

No. 12-786

IN THE
Supreme Court of the United States

LIMELIGHT NETWORKS, INC.,

Petitioner,

v.

AKAMAI TECHNOLOGIES, INC., ET AL.,

Respondents.

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

**BRIEF OF *AMICUS CURIAE* INTELLECTUAL
PROPERTY OWNERS ASSOCIATION IN SUPPORT
OF NEITHER PARTY**

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INTEREST OF *AMICUS CURIAE*¹

Intellectual Property Owners Association (IPO) is a non-profit, national trade association representing companies and individuals in all industries and fields of technology who own or are interested in U.S. intellectual property rights. IPO's membership includes more than 200 companies and a total of over 12,000 individuals who are involved in the association, either through their companies or as inventor, author, executive, law firm, or attorney members. Founded in 1972, IPO represents the rights and interests of all owners of intellectual property, including patents. IPO regularly represents the interests of its members before Congress and the U.S. Patent & Trademark Office, and has filed numerous *amicus* briefs in this Court and other courts on significant issues facing intellectual property law. The association adheres to a policy of submitting *amicus* briefs on issues affecting intellectual property ownership, including the ability of owners to enforce their rights and obtain redress for infringement. The members of IPO's Board of

¹ Pursuant to this Court's Rule 37.3(a), petitioner has provided written consent, on file with the clerk, to the filing of briefs in support of either or neither party. Respondent has provided written consent for the filing of this brief, submitted herewith. Pursuant to this Court's Rule 37.6, *amicus* states that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *amicus* or its counsel made a monetary contribution intended to fund the preparation or submission of this brief.

Directors, which approved the filing of this brief, are listed in the Appendix.²

IPO submits this brief because its members share a significant interest in the correct and consistent formulation and implementation of the legal standards governing patent infringement. More specifically, IPO requests that this Court confirm that induced infringement under 35 U.S.C. § 271(b) requires, as a prerequisite, proof of direct infringement under § 271(a), even in the case of process patents. The Federal Circuit's relaxation of this long standing requirement in situations where the patent owner must combine the actions of two or more actors to establish that all of the steps of a method claim were in fact performed thrusts the law into a state of confusion. Prior to the Federal Circuit's *en banc* ruling in *Akamai Techs., Inc. v. Limelight Networks, Inc.* ("*Akamai II*"), 692 F.3d 1301 (Fed. Cir. 2012) (*en banc*), these issues were often framed in terms of "joint" or "divided" direct infringement. By abolishing the requirement of proving that a single entity is legally liable for performing all the steps of a claim, however, the Federal Circuit has reframed the issue as one of "induced infringement" under § 271(b). It is evident from the three widely disparate opinions in *Akamai II* that the law surrounding this factual scenario requires clarification.

² IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

SUMMARY OF ARGUMENT

IPO believes that this Court should reaffirm what it said in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961): “if there is no direct infringement of a patent there can be no [indirect] infringement.” That principle is fundamental and should apply to both apparatus and method claims. Further, the Court should make clear that direct infringement of a method claim under § 271(a) requires conduct that is the sole responsibility of a single actor, either because the single actor performed all of the steps of the method claim itself, or because the steps were performed at the direction or under the control of the single actor. See *BMC Res., Inc. v. Paymentech, L.P.* (“*BMC*”), 498 F.3d 1373 (Fed. Cir. 2007). Abolishing the single entity liability rule and the need for proof of direct infringement, as the Federal Circuit has done, could open the door to an almost endless range of possibilities for accusing loosely connected activities of patent infringement.

As both of the dissents in *Akamai II* point out, there is no legal basis whatever for relieving the patent owner of the need to prove direct infringement as a prerequisite to establishing indirect infringement. The majority opinion, by conflating possible exceptions to the single entity rule with indirect infringement, creates an entirely new and hybrid concept in patent jurisprudence. Direct infringement is a tort wherein strict liability attaches without regard to whether the infringer knew of the patent or the infringement. Indirect

infringement is a derivative tort with a scienter requirement – the infringer is liable only if it is aware of the patent and intends the infringement. The *Akamai II* decision, if allowed to stand, would leave courts and counselors hopelessly confused on this difference. In addition, the *Akamai II* decision would leave the issue of financial responsibility for the infringement unsettled. In typical cases of induced infringement, both the entity inducing the direct infringement and the entity carrying out the direct infringement are equally and fully liable for damages. Applied to the joint infringement situation, however, such a rule would be unjust in many if not most instances.

