines, *i.e.*, the all-elements rule and the difference between direct and indirect infringement. The "all elements" rule under which infringement of a claim does not occur unless each and every step of the claim is practiced has been a feature of patent law for decades. *See, e.g., Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 31 (1997); *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 773 (Fed. Cir. 1993) ("[A] method or process claim is directly infringed only when the process is performed."). Similarly, the difference between direct and indirect infringement has been a feature of patent law long pre-dating its codification in the 1952 Act.

Nothing about this case or the *Akamai* appeal calls for the application of special new rules of patent law. Although the method claims at issue are in the field of information management, a relatively new occurrence in patents, their

infringement can be fairly assessed by the application of existing patent-law doctrines. Doing so will not disrupt the settled expectations of those who have organized their activities in reliance on existing precedent.

The inventions protected by such claims should (i) receive the same protection as any other type of invention best protected by method claims and (ii) not compel a change in the law that will generate a ripple effect of uncertainty beyond the narrow confines of the present dispute or the *Akamai* appeal. History has shown that the creation of special rules for different types of inventions is not the right path. Indeed, an important feature of the 1952 Act was the clearing away of an accretion of unhelpful and arbitrary precedent that gave different degrees of protection to allegedly different categories of invention. P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. § 1 (West 1954), reprinted in J. Pat. & Trademark Off. Soc’y 161, 170 (1993). The creation of this Court was similarly intended, in part, to remedy the patchwork of inconsistent precedent and the non-uniform application of patent law by the regional Circuits. *See, e.g., South Corp. v. U.S.*, 690 F.2d 1368, 1371 (Fed. Cir. 1982) (en banc) (Markey, C.J.) (commenting that the Federal Circuit was “created and chartered with the hope and intent that stability and uniformity would be achieved in all fields of law within its substantive jurisdiction”). Absent a statutory requirement or future intervention by Congress, that underlying principle of uniform treatment should be applied here,

and points to adherence to current precedent under which method claims are governed by the same rules that apply to other statutory classes.

The panel opinion and existing precedent properly balance the rights and interests as between patentees and the public. A person who practices every step of a method claim realizes the full economic value of the invention and is properly liable to the patentee for infringement. Conversely, a person who does not practice every step of a method claim does not appropriate the full economic value of the claimed invention and cannot be liable for infringement because patent law does not recognize partial or incomplete infringement.¹ Those who aid and abet in direct infringement, or those who contribute to direct infringement, can be found liable under the existing rules and standards. There is no need to create a new, special class that might be called “aggregate infringers,” who will exist at the whim of the patentee that cobbles together different persons—not working in common or in a principal-agent relationship—to create an act of infringement that did not exist before.

¹ The concept of “imperfect infringement” is a different issue not applicable here. *Wahpeton Canvas Co. v. Frontier, Inc.*, 870 F.2d 1546, 1548 & n.2 (Fed. Cir. 1989) (remarking that “inferior infringement is still infringement”).

Consider, for example, a multistep industrial method-of-manufacture claim that includes an intermediate step of irradiating the in-process material. Assuming that the irradiation step is useful, a manufacturer that omits that step but uses every other step, and sells a nonirradiated product, has not realized the full economic benefit of the claimed invention and is not liable for infringement. Existing precedent stops the manufacturer from realizing that full economic benefit by artifice: if the nonirradiated product is useful only when irradiated by the purchaser, the manufacturer is almost certainly liable for contributory infringement under 35 U.S.C. § 271(c), and also perhaps for inducement of infringement under § 271(b) if the manufacturer provides instructions on how to infringe. If the manufacturer outsources that step to an irradiation company across town, those companies are in a master-servant or principal-agent relationship and the manufacturer is liable as a direct infringer, just as if it had had one employee perform all steps of the claimed method with the exception of the irradiation step, and simply assigned a different employee to do the irradiation. This standard is captured in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), as a case in which “one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party.” *Id.* at 1329.

The application of these principles outside the more familiar industrial context is no different. In this case, the facts suggest that Epic Systems’ customers (the doctors) do not realize the full economic value of the invention as claimed

because they neither perform the “initiating” step nor control or direct the patients to do so. This is the natural result of the patentee’s decision to claim a method that includes a step which must be performed by a person other than the operator of the software that implement the other claimed steps.

