

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, Judge Jack T. Camp.

**DEFENDANT-APPELLEE'S RESPONSE TO PLAINTIFF-APPELLANT'S
OPENING EN BANC BRIEF**

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Epic Systems Corporation.

- 2. The name of the real party in interest represented by me is:**

Epic Systems Corporation.

- 3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by me:**

None.

- 4. The names of all law firms and the partners or associates that appeared for the party now represented by me in the trial court or are expected to appear in this court are:**

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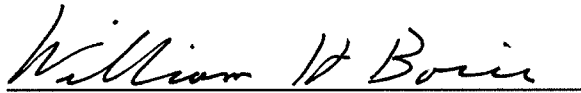

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STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, counsel for Defendant-Appellee Epic Systems Corporation (“Epic”) states that no appeal in this action was previously before this or any other appellate court.

On April 20, 2011, this Court ordered rehearing en banc in *Akamai Technologies, Inc. v. Limelight Networks, Inc.* (See Order of April 20, 2011, Granting en banc review, Case Nos. 2009-1372, -1380, -1416, -1417.) On May 26, 2011, this Court ordered rehearing en banc in this matter. (See Order of May 26, 2011.) Although the Court posed different questions in each case, both cases involve issues relating to joint infringement.

I. RESPONSE TO EN BANC QUESTIONS

This Court has asked the following two questions in this case:

- (1) If separate entities each perform separate steps of a method claim, under what circumstances, if any, would either entity or any third party be liable for inducing infringement or for contributory infringement? See *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983).
- (2) Does the nature of the relationship between the relevant actors—e.g., service provider/user; doctor/patient—affect the question of direct or indirect infringement liability?

Epic answers as follows:

(1) Liability for inducing or contributory infringement where separate parties perform separate steps of a method claim can exist only under circumstances that also give rise to liability for direct infringement of the claim under 35 U.S.C. § 271(a). The Patent Act plainly requires as much, and the Supreme Court and this Court have consistently held for decades that there can be no liability for indirect infringement without underlying direct infringement liability.

This Court's opinion in *Fromson v. Advance Offset Plate, Inc.* does not hold that indirect infringement can be found without underlying direct infringement liability. 720 F.2d 1565, 1568 (Fed. Cir. 1983). Under a reasonable reading of the background *dicta* in *Fromson*, the Court was referring to the asserted *apparatus* claims of the patent—not the method claims—which provide the necessary basis for the underlying direct infringement liability.

Epic discusses below the circumstances under which direct infringement may be found where separate entities perform separate steps of a method claim.

(2) The only relationship that matters for the purpose of determining whether the actions of separate actors in performing separate steps of a method claim can be combined to find direct infringement is whether the second actor's performance of some of the method steps can be imputed to the first actor who

performs the remaining steps, such as through circumstances that give rise to vicarious liability on the part of the first actor. Congress clearly distinguished between the strict-liability tort of direct infringement and the knowledge-based torts of indirect infringement. This Court's prior panel decisions effectuate Congressional intent by preserving the division between direct and indirect infringement and not undermining the critical public notice function of patents or diminishing the importance of patentees drafting claims to capture the actions of a single party. As such, the relationship between actors matters only insofar as the allegedly infringing conduct in question—and not labels such as doctor/patient, etc.—indicates that one actor's performance of some of the claim steps may be imputed to another actor who performs the other steps, so that a single actor may be said to have performed all steps of the method directly or through imputation. This Court's prior panel decisions correctly hold that such imputation requires facts that would give rise to vicarious liability, such as through a showing of agency or contractual obligation.

II. STATEMENT OF THE FACTS

A. McKesson and The '898 Patent

1. Background

After Kevin Ilsen and Michael Cataldo, the named inventors of the '898 patent, were laid off from their jobs, they formed an Internet start-up company named MediVation, Inc. in late 1997. A5007; A10001; A12003. Ilsen and

Cataldo read several “how-to” books on website development and then created a Web-based computer system that they referred to as an “Electronic Provider-Patient Interface” (“ePPi”). A10003-5, A10014-18, A10117; A10135-36. MediVation delivered their ePPi to the health-care industry in 1998. A10241.

More than one year later, on January 18, 2000, Ilsen and Cataldo filed a patent application that led to the '898 patent. A24; A5013. In July 2000, McKesson Technologies Inc. (“McKesson”) purchased MediVation along with the pending patent application and the ePPi software whose use practiced what would become the claims of the '898 patent. A5015; A10130-31. Only a few months later, however, McKesson stopped selling ePPi (which it had renamed “PracticePoint Connect”). A5015-17; A5412-13. In co-inventor Ilsen’s words, McKesson “mothballed” the software because sales were less than 20% of pre-acquisition projections. A10232-35, A10238-39; A10441. After mothballing ePPi, McKesson has not sold a system that it believes to be covered by the '898 patent. *Id.* Nor has it ever licensed the '898 patent. A5370. In short, McKesson has never used the '898 patent.

2. Prosecution History and Invalidity of the '898 Patent

The patent application filed by Ilsen and Cataldo contained both method claims and system claims. The U.S. Patent & Trademark Office (“PTO”) Examiner stated that the method and system claims were directed at different

inventions and, thus, issued a restriction requirement requiring the inventors to choose which invention to pursue. A010312. The inventors elected to prosecute the method claims without traverse, meaning they did not contest the Examiner's restriction requirement and agreed to not pursue the system claims in that patent application. A010328.

The inventors stated that they would "withdraw claims 1-18 and claim 39 from the present prosecution, with the proviso that there is no prejudice preventing the prosecution of claims 1-18 and claim 39 in a continuing application." A010328. Yet, the inventors never filed a continuing or any other patent application to pursue the withdrawn system claims. As a result, the inventors allowed the system claims to go abandoned and never pursued patent rights covering the making, using, or selling of an ePPi system.

During prosecution of the method claims, the PTO Examiner repeatedly rejected the claims based on prior art. *See* A5025-28; A10314, A10317-23; A10348-59, A10363-71. McKesson amended the claims to overcome these rejections. A5028-30; A10377, A10380-81, A10385-86. Specifically, the Examiner allowed the claims only after McKesson added to the sole independent claim the phrase "a fully automated mechanism for generating a personalized page or area within the provider's Web site for each user." A5029-30; A10388, A10391.

On June 29, 2004, the '898 patent issued with 18 method claims. The sole independent claim 1 requires that a patient or other user first initiate a communication to the health-care provider, and that the health-care provider then take certain steps in response including, for example, storing information on a central server, electronically comparing content with mapped content, generating a personalized webpage, and dynamically assembling and delivering custom content to the user. A000059-60.

B. Epic and its MyChart Software Application

Epic is a privately owned software company based in the Madison, Wisconsin area that licenses software to health-care organizations. A1255-56. For more than 30 years, Epic has developed from the ground up its own unique software to support various health-care organizations. A1076; A10268-69. Started in an apartment building basement by its CEO and a couple of employees in 1979, Epic has grown to more than 3,000 employees and now licenses its software to large health-care organizations such as Kaiser Permanente. A10268-70.

Epic first introduced software to be used over the World Wide Web in 1997; health-care providers used this software to access patients' medical information on personalized web pages. *Id.*; A10292. Like many other entities that introduced patient communication over the Web in the late 1990s, Epic soon thereafter developed an application named "PatientWeb" that allowed patients to access their

own personalized medical information over the Web. A1077; A10274. In late 1999, Epic renamed PatientWeb “MyChart”—the system McKesson accuses of infringement. Epic has licensed the MyChart software to its health-care organization customers continuously since 2000, the same year the application that led to the ’898 Patent was filed. A1077; A10288-89; A10268. It is undisputed that none of the health-care organizations that offers MyChart to their patients requires patients to register to use MyChart. A1243; A5357-58. Even if a patient registers for MyChart, moreover, **it is undisputed that health-care organizations do not require that patients use MyChart at any time or for any purpose.** A1242-43; A5358-59.