Regarding the circumstances under which an accused infringer should be held responsible for the conduct of others in carrying out some of the steps of a method claim, IPO believes that the “direction or control” test from *BMC* provides a workable legal standard for addressing this issue. IPO does not agree, however, that inquiry into “direction or control” should depend rigidly and woodenly on whether there is a formal agency or contractual relationship between the actors that compels the conduct alleged as infringement, as the original *Akamai* panel decision would have done. To the contrary, IPO believes that “direction or control” should be a factual inquiry, decided by a jury based on the totality of factors unique to the particular situation.

Given the variety and complexity of business arrangements that can be created today, we encourage the Court to look beyond the “technicalities of patent law” and adhere to the

general principle articulated in *Dawson Chem. Co. v. Rohm & Haas*, 448 U.S. 176, 188 (1980):

[The doctrine of contributory infringement] 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. This protection is of particular importance in situations . . . where enforcement against direct infringers would be difficult, and where the technicalities of patent law make it relatively easy to profit from another's invention without risking a charge of direct infringement.

The issues in this case are important, because interactive systems and interactive methods are rapidly developing in the healthcare, e-commerce, financial and other industries, as these industries respond to the need for greater efficiency and as they develop new methods of using the Internet and other network systems to lower costs. The Court should recognize that the incentives for investment and disclosure of these new interactive methods will be adversely affected by an overly restrictive approach to the issues in the case at bar.

ARGUMENT

I. THE MAJORITY OPINION IN *AKAMAI II* REFLECTS A SIGNIFICANT AND UNWARRANTED DEPARTURE FROM WELL SETTLED PATENT LAW

The terms “joint infringement” and “divided

infringement” are a relatively recent addition to our patent jurisprudence, occasioned for the most part by the increasing use of the Internet allowing companies to interact electronically with one another in a variety of novel ways and to pursue a wide range of useful end results. Typical scenarios in which the issue arises include those in which one party performs some of the steps in a patented process and causes others to perform the remaining steps,³ or where parties collaborate through a partnership or system of joint management to perform all of the steps of a method or process,⁴ or where a vendor performs certain steps in a method and instructs customers or subscribers to perform the remaining steps, as in the case at bar.

In *BMC*, the Federal Circuit addressed the issue of joint infringement in the context of patent claims for a method of approving monetary transactions using a telephone keypad. 498 F.3d at 1375-76. Once initiated by the user, the various steps in the approval process, which also were the steps in the patent claim, were carried out by multiple entities, thus allowing the defendant to argue that there was no one entity directly infringing, and therefore that there could be no indirect infringement. *Id.* at 1377-78. In a carefully drafted explanatory opinion, the Federal

³ Exemplary are *BMC*, 498 F.3d 1373, and *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008).

⁴ See, e.g., *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367 (Fed. Cir. 2010).

Circuit agreed with the defendant, holding that without “direction or control” by the defendant of the entities that performed the missing claim steps in question, there was no infringement. *Id.* at 1381-82. The district court had found that despite some loose affiliations between the various entities in the transaction approval process, there was no direction or control by the defendant as to their activities. *Id.* at 1378. The appellate court left open, however, the possibility that in appropriate circumstances, *i.e.*, where “direction or control” is established, such joint or divided infringement might exist.⁵

The case at bar involves a method patent covering the use of proxy servers distributed throughout the country to manage the data demands on websites that might be experiencing high volume traffic. Plaintiff Akamai is the exclusive licensee of the patent and operates a network of such proxy servers. Defendant Limelight Networks is a competitor in the same business and sold proxy server services that performed all but one of the steps of the claimed method. In addition, Limelight provided specific and detailed directions to those customers for performing the final missing step of the patent claim whenever the customer wished to use the Limelight service for which it had contracted. After

⁵ A later Federal Circuit opinion, *Muniauction*, 532 F.3d at 1329-30, took the *BMC* case a step further, holding that providing instructions for infringing the patent was still insufficient to satisfy the “direction or control” requirement.

a trial in the district court, the jury found – as a factual matter – that Limelight’s activity satisfied the *BMC* “direction or control” test for joint infringement, and the jury awarded damages.

The district judge granted judgment as a matter of law in favor of Limelight and a three-judge panel of the Federal Circuit affirmed. *Akamai Techs., Inc. v. Limelight Networks, Inc.* (“*Akamai I*”), 629 F.3d 1311 (Fed. Cir. 2010) (Linn, J.). Essentially, the panel held that nothing short of a formal agency or other contractual relationship specifically requiring performance of the missing claim element can satisfy the *BMC* test for conduct amounting to “direction or control”:

This court therefore holds as a matter of Federal Circuit law that there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.

Id. at 1320.