Indeed, the claimed method expressly requires extramural communication between the healthcare provider and its patients. It does not read on use of the otherwise-identical method for medical-records management among healthcare providers, such as within a hospital or among a group of hospitals and a network of affiliated doctors’ offices. Perhaps the patient-driven step of “initiating” the communication was required to distinguish the claimed invention from prior-art systems that operated only among or between healthcare providers. Perhaps there was a sound reason for the patentee to have not captured the patient’s action from the perspective of the healthcare provider, *e.g.*, claiming not the act of “initiating” a communication by the patient, but rather the provider’s act of receiving a communication initiated by the patient. The patentee’s subjective reason(s) for structuring the claim the way it did are of course irrelevant, but so long as the patent system gives primacy to the words of the claim, the reality—which at times like these may seem unduly dogmatic or somewhat uncomfortable—is that nuances of language and grammar have real consequences to the scope of patent rights. And both precedent and fairness require that as between the patentee and the public, those consequences fall on the patentee. *Infra* at 12-16.

An expansion of the circumstances under which a single person who performs fewer than all steps of a method claim is nonetheless liable as a direct infringer as sought in the *Akamai* appeal, or an expansion of the circumstances under which a party can be found to have induced or contributed to infringement, as sought in this appeal, would upset the decisions made by businesses in reliance on existing law. As between a potential infringer and the patentee, the consequence resulting from an application of existing law (*i.e.*, noninfringement) is properly borne by the latter because it is the patentee that (i) failed to present for examination a broader claim, (ii) narrowed its claims by amendment, or (iii) elected to draft and present claims that did not read on the accused activities under current, binding precedents.

The limits of judicial power mean that substantive rules of law changed by adjudication can rarely be limited to prospective operation. Here, a change in the rules governing multiparty infringement of method claims to broaden or alter the circumstances under which indirect infringement occurs is likely to make infringers out of many businesses that ordered their activities to avoid infringement in reliance on existing precedent. The heavy thumb of *stare decisis* on the scales of justice requires affirmance. Any change in the law should occur, if ever, only prospectively, and only Congress has the power to make the change in that fashion.

ARGUMENT

I. Because it is Important to Maintain the Distinction Between Direct Infringement (a Strict Liability Offense) and Indirect Infringement (which Requires a Showing Of Intent), the Court Should Preserve Existing Law

The doctrine of indirect infringement protects against subversion of the patent system by imposing liability on those who misappropriate the claimed invention through the acts of others. *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 188-89 (1980) (“[T]he contributory infringement doctrine . . . exists to protect patent rights from subversion by those who, without directly infringing the patent themselves, engage in acts designed to facilitate infringement by others.”). At the same time, because the law does not lightly impose liability on one for the acts of another, an element of intent is required before liability exists for indirect infringement. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011) (holding that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement” just as “§ 271(c) requires knowledge of the existence of the patent that is infringed”).

When the performance of the elements of a claim is divided between separate entities such as a vendor and its customer or a doctor and her patient, the proper mode of analysis is that of indirect infringement. And the codified standards for indirect infringement address exactly those situations. A manufacturer that sells an incomplete or unassembled product (that is by itself

noninfringing because the claims cover only a finished product) that is not useful except for completion or assembly into an infringing whole is the poster child of indirect infringement. *See, e.g., Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990) (explaining that the most common scenario of common-law contributory infringement pre-1952 Act was the sale of a component that does not itself infringe but has no use except for the claimed product or process). Under the 1952 Act, such conduct is clearly proscribed by § 271(c) as contributory infringement, and will in many circumstances (as when the product is shipped with instructions to assemble it) be prohibited under § 271(b) as active inducement. *See, e.g., Biotec Biologische GmbH v. Biocorp, Inc.*, 249 F.3d 1341, 1351 (Fed. Cir. 2001) (shipping product with instructions to remove water resulting in satisfaction of “substantially water free” element of claim).

Similarly, in the common example of pharmaceutical method-of-use claims—in which the claim is directed to using a specified pharmaceutical product in a certain way and/or to treat a particular disease—the patient (or occasionally the prescribing doctor) will be the direct infringer and the claimed invention is well-protected by the law of active inducement. *See, e.g., AstraZeneca LP v. Apotex, Inc.*, 633 F.3d 1042, 1059-60 (Fed. Cir. 2010) (finding intent to induce infringement of such claim when product was sold with directions to use it in manner that infringed).