Rather, health-care organizations provide MyChart as an optional website for patients. A1254-55. A patient or other user who chooses to use MyChart “initiates a communication” to the provider by entering a username and password into the organization’s MyChart webpage. A9; A1240-43; A1255; A5354, A5356. After a patient initiates that communication, the provider can configure MyChart to return a personalized web page for the patient from which medical records and information regarding appointments or prescriptions may be accessed. A1255. MyChart can be configured to dynamically create a personalized web page for the user. A1255. This is similar to the well-known manner in which many websites,

since before 2000, dynamically formulated and delivered personalized web pages after the user requests them. A5005-07; A10008-13.

There is no evidence in the record that Epic has any relationship, interaction, or contact with patients of providers affiliated with Epic's health-care organization customers, nor does Epic have any involvement in any patient's decision to initiate a communication using a health-care organization's MyChart application. *See* A005353.

C. Procedural History

McKesson sued Epic on December 6, 2006, alleging that Epic induced infringement of claims 1–10, 12–14, and 16–18 of the '898 patent by licensing MyChart to various health-care organizations that offered it to patients of providers associated with those organizations. Epic answered and asserted counterclaims seeking a declaratory judgment of non-infringement and invalidity. After discovering evidence that the inventors concealed their first public ePPI implementation (which was publicly used more than one year before their filing date) from the PTO, Epic amended to assert inequitable conduct.

After the district court had issued its claim construction order and discovery was complete, including McKesson conceding—after being ordered to answer Epic's requests for admissions—that most of the claim elements were not novel, Epic moved for summary judgment of invalidity, citing numerous prior art systems

in use and references that anticipated and rendered obvious the asserted claims. A1000-01, A1011-13, A1060; A9005. Epic also moved for summary judgment of non-infringement on the issue of joint infringement, citing both this Court's decision in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 1585 (2009), and McKesson's decision to disclaim reliance on an expert declaration that the district court had cited in previously denying Epic summary judgment. A1000-01, A1013; A10407-08.

The district court granted Epic summary judgment of non-infringement, holding that, as a matter of law, health-care organizations making MyChart available for patients on an optional and voluntary basis do not direct or control a user to initiate a communication to the provider using that website, and also striking McKesson's last-minute effort to again rely on the expert declaration that it previously had disclaimed. A19, A23.

Even though it did not raise the argument in the district court and has no record evidence in support of it, McKesson's primary argument in its briefs before a panel of this Court was that the close, ongoing relationship between a provider and a patient was more than an arms-length transaction and instead gave rise to vicarious liability on the part of a provider for a patient's voluntary decision to use MyChart. Panel Br. at 17-18. McKesson argued that the close, ongoing

relationship between a provider and a patient was sufficient to impute the patient's actions in this regard to the provider. *Id.*

On April 12, 2011, a panel of this Court affirmed the district court in a 2-1 ruling and rejected McKesson's argument that the relationship between a health-care provider and a patient creates a sufficient agency relationship or contractual obligation for joint infringement. As the panel opinion stated, "McKesson has identified no viable legal theory under which the actions of MyChart users may be attributed to Epic's customers" and that "[p]atent law is a creature of statute and 'expanding the rules governing direct infringement to reach independent conduct of multiple actors would subvert the statutory scheme for indirect infringement.'" Order at 8-9 (internal citations omitted). Judge Bryson wrote a concurring opinion, and Judge Newman dissented. On May 26, 2011, this Court granted McKesson's Petition for Rehearing *En Banc*, having also previously granted *en banc* rehearing in *Akamai* on the issue of joint infringement, and asked the parties to address the two questions set forth above.

III. SUMMARY OF THE ARGUMENT

McKesson negotiated the language of its patent rights with the PTO and disclosed the scope of those rights to the public. In doing so, it elected to obtain only *method* claims that it concedes require two actors to perform, and abandoned system claims directed at making, using, or selling a software system. Now,

McKesson seeks to overhaul the rules concerning direct infringement to overcome the claim structure it chose to pursue. The current rules of joint infringement do not create a legal paradox and do not render a class of patents unenforceable. Instead, the statutory framework Congress set forth provides a patentee the ability to enforce those patent rights that it defined and disclosed to the public. Nothing more. Allowing patentees to pursue indirect infringement claims without a strict-liability finding of direct infringement or to combine the actions of multiple parties to cobble together a showing of direct infringement of a method claim without evidence sufficient to hold one party liable for another's conduct runs contrary to the Congressional intent behind the Patent Act and well-settled Supreme Court precedent.

1. Epic cannot be liable for indirect infringement without a finding of underlying direct infringement. There is no support for McKesson's novel and previously un-argued position that inducement or contributory infringement can occur without a finding of direct infringement under § 271(a).

Indeed, Congress unequivocally stated that direct infringement under § 271(a) is required for indirect infringement, and the Supreme Court has consistently held that a finding of indirect infringement requires an underlying direct infringement. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341

(1961). The panel decision in *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983), did not and could not change this requirement mandated by Congress and the Supreme Court. In the background dicta in *Fromson*, the Court was presumably referring to the asserted *apparatus* claims of the patent—not the method claims—which provide the necessary basis for the underlying direct infringement liability.

2. The labels of the specific relationship between actors who perform different steps of a method claim do not determine whether direct infringement has occurred. Congress defined direct infringement as a strict liability offense that requires performance of “all elements” of a method claim. *Gen. Foods Corp. v. Studiengesellschaft Kohle mbH*, 972 F.2d 1272, 1274 (Fed. Cir. 1992). Performing less than all of the elements is not infringement, and it would be inappropriate to hold a party strictly liable for such permissible activity. This Court in *BMC Resources* and its progeny properly refused to expand direct infringement of a method claim to the conduct of multiple actors unless one actor performed certain of the steps and directed or controlled another actor to perform the remaining steps on its behalf such that the other actor’s conduct could be attributed to the first actor under principles of vicarious liability. *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008); *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1379–80 (Fed. Cir. 2007).

This Court's prior panel decisions effectuate Congressional intent by preserving the division between the strict liability offense of direct infringement and the knowledge-based offense of indirect infringement and also upholding the critical public notice function of patents. Moreover, they properly strike the balance between the ability of patentees to write their claims to capture the actions of a single party, on one hand, and protecting actors who perform less than all elements of a method claim from being held strictly liable for direct infringement, since it would be unfair to do so unless one actor's conduct can be attributed to another actor.

McKesson's contention that direct infringement should be expanded to include all common-law joint tortfeasor principles no matter the context in which they were developed is misguided. The common law principles it advocates do not apply to strict liability torts such as direct infringement, but were developed in situations where a party committed an intentional or negligent action that was tortious or wrongful on its own and that combined with the wrongful actions of another to cause harm. But the Supreme Court and this Court have made it clear that performing less than all of the steps of a method claim is not a wrongful, infringing act, and adopting McKesson's argument would improperly subject those who do not do so to the strict liability offense of direct infringement. McKesson's

argument also would obsolete knowledge and intent-based claims of indirect infringement.

Furthermore, whatever the appropriate test for direct infringement where separate actors perform separate steps of a method claim, there is no direct infringement here. It is undisputed that health-care providers offer MyChart as a voluntary website, and that there is no requirement that patients use MyChart at any time, nor do patients have any knowledge of the steps health-care providers perform after the patient initiates a communication. Under any standard, the voluntary decision of a patient to use MyChart to initiate a communication cannot be attributed to the provider, and thus cannot support a finding of direct infringement. The judgment below accordingly should be affirmed.