In *Akamai II*, the appellate court, sitting *en banc*, reversed the panel decision and remanded to the district court. 692 F.3d 1301. The majority’s *per curiam* opinion, despite the jury finding of infringement, assumed without much discussion that the *BMC* test for “direction or control” was not

satisfied by the facts established at trial.⁶ The majority did, however, believe that the conduct of the defendant Limelight was an intrusion on Akamai's patent rights. *Id.* at 1318-19. The majority held that the "single actor" rule is not an iron-clad and unequivocal requirement of § 271(a) for showing direct infringement of a method claim, and that the plaintiff might therefore be able to show induced infringement under § 271(b), where one actor knowingly and intentionally caused another to perform the missing steps of the claim. *Id.* at 1306.

A dissent by Judge Newman argued that the court's adoption of the single actor rule in the first instance was improper, and that collaborative interaction among multiple actors that together perform all of the steps of the claim is sufficient to establish direct infringement. *Id.* at 1319-36. A dissent by Judges Linn, Prost, Dyk and O'Malley would have adhered to the original panel decision, requiring a formal agency relationship between the actors or a contractual commitment by one to carry out the missing step of a claim. *Id.* at 1337-51.

IPO believes that the majority's *per curiam* decision is incorrect, and we urge this Court to reinstate and clarify the rule that a "single entity" must be liable for direct infringement in situations

⁶ It is not entirely clear that the majority gave much thought to the jury finding of "direction or control" as an element of direct infringement. The opinion discusses that issue only in the context of indirect infringement under § 271(b). *Id.* at 1307-08.

where multiple entities perform acts that collectively perform each step of the claim of a method patent. These situations can arise when multiple companies work in concert, often – but not always – through contractual or agency relationships, to perform the steps of a claimed method. They are an increasingly common occurrence in numerous industries that rely on interactive or collaborative technologies and processes (*e.g.*, computer and wireless network operations, Internet commerce, delivery of medical services, and financial services).

II. THERE CAN BE NO INDUCEMENT OF INFRINGEMENT UNDER 35 U.S.C. § 271(B) WITHOUT A FINDING OF DIRECT INFRINGEMENT UNDER 35 U.S.C. § 271(A)

The doctrine of indirect infringement (*i.e.*, contributory and induced infringement), from its inception in the mid-1800's until the present, has existed to provide patent owners with a remedy against those who, by clever efforts to avoid patent claims, nevertheless cause others to infringe the claims. *See Dawson Chem.*, 448 U.S. at 179-80:

The idea that a patentee should be able to obtain relief against those whose acts facilitate infringement by others has been part of our law since *Wallace v. Holmes*, 29 F. Cas. 74 (No. 17,100) (CC Conn. 1871).

The very nature of the doctrine, however, requires direct infringement by an actor before it is even a relevant topic for consideration. Prior to this case, we are unaware of any situation in which indirect

infringement was found in the absence of direct infringement.

For at least 50 years, this Court has made clear, explicitly and unequivocally, that to prove indirect infringement under §§ 271(b) or (c), a patent owner first must demonstrate “direct infringement” under § 271(a). This is as close to a rule of Black Letter Law as one finds in patent law. As this Court held in *Aro*, 365 U.S. at 341, “it is settled [law] that if there is no direct infringement of a patent there can be no contributory infringement.” (Emphasis omitted.) *Accord*, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972) (patent law “defines contributory infringement in terms of direct infringement”); *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 (2011) (showing of direct infringement under § 271(a) was necessary to demonstrate induced infringement under § 271(b)).

The majority opinion purports to base its departure from this well established principle on the theory that method claims should be treated differently in this respect from apparatus claims:

When claims are directed to a product or apparatus, direct infringement is always present, because the entity that installs the final part and thereby completes the claimed invention is a direct infringer. But in the case of method patents, parties that jointly practice a patented invention can often arrange to share performance of the claimed steps between them.

Akamai II, 692 F.3d at 1305-06. This distinction has no foundation in the decisions of this Court, nor those of any other court, including the 32-year history of the Federal Circuit itself. *See, e.g., NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005) (induced infringement of method claim required direct infringement); *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 76 (Fed. Cir. 2012) (“While active inducement can ultimately lead to direct infringement, absent direct infringement there is no compensable harm to a patentee.”); *Desenberg v. Google, Inc.*, 392 F. App’x. 868, 871-72 (Fed. Cir. 2010) (affirming district court judgment of no indirect infringement of process claim “because there was no direct infringer, as required by precedent”); *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) (“Liability for either active inducement of infringement or for contributory infringement is dependent upon the existence of direct infringement.”).