Finally, the patentee who proves her case under a theory of indirect infringement is not deprived of the full measure of damages as compared to a claim of direct infringement, because the indirect infringer is liable for the full measure of patent damages (jointly and severally in the case of multiple infringers). *Hewlett-Packard*, 909 F.2d at 1469.

The key difference, of course, is that the patentee proceeding under a theory of indirect infringement must prove the requisite degree of intent. *SEB*, 131 S. Ct. at 2065 & n.2. The requirement of intent or culpability is deeply rooted in common-law principles predating the codification of indirect infringement in the 1952 Act, which preserved that requirement. *Hewlett-Packard*, 909 F.2d at 1469. Any expansion of the scope of direct or indirect infringement alters the balance between the strict-liability tort of direct infringement and the intent-based tort of indirect infringement. The facts of the *Akamai* appeal and the facts of this case do not call for any such alteration, and changing the balance here is likely to have substantial effects in other fields of technology and other types of patent claims (as suggested by the varied industrial interests represented by other *amici* participating in these cases).

II. Because Businesses Have Ordered Their Activities Based on Existing Law, and Reversal of the Panel Decision Would Create Infringement Retroactively in Circumstances Where None Currently Exists, Reliance Interests Favor Application of *Stare Decisis* and Adherence to Existing Precedent Even if a Theoretical “Better” Rule Exists

Even if the judgment of noninfringement seems aberrant or inequitable in the case at bar, the reliance interest of others that have conformed their business activities to existing law favors the application of *stare decisis*, leaving to Congress the option to change the law prospectively if necessary. *Stare decisis*, in its core application, lends predictability to the law. *See, e.g., Warner-Jenkinson*, 520 U.S. at 32 & n.6; *see generally* Benjamin N. Cardozo, *The Nature of the Judicial Process* 149-156 (1921) (discussing the role of adherence to precedent in the judicial process, which “should be the rule and not the exception,” as well as “considerations of policy that dictate adherence to existing rules when substantive rights are involved”). Consistency and predictability have particular significance in the context of conduct-ordering rules like the one at issue here, *i.e.*, rules that influence the way businesses organize, develop, and invest. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 724, 730-32 (2002); *Warner-Jenkinson*, 520 U.S. at 32 & n.6; *see generally* Randy J. Kozel, *Stare Decisis as Judicial Doctrine*, 67 Wash. & Lee L. Rev. 411, 453-54 (2010) (discussing reliance on *stare decisis* “by specific individuals, groups, and organizations” and observing that those “who do their best to comply with the law only to find that the

rules have changed may feel forsaken by the very government whose edicts they endeavored to respect”). Consistency allows competitors to invest in technology outside the scope of the patents, establish businesses, and avoid litigation. *Festo*, 535 U.S. at 732.

With the clear standard of “direction and control” from the prior cases in mind, patent attorneys and their clients have drafted claims, negotiated contracts, and conformed business activities to comport with the existing law that limits claims of “divided” infringement. *See, e.g.*, Kurtis A. Kemper, *Software and System Protection—Infringement*, in *Computer and Information Law Digest* § 2:15.20 (2d ed. 2011); Lisa M. Brownlee, *Internet Considerations—Changes in Business Method and Joint Infringement Patent Law and Their Potential Impact on Internet-Related Patents*, in *Intellectual Property Due Diligence in Corporate Transactions* § 5:97 (2011); W. Keith Robinson, *Ramifications of Joint Infringement Theory on Emerging Technology Patents*; 18 *Tex. Intell. Prop. L.J.* 335 (Spring 2010); Raymond Millien, *Drafting Business Method and Software Claims in a Post Bilski, Muniauction and NTP World*, 55 *Prac. Law.* 27 (Aug. 2009); Sriranga Veeraraghavan, *Joint Infringement of Patent Claims: Advice for Patentees*, 23 *Santa Clara Computer & High Tech. L.J.* 211, 233 (Nov. 2006). The overruling of precedent to expand the scope of direct infringement or indirect infringement would be (i) a windfall for patentees who presented and obtained

claims not likely to be infringed by a single person, and (ii) an imposition on those who arranged their services to avoid infringement but suddenly find themselves redefined by judicial action as infringers.