IV. ARGUMENT

A. There Can Be No Indirect Infringement Without Underlying Direct Infringement Liability.

This Court has first asked Epic to address under what circumstances, if any, an indirect infringement finding can be made where more than one entity directly performs the steps of a method claim. The plain language of the Patent Act of 1952 (“1952 Act”), as well as more than a half-century of Supreme Court precedent, makes it clear that there can be no indirect infringement without underlying liability for direct infringement. Thus, Epic cannot be liable for

indirect infringement unless McKesson can prove that health-care providers and/or patients can be held liable for direct infringement of the McKesson method claims.

McKesson now argues, despite not presenting this issue to the district court, that Epic should be able to be held liable for indirect infringement even in the absence of a finding of direct infringement under 35 U.S.C. § 271(a), *i.e.*, even if health-care providers' and patients' use of MyChart does not rise to a level of direct infringement liability. McKesson argues that Epic is the mastermind over the use of its software and that independent performance of the claimed elements by different actors amounts to direct infringement even if it does not rise to the level of liability under § 271(a).

As an initial matter, to the extent that McKesson is arguing that Epic is the mastermind that directed or controlled the performance of the claimed steps of the method by the health-care provider and the patient, it is actually arguing that Epic is a *direct* infringer on the grounds that all activity should be attributable to Epic. But McKesson never alleged this in the district court or previously on appeal and cannot do so now. *See Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997) (“[A]ppellate courts do not consider a party's new theories, lodged first on appeal. . . . In short, this court does not ‘review’ that which was not presented to the district court. Accordingly, this court declines to consider Sage's novel infringement arguments.”)

Even if not waived, there is no support for McKesson's position that Epic indirectly infringes without underlying liability for direct infringement. McKesson's novel argument is directly contrary to the text of the statute, legislative history, and Supreme Court authority.

1. The Patent Act's Indirect Infringement Provisions Require Underlying Direct Infringement Liability Under § 271(a).

Inducement of infringement is codified at 35 U.S.C. § 271(b), which states that “[w]hoever actively induces *infringement* of a patent shall be liable as an infringer.” (emphasis added). Contributory infringement is codified at § 271(c), which similarly provides that “[w]hoever offers to sell or sells within the United States or imports into the United States . . . a material part of the invention, knowing the same to be especially made or especially adapted for use in *an infringement* of such patent” (emphasis added). The plain language of §§ 271(b) and (c) thus requires an underlying act of direct infringement.

McKesson fundamentally misapprehends the meaning of the word “infringement” as used in the 1952 Act. It argues that underlying direct infringement exists “whether or not any of the direct actors would be liable for direct infringement.” McKesson *en banc* Br. at 4 (“Br.”). But McKesson is unable to identify any authority supporting its position that infringement can exist without liability for that infringement. In fact, as noted above, § 271 states the direct opposite.

The House and Senate Reports on the 1952 Act state that § 271(a) is “a declaration of what constitutes infringement in the present statute.” S. Rep. No. 82-1979, at 6 (1952). Furthermore, other provisions of the Patent Act support the notion that “infringement” means liability. For example, 35 U.S.C. § 281 states that “[a] patentee shall have remedy by civil action for *infringement* of his patent.” Thus, infringement means liability. Conversely, if there is no liability, then there can be no infringement. Other sections of the 1952 Act likewise equate infringement with liability. *See, e.g.*, 35 U.S.C. § 284 (“Upon finding for the claimant the court shall award the claimant damages to compensate for the *infringement*”) (emphasis added); 35 U.S.C. § 286 (“ . . . no [damages] recovery shall be had for any *infringement* committed more than six years prior to the filing of the complaint”) (emphasis added).

McKesson’s argument that infringement merely means performance of the claim elements by a combination of independent actors who are not liable for direct infringement therefore has no support in the statute itself. The 1952 Act plainly requires underlying direct infringement liability under § 271(a) as a prerequisite for indirect infringement of a method claim.

2. The Supreme Court has Consistently Held that Underlying Direct Infringement is Required for Indirect Infringement.

McKesson’s argument also runs afoul of Supreme Court precedent, which has long recognized that the 1952 Act requires underlying direct infringement

liability under § 271(a) for indirect infringement. For instance, McKesson cites *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (“Aro II”) several times in its brief (e.g., at 16, 42, 43, and 48), but never acknowledges the Court’s holding in Aro I that “it is settled that if there is no direct infringement of a patent there can be no contributory infringement.” *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) (“Aro I”). The Court further explained that § 271(c), “a part of the Patent Code enacted in 1952—made no change in the fundamental precept that there can be no contributory infringement in the absence of a direct infringement. That section defines contributory infringement in terms of direct infringement—namely the sale of a component of a patented combination or machine for use ‘in an infringement of such patent.’” *Id.* at 341-42. Eleven years later, the Supreme Court once again confirmed the requirement of underlying direct infringement liability, stating that “it is established that there can be no contributory infringement without the fact or intention of a direct infringement.” *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972). The same principle applies to inducement under § 271(b). *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2066 (2011).

Despite amending § 271 multiple times since *Aro I* was decided (see, e.g., Pub. L. No. 103-465, § 533(a), 108 Stat. 4988 (1994)), Congress has left untouched the requirement of direct infringement liability for indirect infringement.

The Supreme Court recently found Congressional inaction in the face of a decision of this Court a persuasive indication that this Court correctly interpreted a provision of the 1952 Act. *See Microsoft Corp. v. i4i L.P.*, 131 S. Ct. 2238, 2252 (2011) (“For nearly 30 years, the Federal Circuit has interpreted § 282 as we do today. . . . Indeed, Congress has left the Federal Circuit’s interpretation of § 282 in place despite ongoing criticism, both from within the Federal Government and without. . . . Any recalibration of the standard of proof remains in [Congress’s] hands.”) Similarly, Congress has allowed decisions requiring direct infringement liability before indirect infringement liability may be found to stand for more than a half century. Any alteration of that standard should be left to Congress.

3. The Panel Decision in *Fromson* Did Not Change the Well-Settled Requirement of Underlying Direct Infringement.

Contrary to McKesson’s argument, the panel decision in *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983), did not alter the well-settled rule from Supreme Court precedent requiring underlying direct infringement liability as a prerequisite for indirect infringement.

In the “Background” section, the *Fromson* panel explained that for certain of the accused plates, the defendant applied certain of the required coatings and its customers the last required diazo coating, and stated: “Because the claims include the application of a diazo coating or other light sensitive layer and because Advance’s customers, not Advance, applied the diazo coating, Advance cannot be

liable for direct infringement with respect to those plates but could be liable for contributory infringement.” 720 F.2d at 1568. The panel went on to discuss other scenarios in which Advance performed all elements of the claims and thus could be found liable for direct infringement. *Id.*

While McKesson argues that this statement from *Fromson* “clearly rejects a single-actor rule for purposes of indirect infringement” of method claims, this cannot be the case. Br. at 41. In *Fromson*, the plaintiff asserted four apparatus claims and two method claims. 720 F.2d at 1567. In the statement above, the *Fromson* court does not specify whether it is referring to the apparatus claims, the method claims, or both. If the panel was referring to the apparatus claims, its statement is a correct rule of law, as the customer could be liable for direct infringement for selling or using the plates since they contained all of the required coatings, regardless of who applied them, and Advance could be liable for contributory infringement if it knowingly supplied materials intended to be used in an infringing apparatus and that were not a staple article of commerce.