The majority opinion also runs contrary to the statutorily created interdependence between §§ 271(a) and (b). Section 271(a) provides that “whoever without authority makes, uses, offers to sell, or sells any patented invention . . . *infringes the patent.*” 35 U.S.C. § 271(a) (emphasis added). Section 271(b) provides that “[w]hoever actively induces *infringement of a patent* shall be liable as an infringer.” *Id.* at § 271(b) (emphasis added). Reading these provisions together with 35 U.S.C. § 281, which provides a “remedy by civil action for infringement of . . . patent[s],” the necessary implication is that infringement liability under §

271(b) must be predicated on one of the infringing acts enumerated in § 271(a). *See Davis v. Mich. Dept. of Treasury*, 489 U.S. 803, 809 (1989) (“It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.”).

IPO submits that a finding of induced or contributory infringement without direct infringement would run directly contrary to nearly two centuries of established precedent and should be rejected by this Court.

III. THERE IS NO SCIENTER REQUIREMENT FOR DIRECT INFRINGEMENT UNDER 35 U.S.C. § 271(A)

One particularly important side effect of conflating possible exceptions to the single entity rule with indirect infringement, as the *Akamai II* majority would do, is its impact on the need to establish knowledge of the direct infringement and intent to cause such. In *Global-Tech*, this Court noted that direct infringement “has long been understood to require no more than the unauthorized use of a patented invention . . . [A] direct infringer’s knowledge or intent is irrelevant.” 131 S. Ct. at 2065 n. 2. Induced infringement under § 271(b), on the other hand, “requires knowledge that the induced acts constitute patent infringement” or willful blindness on the part of the

infringer. *Id.* at 2068.⁷ As envisioned by the Federal Circuit’s majority, however, knowledge of the “infringement” would become an essential requirement for infringement itself, and the patent owner would lose the ability to demonstrate infringement in its absence. *See Akamai II*, 692 F.3d at 1306 (holding that *Akamai* “and cases like [it]” can be resolved by applying only the law of induced infringement, without resolving the question of “whether direct infringement can be found when no single entity performs all of the claimed steps of the patent”).

Compounding this problem is that scienter in the context of induced infringement under § 271(b) involves not merely simple knowledge of the infringement, but an affirmative intent to cause such infringement, which is a state of mind issue.

⁷ The same is of course true of contributory infringement under § 271(c):

Whoever . . . sells . . . a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, *knowing the same to be especially made or especially adapted for use in an infringement of such patent*, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

35 U.S.C. § 271(c) (emphasis added).

Thus, in *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006) (*en banc*), the Federal Circuit sitting *en banc* affirmed a finding of no inducement by a defendant who, though aware of the infringement it caused, did not intend to do so after receiving an opinion of counsel that its product did not infringe. This promises to inject opinions of counsel and discovery into state of mind issues merely to establish direct infringement. Such a requirement has never been part of our patent law.

IV. A PARTY CAN INFRINGE A PATENT DIRECTLY UNDER 35 U.S.C. § 271(A) WHERE IT “DIRECTS OR CONTROLS” THE ACTIONS OF ANOTHER PARTY

Proving direct infringement requires the patent owner to show that each and every element of the asserted claim is found in the accused product or service, either exactly or by equivalence. *See Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997); *Joy-Techs.*, 6 F.3d at 773; *SRI Int’l v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1121 (Fed. Cir. 1985). Normally, this requires the patent owner to demonstrate that all of the elements of an apparatus claim were made, used or sold by a single entity or that all the steps of a method claim were performed by a single entity. *See BMC*, 498 F.3d at 1379-80; *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1311 (Fed. Cir. 2005); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1568 (Fed. Cir. 1983).

As noted in Section I above, however, a few instances have surfaced, most of them in the last

decade, similar to the case at bar, in which an infringer attempted to escape from liability by arguing that another party – not the accused infringer – was responsible for one or more of the claim elements, and therefore there was no direct infringement. Although the Federal Circuit affirmed a summary judgment ruling for the defendant in *BMC*, the court nevertheless recognized that a direct infringer should not be permitted to escape liability merely “by having someone else carry out one or more of the claimed steps on its behalf.” 498 F.3d at 1379. The Federal Circuit, in short, created a potential exception to the single actor rule for cases of joint infringement.

Recognizing the need for some limiting principles with respect to such an exception, however, the *BMC* court also established a “direction or control” test for determining whether the direct infringement component required by § 271(a) could be satisfied by the combined actions of multiple parties. Under this test, direct infringement can be found in multi-actor scenarios only if one party “directs or controls” the activities of another, such that each and every step is attributable to a single entity, sometimes referred to as the “mastermind.” *Id.* at 1380-81.