As between the patentee, who has the option to draft claims that read on the activity of a single person and the obligation to present those claims for examination, and members of the public who review issued patents with the benefit of binding Federal Circuit precedent, the balance clearly favors the public. *See, e.g., BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2011) (observing that “steps of the claim might have featured references to a single party’s supplying or receiving each element of the claimed process” and remarking that “this court will not unilaterally restructure the claim or the standards for joint infringement to remedy these ill-conceived claims”); *see generally* Ken Hobday, *The Incredibly Ever-Shrinking Theory of Joint Infringement: Multi-Actor Method Claims*, 38 *Cap. U. L. Rev.* 137 (2009); *see also Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1425 (Fed. Cir. 1997) (“[F]or a patentee who has claimed an invention narrowly, there may not be infringement . . . even though the patentee might have been able to claim more broadly. . . . otherwise, then claims would be reduced to functional abstracts, devoid of meaningful structural limitations on which the public could rely.”).

In this regard, *amicus* respectfully disagrees with the dissent in the panel opinion in *McKesson*, which argues that predicating indirect infringement on direct infringement—when due to the involvement of multiple parties there cannot be direct infringement—creates a paradox where patent rights become a cynical and expensive delusion. *McKesson Techs. Inc. v. Epic Sys. Corp.*, 98 USPQ2d 1281, 1287 (Fed. Cir. 2011) (Newman, J., dissenting). Although it is entirely possible that the particular claims at issue in these cases have little economic value under existing law, narrowly drafted claims that are readily circumvented are no stranger to patent lawyers who counsel clients on their freedom to operate. For whatever reason, there are myriad issued patents that seem not to have even justified payment of the issue fees except to obtain handsome documents to display on the inventors’ walls. The Court does not often adjudicate cases involving such patents, because they are rarely asserted. But the existence of claims that may be incapable of being meaningfully asserted against substantial infringement is a reality of patent practice, not a paradox to be “corrected” by a change in precedent. As the Court has observed, the result in cases of this type is attributable to the patentee’s failure to draft claims targeting a single entity. *See BMC Res.*, 498 F.3d at 1381.

Indeed, other cases provide examples of claims that were drafted to read on the action of a single entity even where multiple parties are involved. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011), held a system claim

directly infringed when, despite the involvement of multiple parties, the system claim focused on the software registration station itself and merely defined the environment in which third parties participated. *Id.* at 1309 (“[t]hat other parties are necessary to complete the environment in which the claimed element functions does not necessarily divide the infringement between the necessary parties”). Also instructive is the Court’s recent decision in *Advanced Software Design Corp. v. Fiserv Inc.*, which involved a method of validating negotiable instruments such as checks. 641 F.3d 1368 (Fed. Cir. 2011). The preamble of the claim, which the parties agreed was limiting, described a check with some information variously encrypted and printed. The body of the claim recited validating the check by reading the information and subjecting it to certain processing steps. Accused infringer Fiserv provided a check security product that performed the claimed validation, but it did not print checks. The Court reversed the district court’s judgment of noninfringement based on that court’s incorrect reading of *BMC Resources*, holding on appeal that Fiserv’s conduct of the validating step was sufficient because the encryption and printing steps simply defined the characteristics of the check on which the validating step had to be conducted. *Id.* at 1374.

The outcomes of *Uniloc* and *Advanced Software Design* illustrate that the *BMC Resources* line of cases regarding method claims do not deprive patentees of

viable ways to draft method claims that will be directly infringed by the conduct of a single person even when the activity as a whole involves multiple parties. To the extent that existing patentees have failed to do so, some may still have time to obtain relief through broadening reissue proceedings.

CONCLUSION

For the reasons stated above, *amicus curiae* New York Intellectual Property Law Association respectfully submits that the panel decision applying the holding of *BMC Resources* was correct.

Respectfully submitted,

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**United States Court of Appeals
for the Federal Circuit**

MCKESSON TECH v. EPIC SYSTEMS,
2010-1291

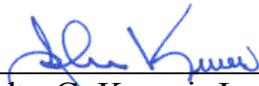
**DECLARATION OF AUTHORITY PURSUANT TO
28 U.S.C. § 1746 AND FEDERAL CIRCUIT RULE 47.3(d)**

I, John C. Kruesi, Jr., being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

I am an employee of Counsel Press's Washington DC Office. Counsel Press was retained by Attorneys for Amicus Curiae to print the enclosed documents.

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August 15, 2011



John C. Kruesi, Jr.

**United States Court of Appeals
for the Federal Circuit**
MCKESSON TECH v. EPIC SYSTEMS,
2010-1291

CERTIFICATE OF SERVICE

I, John C. Kruesi, Jr., being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

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August 15, 2011



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