McKesson’s interpretation that the court was referring to the method claims, *see, e.g.*, Br. at 41, cannot be correct because it would mean that the statement by the *Fromson* panel is at odds with established Supreme Court precedent requiring underlying direct infringement liability as a prerequisite for indirect infringement. *See, e.g., Aro I*, 365 U.S. at 341. A more reasonable reading of *Fromson*—and one

that avoids conflict with Supreme Court precedent—is that the panel was referring to the *apparatus* claims of the asserted patent. Such a reading is reasonable because the statement merely refers to what had to happen for Advance to be liable for direct “infringement,” which simply requires practicing each element of at least one claim of the patent, regardless of whether it is an apparatus or method claim. In any event, *Fromson* should not be viewed as dispensing with the statutory prerequisite of direct infringement for a finding of indirect infringement.

Even if McKesson’s broad reading of *Fromson* were not inconsistent with the statute and Supreme Court law, the statement in *Fromson* is non-precedential *dicta*. The court’s analysis and ultimate holding turned on claim construction. 720 F.2d at 1571 (“We hold, therefore, that the district court erred as a matter of law in interpreting the claims as limited to the product of a chemical reaction producing a new chemical compound in the restrictive sense of those terms ... the determination of infringement and contributory infringement must await complete findings in the first instance by the district court.”). Thus, the conclusory statement in the “Background” section of the opinion is not a binding holding of the court. *See, e.g., Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 67 (1996), *cert. denied*, 129 S. Ct. 1526 (2009) (“When an opinion issues for the Court, it is not only the result but also *those portions of the opinion necessary to that result* by which we are bound.”) (emphasis added). This *dictum* by no means should be

taken to announce a new rule of indirect infringement unmoored from the statute and contradictory to Supreme Court precedent.

4. The Two Seventh-Circuit Cases McKesson Cites have been Superseded by the Supreme Court and are Not Persuasive.

The two pre-1952 Act Seventh Circuit cases McKesson cites do not change the requirement that direct infringement liability is a prerequisite for contributory infringement. *See Solva Waterproof Glue Co. v. Perkins Glue Co.*, 251 F. 64, 73–74 (7th Cir. 1918) (holding a seller liable for contributory infringement when customers performed a step of the claimed process); *Peerless Equip. Co. v. W.H. Miner, Inc.*, 93 F.2d 98, 105 (7th Cir. 1937) (holding a seller liable for contributory infringement when the purchaser railroad performed the final step of the claimed process). To the extent these cases held otherwise, they have been superseded by the 1952 Act and by the Supreme Court. *See Aro I*, 365 U.S. at 341. Thus, direct infringement liability is a prerequisite for a finding of indirect infringement, and any holding to the contrary in the pre-1952 Act *Peerless* and *Solva* cases is incorrect under §§ 271(b) and (c) enacted in 1952 and not at issue in those cases.

5. Epic Cannot Be Found Liable for Indirect Infringement.

McKesson cannot support an argument that Epic directly infringes the patent without proving that either the health-care provider and/or the patient is a direct infringer. As discussed below, it cannot do so. Furthermore, even assuming that infringement under §§ 271(b) or (c) can be performed by multiple actors,

McKesson cannot show that Epic is the mastermind of their activities. It is undisputed that Epic has no interaction with patients and has no involvement in their voluntary decision to initiate a communication with the health-care provider. *See* A005353. Since there is no basis for direct infringement, Epic cannot be liable for indirect infringement.

B. *BMC Resources* Correctly Held that Direct Infringement of a Method Claim Requires a Single Actor to Perform All Steps Unless Another Actor's Performance of Certain Steps can be Attributed to the First Actor.

1. The Labels of the Relationship Between Multiple Actors do Not Dictate Whether Direct Infringement Exists where those Actors Perform Different Steps of a Method Claim.

The second question this Court asked Epic to address is whether the nature of the relationship between actors performing different steps of a method claim affects the standard for evaluating whether direct or indirect infringement has occurred. The legal standard for finding infringement of a method claim where steps are performed by multiple actors should not depend upon the specific labels of each of the actors, *i.e.*, a doctor and a patient, a service provider and a customer, but rather upon whether one actor's performance of certain of the claim steps should be attributed to the actor who performs the remaining steps, such that it is both appropriate and fair under the strict liability tort of direct infringement to find one actor liable for performance of the entire method. Specifically, prior panels of this Court have correctly articulated the standard as one of vicarious liability, in

which one actor's conduct must be able to be imputed to another through an agency relationship or a contractual obligation to perform those actions, such that the second actor may be considered to have performed all steps of the method either directly or by imputation of another actor's actions to it.

To be sure, some relationships may, as a factual matter, make it easier to satisfy this test. For instance, if different steps of a method claim are performed by a business owner and a sales representative who is tasked with selling the owner's products, and the representative's actions are within the scope of his or her authority, then a showing of joint infringement will be easier to prove. If, on the other hand, the method steps are performed by actors with no such relationship (such as, in this case, a web site operator and a user of that web site who is under no obligation to use it), then it will be more difficult—if not impossible—for the patentee to prove that one of the actor's actions should be attributed to the other so as to hold one of the actors strictly liable for direct infringement (just as here, McKesson has no evidence to support attribution to the health-care provider of the patient's voluntary decision to initiate a communication using MyChart).

Thus, the answer to this Court's second question requires an analysis of the appropriate standard for finding direct infringement liability where more than one actor performs the steps of a method claim.

2. Under the 1952 Patent Act, Congress Carefully Distinguished Between the Strict Liability Tort of Direct Infringement and the Knowledge and Intent-Based Torts of Indirect Infringement.

The 1952 Act set forth the framework for determining infringement by a direct infringer and for determining infringement when other actors induce or contribute to the infringement of a patent. H.R. 7794, codified at 35 U.S.C. § 1 et seq. (1952). Congress defined the act of patent infringement in 35 U.S.C. § 271(a) as follows: “whoever without authority makes, uses, or sells any patented invention, within the United States infringes the patent.” 35 U.S.C. § 271(a) (1952); *see* S. Rep. No. 82-1979 at 6.

Because a patent holder enjoys the ability to exclude infringers no matter why or how they infringe, Congress established direct infringement as a strict liability offense for any person who practices all of the elements of the claimed invention, regardless of whether the person knows about the patent or intends to infringe it. *Global-Tech*, 131 S. Ct. at 2065; *Aro II*, 377 U.S. at 500; *Gen. Foods*, 972 F.2d at 1274; *Joy Techs. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993).

To infringe a patent, an entity must perform “all elements” of a claimed invention, and anything less than doing so is not infringement. *Gen. Foods*, 972 F.2d at 1274; *Joy Techs.*, 6 F.3d at 774. As this Court noted, “being the essential nature of patent claims, it follows that each claim is an *entity* which must be considered *as a whole*. It cannot be said-though it often is, incorrectly, by the

uninitiated—that a part of a claim is ‘claimed’ subject matter.” *Gen. Foods*, 972 F.2d at 1274. This Court further has noted that “one cannot properly speak of any single step as being ‘claimed’, for it is not; all that is claimed is the process consisting of the *combination* of all [] steps.” *Id.*

The significance of the “all elements” rule is that there is no patent right or monopoly—nor any infringement—in practicing any individual element of the claim apart from the claimed combination as a whole. *Id.* To hold otherwise would expand patent rights to cover any single element or partial combination of elements giving patent holders nearly unlimited ability to seek patent infringement against innocent actors but also rendering most every patent invalid over prior art. Accordingly, infringement occurs only when one practices each and every element of the entire claim, and anything short of that is permitted conduct and is not direct infringement.