IPO believes that this a workable test and one that should be adopted by this Court in place of the majority opinion in *Akamai II*. Requiring that a patent owner asserting joint infringement show that the defendant directed or controlled the missing steps of the claim will eliminate the possibility that simple customer relationships, or loosely connected enterprises, such as existed in the

BMC case, will be found to infringe. At the same time, the test has sufficient flexibility to protect the patent owner from subversion of its patent rights through cleverly designed schemes to avoid infringement while taking full advantage of the invention claimed in the patent.

IPO believes that whether or not “direction or control” exists should be treated as a factual inquiry for resolution by a jury and reversible only for lack of “substantial evidence.” *See, e.g., Smith & Nephew, Inc. v. Rea*, 721 F.3d 1371, 1380 (Fed. Cir. 2013). Whether or not the test is met is likely to depend on a variety of factors that will be different in each case. The opportunity today for collaborative interaction among companies for their mutual benefit is almost limitless, and it is likely that direction and/or control questions will arise in many different settings. A properly instructed jury might consider, for example, (1) the closeness of the relationship between the defendant accused of direct infringement and the other entity that performed the missing steps of the claim; (2) the right of the defendant, by contract or otherwise, to demand performance of the missing steps by the other entity; (3) whether performance of the missing steps is an integral part of the relationship between the defendant and the other entity; (4) the extent to which the relationship between the defendant and other entity establishes the manner, details, timing or other features that lead to performance of the missing steps; (5) whether the defendant receives compensation at the time of or as a result of performance of the missing steps; (6) whether the defendant receives compensation for

any other part of the relationship that does not include performance of the missing steps; and (7) whether the defendant offers technical support and guidance to the other entity in connection with performance of the missing step. The foregoing are merely exemplary, but they illustrate the somewhat open-ended nature of what the inquiry should be.

Finally, with respect to infringement liability, IPO believes that in most cases only the controlling or directing entity should be held strictly liable for direct infringement under § 271(a). The *Akamai II* majority declined to address direct infringement liability, however, reasoning that its decision was “not predicated on the doctrine of direct infringement.” *Akamai II*, 692 F.3d at 1307. That decision thus leaves unsettled the question of direct infringement liability for joint infringers and its differences from liability under contributory infringement principles. Unlike direct infringement, contributory infringement can result in joint and several liability for more than one entity. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (a contributory infringer is a “species of joint-tortfeasor, who is held liable because he has contributed with another to the causing of a single harm to the plaintiff”). In typical cases of induced infringement, both the entity inducing infringement and the entity carrying out the direct infringement are jointly and severally liable for damages. *E.g.*, *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 968 (1988) (both direct infringer and consultant who induced infringement held liable for full amount of lost

profit damages). IPO believes that the well-established principles of direct and indirect infringement liability and damages, as articulated by this Court in *Aro* and applied by the Federal Circuit in *Water Techs.* and similar cases, should be reaffirmed.

V. CONCLUSION

For the foregoing reasons, this Court should hold that indirect infringement under § 271(b) requires a finding of direct infringement under § 271(a). The Court should adopt a practical “single entity” rule for joint direct infringement, whereby direct infringement can be found where one party “directs or controls” the actions of another. And, this Court should reaffirm that direct infringement is a strict liability offense, and that in joint infringement scenarios, direct infringement liability normally lies solely with the controlling or directing party.

Respectfully submitted,

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APPENDIX

APPENDIX¹

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David J. Koris Shell International B.V.	Mark L. Rodgers Air Products & Chemicals, Inc.
Allen Lo Google Inc.	Curtis Rose Hewlett-Packard Co.
Timothy F. Loomis Qualcomm, Inc.	Matthew Sarboraria Oracle USA Inc.
Steven W. Miller Procter & Gamble Co.	Manny Schecter IBM Corp.
Douglas K. Norman Eli Lilly and Co.	Steven J. Shapiro Pitney Bowes Inc.
Elizabeth A. O'Brien Covidien	Dennis C. Skarvan Caterpillar Inc.
Sean O'Brien United Technologies Corp.	Russ Slifer Micron Technology, Inc.

Appendix

Terri H. Smith
Motorola Solutions, Inc.

Daniel J. Staudt
Siemens Corp.

Brian K. Stierwalt
ConocoPhillips

Thierry Sueur
Air Liquide

James J. Trussell
BP America, Inc.

Roy Waldron
Pfizer, Inc.

Michael Walker
DuPont

BJ Watrous
Apple Inc.

Stuart L. Watt
Amgen, Inc.

Michael Young
Roche, Inc.