Congress also provided in the 1952 Act a statutory cause of action against those who perform less than all, or indeed none, of the elements of a claim, but who should nonetheless as a matter of fairness be held liable for another’s direct infringement. *See* 35 U.S.C. §§ 271(b) (inducement) and (c) (contributory). The Supreme Court has noted that 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.” *Aro II*, 377 U.S. at 500; *see also Global-*

Tech, 131 S. Ct. at 2067 (equating the knowledge requirement for inducement of infringement under § 271(b) to that of contributory infringement in § 271(c)).

However, unlike the strict liability tort of direct infringement, the torts of indirect (*i.e.*, inducement and contributory) infringement are knowledge-based offenses that require the indirect infringer both to have specific knowledge of the patent and to intend for infringement to occur. *See Global-Tech*, 131 S. Ct. at 2067. Indeed, the Supreme Court unequivocally held earlier this year that the “knowledge” requirement requires knowledge both of the patent and that the product or process encouraged or contributed to infringes the patent. *Id.* at 2067–68 (inducement); *see Aro II*, 377 U.S. at 488 (contributory infringement). The Supreme Court rejected holdings from circuit courts that knowledge of one’s *contributions to an act*—as opposed to knowledge of infringement of the patent—is sufficient to meet the knowledge requirement. *Global-Tech*, 131 S. Ct. at 2066–2067 (rejecting *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 721 (6th Cir. 1897)).

In effect, the Supreme Court held that the 1952 Act prohibits finding an actor liable for having caused or assisted another to directly infringe unless the actor knows that doing so will infringe the patent and intends for this to occur. These statutory safeguards were implemented by Congress to protect against the draconian effect of finding an actor strictly liable for direct infringement for

performing less than all of the steps of the claimed invention, and instead to ensure that an actor found liable for performing less than all of the claims has the proper *mens rea* to ensure that a finding of liability is fair.

Thus, Congress was careful to stress where joint actions of multiple parties can be combined to find liability in sections 271(b) and (c). If direct infringement included the concept of multiple actors under any circumstances, one party that performs less than all of the elements of the claim could be found strictly liable even with no knowledge of the patent, or of the actions of the party performing the remaining steps of the claim. This is exactly the effect of the rule that McKesson asks the Court to adopt here. McKesson argues that the patients should be held jointly and severally liable along with health-care providers where the patient performs the single step of logging onto a website, even where the patient has no knowledge of either the McKesson patent or what the health-care provider's website does (and whether it infringes the patent) after the patient logs on. It cannot be the law—but it is the consequence of the rule McKesson advocates—that a patient is held strictly liable for performing one element of a claim. The effect of such a rule would be that the “all elements” rule of direct infringement has no meaning.

As explained below, panels of this Court in cases such as *BMC Resources, Inc. v. Paymentech, L.P.*, *Muniauction, Inc. v. Thomson Corp.*, and *Akamai*

Technologies, Inc. v. Limelight Networks, Inc. properly interpreted the 1952 Patent Act as requiring a finding of vicarious liability—such as through a showing of agency or contractual obligation—for direct infringement of a method claim where the steps of the method are performed by more than one actor.

3. *BMC Resources* and Its Progeny Properly Held That § 271(a) Requires a Single Actor Absent Actions by Another Party that Can Be Attributed to the Party Performing the Rest of the Method.

Based on these principles, a panel of this Court held in *BMC Resources* that direct infringement typically occurs only where a single actor practices all elements of a claimed invention. *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1379–80 (Fed. Cir. 2007). Its holding was primarily based on three considerations: (1) the strict liability nature of direct infringement; (2) the statutory infringement provisions that Congress laid out; and (3) the public notice function of patents and the ability of patent owners to draft claims to reach the conduct of a single actor. Each of these factors supports the reasoning of *BMC Resources* and its progeny and the rule that one party must perform all steps of a method claim, unless the actions of a second party performing certain of the steps can be attributed to the first party under the doctrine of vicarious liability.

Contrary to *BMC Resources*, McKesson asks this Court to radically expand the scope of direct infringement liability by adopting a variety of standards for joint infringement unmoored from the language, the structure, and the logic of the

1952 Act, the strict liability nature of direct infringement, and the policies of ensuring proper public notice and correct patent claim drafting. McKesson posits that *all* common law principles of tort law—no matter the context in which they originated—are alive in the statutory provision of § 271(a), and thus argues that multiple actors who knowingly combine their actions, induce others to perform actions, *or* act in concert (any of these) are all jointly liable for the strict liability offense of direct infringement, no matter how many steps each actor performs and regardless of whether they know of the patent or intend to cause infringement. McKesson’s current position conflicts with the long standing principles of patent law and the statutory framework set forth by Congress, and thus should be rejected.

a. The Strict Liability Tort of Direct Infringement Extends Only to Those Who Practice All Elements of a Claim.

BMC Resources recognized that direct infringement is a strict liability offense “limited to those who practice each and every element of the claimed invention.” 498 F.3d 1380. Section 271(a) requires a party to make, use, sell, or offer to sell the patented invention, which means liability for direct infringement attaches to those who practice the entire patented invention and not a mere subset of the claim elements. *Id.* at 1381.

McKesson argues that § 271(a) permits direct infringement through the combination of acts by multiple actors because the word “whoever” may refer to more than one person. It also mentions that 35 U.S.C. § 154 grants a patentee the

right to exclude the plural “others” from infringement. Br. at 45–46.

McKesson’s myopic focus on the words “whoever” and “others” in these statutes, however, overlooks what the “whoever” and “others” are prohibited from doing, which is infringing a claim, not merely performing less than all elements of the claim. See 35 U.S.C. § 271(a) (“whoever ... uses ... any *patented invention* ... infringes the patent”); 35 U.S.C. § 154(a)(1) (patentee receives grant “of the right to exclude others from making, using, offering for sale, or selling *the invention*”) (emphasis added). To infringe a patent, an entity must perform “all elements” of a claimed invention, and anything less is not infringement. *Gen. Foods*, 972 F.2d at 1274; *Joy Techs.*, 6 F.3d at 774; see also *BMC Resources*, 498 F.3d at 1381 (“Direct infringement is a strict-liability offense, but *it is limited to those who practice each and every element of the claimed invention.*”) (emphasis added).

It is not disputed that §§ 271(a) and 154(a) grant the patentee the right to proceed against more than one *infringing* party—the “whoever” and “others” of which McKesson speaks. For example, Companies A, B, and C may each separately and independently infringe a product claim because A makes the infringing product and sells it to B, which then sells it to C. The patent holder has a separate and independent cause of action under § 271(a) against each of A, B, and C: A for making and selling, B for selling, and C for using the infringing product. Or, Company X, Company Y, and Company Z may each use an

infringing method to manufacture a product, and the patentee has a remedy of infringement against all of these companies, “whoever” they may be. But nowhere in the 1952 Act does Congress state or even intimate that direct infringement under § 271(a) can occur where a party performs less than all of the elements of a claim.¹

b. To Permit Actions of Multiple Actors To Be Combined to Show Direct Infringement Would Subvert the Statutory Scheme of Section 271.

BMC Resources further explained “expanding the rules governing direct infringement to reach independent conduct of multiple actors would subvert the statutory scheme for indirect infringement.” 498 F.3d at 1381. Indeed, the expansion of direct infringement to cover multiple independent actors would render the provisions of § 271 regarding indirect infringement superfluous because patent holders could recast their indirect infringement claims as direct infringement. *See Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 576 F.3d 1348, 1363 (Fed. Cir. 2009) (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

¹ In any event, the definition of “whoever” from the time frame of the 1952 Act is “any person who.” *New Practical Standard Dictionary*, at 1492 (Britannica World Language Edition 1954). This definition of “whoever” comports with the evolution of the infringement statute from the 1870 patent act. Specifically, Congress used “any person who” extensively through the 1870 Patent act. Patent Act of 1870, Ch. 230, 16 Stat. 198-217 (1870). Congress changed the language from “any person who” to “whoever” throughout the 1952 Act and recognized that enactment of the act “involved simplification and clarification of language and arrangement” from the 1870 Patent Act. *See S. Rep. No. 82-1979*, at 3 (1952).

statutory scheme”) (quoting *Davis v. Mich. Dept. of Treasury*, 489 U.S. 803, 809 (1989)).

For example, assume a patentee owns a patent with an apparatus claim directed to the combination of a widget with a bell. Further assume that Company A makes the widget and sells it to Company B, which adds the bell. Without knowledge of the patent, Company A cannot be liable for inducement or contributory infringement. However, under McKesson’s expansive multiparty view of direct infringement, the patent holder could simply assert that the parties acted in concert and are jointly and severally liable for infringement. Company A would be held liable without any knowledge of the patent or infringement, just as under McKesson’s rule a patient using MyChart would be strictly liable for logging into a website without any knowledge of the patent or knowledge of the steps the health-care provider is performing. As *BMC Resources* aptly explained, such a rule would subvert the requirements in §§ 271(b) and (c) that knowledge of the patents and intent for infringement to occur must exist before an actor performing less than all elements of a method is found liable. *Id.* at 1381.

i. The Supreme Court in *Meyer* and *Central Bank* Rejected McKesson’s Argument that All Common Law Rules of Secondary Liability are Implicitly Incorporated into Every Federal Statute.

Unfazed by the statutory framework Congress defined, McKesson argues that this Court should expand the strict liability tort of direct infringement under

§ 271(a) to encompass all possible historical state common-law rules for finding multiple parties liable no matter the context in which those rules were developed. McKesson cites the Supreme Court's decision in *Meyer v. Holley*, 537 U.S. 280, 285 (2003), for the proposition that Congress "intends its legislation to incorporate" ordinary "tort-related vicarious liability rules" when legislating. Br. at 17. But McKesson stretches the rule well beyond its application in *Meyer*, and in doing so renders it unworkable in the context of direct patent infringement.

In *Meyer*, the Supreme Court held that the Fair Housing Act (FHA) imposes vicarious liability on a principal or employer in accordance with traditional *agency principles*. See *Meyer*, 537 U.S. at 285–86 (corporation is liable under the FHA for the acts of its employees or agents). The holding is consistent with this Court's prior panel decisions in *BMC*, *Muniauction*, and *Akamai*, which have required not merely joint action, directions, instructions, or suggestions to impose liability, but facts sufficient to establish that the acts of one actor may be attributed to another through vicarious liability. See, e.g., *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, 1321 (Fed. Cir. 2010) ("All the elements of an agency relationship must be present."); *Muniauction*, 532 F.3d at 1328–30 (no direct infringement unless "one party exercises 'control or direction' over the entire process such that every step is attributable to the controlling party.").

McKesson argues that the law should not stop there. Instead, it says, “once one concludes that traditional rules should apply in at least some circumstances (such as agency relationships and contractual obligations), it follows that ***all of the rules should apply, in full.***” Br. at 38–39. But Supreme Court precedent again is to the contrary. *Meyer* specifically rejected an attempt to expand liability beyond traditional agency principles. *Id.* at 286. Thus, *Meyer* does not stand for the proposition that **all** theories of secondary liability that may be found in the common law are automatically incorporated into federal statutes such as the 1952 Act.

Nor did *Meyer* do anything to upset the Supreme Court’s settled precedent in *Central Bank v. First Interstate Bank*, 511 U.S. 164 (1994). There, the Supreme Court considered whether civil liability for those who commit a manipulative or deceptive act in connection with the purchase or sale of securities under § 10(b) of the Securities Exchange Act of 1934 extends to “those who do not engage in the manipulative or deceptive practice, but who aid and abet the violation.” *Id.* at 167. Bondholders filed suit against Central Bank for aiding and abetting an alleged fraud regarding an appraisal, and there was evidence that Central Bank was aware of concerns about the accuracy of the appraisal. *Id.* at 168–69. Like McKesson, the bondholders argued that “Congress legislated with an

understanding of general principles of tort law” and therefore must have “intended to include” principles of secondary liability in the 1934 Act. *Id.* at 181.

The Supreme Court rejected that reasoning, noting that Congress “has not enacted a general civil aiding and abetting statute.” *Id.* at 182. *Compare* 18 U.S.C. § 2 (criminal aiding and abetting statute). The “fact that Congress chose to impose some forms of secondary liability but not others, indicates a deliberate congressional choice with which the courts should not interfere.” *Central Bank*, 511 U.S. at 184. The Court concluded that “Congress knew how to impose aiding and abetting liability when it chose to do so.” *Id.* at 177. The Court held that policy arguments advocated by the bondholders favoring expanded liability “cannot override our interpretation of the text and structure of the Act, except to the extent that they may help to show that adherence to the text and structure would lead to a result ‘so bizarre’ that Congress could not have intended it.” *Id.* at 188.

In the 1952 Act, Congress was even more clear that the actions of multiple parties should ordinarily not be combined for the strict liability tort of direct infringement. Not only did Congress forego a general aiding or abetting provision in the direct infringement section, but it also created separate indirect infringement provisions to expressly account for liability for forms of aiding and abetting under specifically defined circumstances. It would be improper to disrupt this statutory

construct based on an amalgamation of common-law tort theories that would dramatically expand the strict liability offense of direct infringement.

Like the bondholders in *Central Bank*, McKesson attempts to import principles of secondary liability from the common law to hold an actor responsible for the acts of another, where those common-law principles are not in any way grounded in the statute. The issue “is not whether imposing private civil liability” as McKesson would have it “is good policy,” but whether its theories of liability are “covered by the statute.” *Central Bank*, 511 U.S. at 177. Indeed, here there is no basis for fashioning new forms of secondary liability under § 271(a). See *Stomper v. Amalgamated Transit Union Local 241*, 27 F.3d 316, 319 (7th Cir. 1994) (“Once Congress has legislated, the common-law rules courts apply to fill interstices fall away. Courts conform implied remedies to the rules Congress devised for the remedies it authorized expressly, rather than conforming the express provisions to the implied remedies.”) (Easterbrook, J.) (citations omitted) (applying *Central Bank* to interpret the Labor-Management Reporting and Disclosure Act).

ii. Congress Has Not Modified § 271(a) to Contemplate Multiple Actors.

Not only did Congress decline to enact in the 1952 Act the common-law provisions McKesson urges, but in the nearly 60 years since then, Congress has amended portions of the 1952 Act and has never, even after this Court’s recent

panel decisions in *BMC Resources* and its progeny and in the midst of the current legislative overhaul, attempted to modify § 271(a) to permit the actions of multiple parties to be aggregated to establish direct infringement of a method claim. Specifically, the House of Representatives and the Senate long have pursued the Patent Reform Act of 2009 but did not propose modifying § 271(a) to contemplate multiple actors. The House and Senate have since revived the 2009 Act, and recently passed patent reform acts without any proposed modification to § 271(a). *See* America Invents Act, H.R. 1249; Patent Reform Act of 2011, S.23. In sum, there is no indication from Congress that this Court incorrectly interpreted § 271(a) as requiring a single actor to perform a method claim in the absence of conduct that can be attributed from one actor to another.

As noted above, the Supreme Court recently addressed a similar scenario in the context of the standard of proof for an invalidity defense. *Microsoft Corp. v. i4i L.P.*, 131 S.Ct. 2238, 2252 (2011). In *Microsoft*, the Court declined to alter the existing invalidity standard, noting that “Congress specified the applicable standard of proof in 1952 when it codified the common-law presumption of patent validity. Since then, it has allowed the Federal Circuit’s correct interpretation of § 282 to stand. Any re-calibration of the standard of proof remains in its hands.” *Id.* Likewise, Congress in nearly 60 years since the passage of the 1952 Act has done nothing to adopt the additional common-law rules that McKesson advocates.

c. The Public Notice Function of Patents and Ability of Patentees to Draft Claims to Reach a Single Actor Further Supports the Single Actor Rule.

McKesson defined its patent to claim a method requiring several separate and distinct steps that are undisputedly performed in this case, if at all, by at least two actors. Now, McKesson would like to paint the initial step as technically trivial because the health-care provider does not perform that step. While every step in the claim at issue could be called “technically trivial” (the inventors learned about the technology from reading a “how-to” book on the Internet), this Court has unequivocally held that *all elements* of a claim must be performed to infringe a patent, and that no element can be dispensed with or viewed as trivial from that perspective. *Gen. Foods*, 972 F.2d at 1274; *Joy Techs*, 6 F.3d at 774. McKesson put the PTO and the public on notice of the bounds of its claimed method and expressly abandoned its system claims. Holding McKesson to the scope of the claims it disclosed to the public and negotiated with the PTO is fair.

As *BMC Resources* observed, any concern over the potential of infringers escaping liability is outweighed by the need to uphold the public notice function of the patent system. As this Court noted in *Sage Prods. Inc. v. Devon Indus. Inc.*, “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.” 126 F.3d 1420, 1425 (Fed. Cir. 1997). As such, *BMC Resources* properly refused to restructure the claims or the standards for joint liability to remedy poorly drafted method claims that require multiple actors to perform. *BMC Resources*, 498 F.3d at 1381.

The public notice function of the patent system is designed to promote innovation and improvements in science and technology by granting a limited monopoly to a patent holder in exchange for the public disclosure of the invention that enables “one skilled in the art to practice the invention once the period of the monopoly has expired” and “to provide notice of the boundaries of the right to exclude.” *Ariad Pharm., Inc. v. Eli Lilly and Co.*, 598 F.3d 1336, 1347, 1364 (Fed. Cir. 2011). The claims of the patent “give notice to the public of the extent of the legal protection afforded by the patent, so that interested members of the public, e.g., competitors of the patent owner, can determine whether or not they infringe.” *Oakley, Inc. v. Sunglass Hut Int’l.*, 316 F.3d 1331, 1340 (Fed. Cir. 2003); *see also Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 723 (2002) (public should know the bounds of the patent).

Because of the public notice function, courts resist restructuring ill-conceived claims. *See Sage Prods. Inc.*, 126 F.3d at 1425 (refusing to apply doctrine of equivalents to remove clear claim limitations in view of the public’s right to rely on claims in conducting its business activities); *Chef Am., Inc. v.*

Lamb-Weston, Inc. 358 F.3d 1371, 1374 (Fed. Cir. 2004) (construing a “claim as written, not as the patentees wish they had written it” even though the result is an inoperable or invalid claim); *Lucent Techs., Inc. v. Gateway, Inc.*, 525 F.3d 1200, 1215 (Fed. Cir. 2008) (noting that “[t]his court has repeatedly held that courts may not redraft claims to cure a drafting error made by the patentee”).

McKesson asks this Court to restructure either its claims or the law and to disregard the public notice function of the patent system because it complains that its inability to establish the direct infringement that it needs to prove indirect infringement by Epic is unfair. However, McKesson itself chose to draft claims that it concedes requires actions by two separate parties. McKesson easily could have drafted the claim element at issue here from the prospective of a single actor by, for example, changing “initiating a communication by” to “receiving a communication from” one of a plurality of users.

McKesson also could have pursued system claims instead of or in addition to its method claims, but abandoned the system claims. If it had obtained system claims, McKesson could have avoided problems of joint infringement altogether by accusing patients of direct infringement for placing MyChart into use as a whole and claiming benefit from it, and health-care providers and Epic of inducing and/or contributing to that direct infringement. *See Centillion Data Sys., LLC v. Qwest Commc’ns, Int’l., Inc.*, 631 F.3d 1279, 1284 (Fed. Cir. 2011).

McKesson did neither, but now tells this Court that it is unfair that it cannot pursue its infringement allegations against Epic. McKesson has it exactly backwards. It would be unfair for this Court to ignore the public notice function inherent in the patent system by redefining the law to permit method claims to be enforced against patients who voluntarily choose whether to perform the first step of the claimed method, and who do not do so under circumstances that give rise to vicarious liability on the part of the health-care provider.

McKesson also exaggerates that the current standards for joint infringement render all “interactive” patents unenforceable. This is not true. Many if not most patents on “interactive” subject matter, such as the Internet, are written from the perspective of a single actor—typically the website provider. Furthermore, even McKesson’s claims could be enforced against an individual or organization that itself performed all steps of the claim or had another entity perform some of those steps on its behalf. However, there is no evidence of record of that occurring in this case; indeed, the undisputed record evidence is to the contrary.

The law set forth in *BMC Resources* and its progeny on joint infringement is correct and should not be modified simply because McKesson did not write the claims it now wishes it had written.

d. Direct Infringement May Exist Where Multiple Parties Perform Steps of a Method Claim If One Party's Actions Can Be Imputed to the Other.

In sum, *BMC Resources* properly analyzed the reasons that the “all elements” rule of direct infringement generally requires that one actor perform all steps of a method claim, absent a narrow exception where a single actor can be liable for direct infringement of a method claim where it does not perform all of the steps itself, so long as every step in the claimed method is attributable to the controlling actor. *See BMC Resources*, 498 F.3d at 1380–81.

Muniauction, subsequently, held that the “‘control or direction’ standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of a claimed method.” 532 F.3d at 1330. In *Akamai*, the Court further explained that a second actor’s actions may be attributable to the controlling actor if the second actor is either an agent of or contractually obligated to the controlling actor to perform the claimed step in the process. 629 F.3d at 1319–21. *Akamai* looked to the facts underlying the relationship of the actors to determine if the “acts of one may be attributed to the other.” *Id.* at 1319. The Court applied generally accepted principles of the law of agency to determine if one actor’s actions should be imputed to another. *Id.* at 1319–20.

As *Akamai* held, the only relationship that matters for purposes of joint infringement is whether the second actor acted as the agent of or under a contractual obligation to the first actor. Essentially, the question is whether the first actor performed all of the steps of the method—either directly or through another acting on its behalf and under circumstances that attribute the second actor’s conduct to the first actor, such as agency. If so, then the “control or direction” standard permits liability for the strict liability offense of direct infringement. This standard prevents masterminds from contracting out actions as a scheme to avoid infringement without broadening the strict liability offense of direct infringement to reach innocent parties, such as a patient who merely logs on to an optional website such as MyChart.

The standard set forth in this Court’s prior decisions further effectuates Congressional intent by preserving the division between direct and indirect infringement without undermining the critical public notice function of patents. The standard does not conflate §§ 271(b) and (c) into direct infringement of § 271(a) and does not expand the property rights negotiated by the patentee and disclosed to the public. The public does not need to be concerned that it faces liability from its independent actions being combined with others’ actions without knowledge of the infringement or knowledge of what other parties are doing. In short, this Court’s prior panel decisions got it right.

C. The Common Law Principles Argued by McKesson Should Not be Adopted for the Strict Liability Tort of Direct Infringement.

Contrary to the statutory scheme which already provides for secondary liability in §§ 271(b) and (c), McKesson argues that the Court should incorporate multiple additional common-law rules of secondary liability so that liability for direct infringement will “reflect our legal system’s considered and nuanced determination of when one party should be held responsible for the acts of another.” Br. at 18. Specifically, McKesson argues that liability for multiple actors who knowingly combine their actions, induce others to perform actions, *or* act in concert should be incorporated into § 271(a). Even if it were the province of this Court rather than Congress to determine whether, as a policy matter, the additional common-law principles McKesson advocates should be inserted into § 271(a), the common-law based avenues of liability that McKesson promotes do not apply to statutorily defined offense of direct infringement.

Rather, these theories of joint liability apply to intent- or negligence-based torts, and were created by common-law state courts to aggregate independently wrongful actions of multiple parties that combine to proximately cause harm to a victim. In contrast, direct infringement is a strict liability tort, not an intent- or negligence-based tort, and even the Restatement of Torts acknowledges that these joint liability rules therefore do not apply.

Moreover, the actions of a party who performs less than all steps of a method claim are not independently wrongful, and thus this Court should not cobble together rules that broadly punish parties on a strict liability basis for doing what the law allows them to do. Furthermore, unlike traditional tort victims, patentees have the ability to craft the boundaries of their legal rights so as to focus on the action of only one actor or on system claims, and to eliminate the requirement of clearly drafted claims in favor of nebulous rules of joint liability would erode the requirement that is at the heart of the public notice function of patents. Accordingly, McKesson's proffered common-law theories of secondary liability should be rejected.

1. McKesson's "Knowingly Combines" and "Concerted Activity" Tests Require Tortious Conduct and Are Improper.

McKesson's "knowingly combines" and "concerted activity" tests are not relevant to the determination of the strict liability offense of direct infringement and should be rejected. McKesson asks this Court to incorporate into § 271(a) that "when a party knows that its acts will combine with another's, it is liable for that combination" and when an actor "knowingly combin[es] one's act with another's" by "agreeing to cooperate in a particular line of conduct or to accomplish a particular result." Br. at 19 (citing § 879 of the Restatement); Br. at 36 (relying on § 876 of the Restatement). Therefore, concludes McKesson, when one actor

knows that its acts combined with the acts of another will perform all of the steps of a method patent, the actor with knowledge of the combination is liable for infringement. There are several flaws in these proposed rules.

First, McKesson's proposed common-law rules authorize joint liability for the combined effects of multiple actors only when the defendant himself has also engaged in tortious conduct (*i.e.*, a negligent or intentional breach of duty). Under § 876 of the Restatement (Second) of Torts, two actors may be held liable for the combined effect of their concerted activity only if each actor itself engaged in tortious conduct. Comment *a* provides that whenever "two or more persons commit tortious acts in concert, each becomes subject to liability for the acts of the others, as well as for his own acts." A classic example is found in Illustration 1 to the Restatement: A, B, C, and D come together to rob E's house at night. A breaks in E's front door, B ties E up, C beats E and D steals and carries away E's jewelry. A, B, C and D are all liable to E for all damages caused by the trespass to land, false imprisonment, the battery and the conversion.

Innocent conduct, as even McKesson admits, is not enough. Br. at 36. *See* Restatement (Second) of Torts § 876 cmt. c ("In order for the rule stated in Clause (a) to be applicable, it is essential that the conduct of the actor be in itself tortious. One who 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.”).

Likewise, section 879 of the Restatement states: “If the *tortious conduct* of each of two or more persons is a legal cause of harm that cannot be apportioned, each is subject to liability for the harm, irrespective of whether their conduct is concurring or consecutive.” Restatement (Second) of Torts § 879 (emphasis added); *id.* § 875 cmt. a (“[T]he rules stated in §§ 876 and 879” include “only situations in which the defendant has been *personally guilty of tortious conduct*.”) (emphasis added).

The case law McKesson relies on for its “knowingly combines” test also involves tortious conduct by each of the parties. *See e.g., Hill v. Smith*, 32 Cal. 166, 167–68 (1867) (two parties each adding pollution to the stream combined as the proximate cause of the harm); *Woodland v. Portneuf Marsh Valley Irrigation Co.*, 146 P. 1106, 1106 (Idaho 1906) (where water from two parties “wrongfully ran into the creek” that overflowed its banks and flooded plaintiff’s property, each party was liable for its proportionate share); *Woodyear v. Schaefer*, 57 Md. 1, 9 (1881) (defendant who emptied blood from slaughtered animals into river could not “answer to a complaint of nuisance that a great many others are committing similar acts of nuisance upon the stream”); *Town of Sharon v. Anahma Realty*

Corp., 123 A. 192, 192–93 (Vt. 1924) (separate actions were each proximate cause of injury).

Likewise, the cases relied on for McKesson’s “concerted activity” test also require tortious conduct. *See, e.g., Simpson v. Burrows*, 90 F. Supp. 2d 1108, 1127 (D. Or. 2000) (wife held liable for husband’s intimidating and libelous letters where court found that wife “assisted in the creation and circulation of the letters at issue,” thus either committing tortious acts herself or knowingly providing substantial assistance to her husband who did); *Sprinkle v. Lemley*, 414 P.2d 797, 800–01 (Or. 1966) (family practitioner and specialist treated patient together and gave advice together); *Granewich v. Harding*, 329 Or. 47, 56 (1999) (citing *Sprinkle* in section concluding that parties may be held liable “either by doing a tortious act in concert with the others, as described in section 876(a) of the Restatement, or by knowingly providing substantial assistance to the others in their commission of that tort, as described in section 876(b).”).

By contrast, in the patent context, there is no wrongful conduct at all when one performs only some of the steps of a patented method; there can be no infringing conduct unless all steps of the method are performed. *Gen. Foods*, 972 F.2d at 1274. Therefore, different from multiple polluters who each negligently release small amounts of harmful materials into a stream, a party who performs

less than all of the steps of a patented method has not committed a wrongful act of any sort.²

Further, inconsistent with the strict liability Congress imposed for direct infringement, McKesson would graft a knowledge requirement onto § 271(a). Such a rule is inconsistent with the settled rule under § 271(a) that a “direct infringer’s knowledge or intent is irrelevant.” *See Global-Tech*, 131 S. Ct. at 2074 n.2. In contrast, under this Court’s panel decisions in *BMC Resources*, *Muniauction*, and *Akamai*, liability is not dependent on knowledge of infringement, but instead whether an agency relationship or other sufficient basis for vicarious liability exists between the two actors.

Each of the cases McKesson cites turns on whether the actor knew of the combined effect of its actions. *See* Br. at 24 (conceding this point); *see also, e.g., Blair v. Deakins*, 571 L.T.R. 522, 525–26 (1887) (“every manufacturer is aware of what is going to happen” through their separate discharges of materials into a river). Therefore, according to McKesson, to be liable for direct infringement, “the defendant must have known or at least have reasonably foreseen the other’s *acts*.”

² For the same reasons, McKesson cannot point to certain circumstances in which an actor’s knowing conduct is “wrongful because it is done in the context of what others are doing.” Br. at 20 (quoting *Prosser & Keeton on Torts* § 52, at 354 (5th ed. 1984)). For example, a person who puts a substance into a victim’s coffee that then combines with a substance added by another to form a poison commits a tortious act when it inserts the substance because the foreseeable result in light of all the circumstances is harm to the plaintiff.

If the defendant did not know that its actions would combine with another's, it would not be responsible for that combination.” Br. at 24 (emphasis original). That knowledge requirement is directly at odds with the statutory scheme, which imposes strict liability for direct infringement but requires knowledge and specific intent for secondary liability under §§ 271(b) and (c).

Moreover, the knowledge requirement McKesson asks this Court to add to § 271(a) is inconsistent with the Supreme Court's recent decision in *Global-Tech*, in which the Court held that it is not enough to establish liability under §§ 271(b) or (c) to show that the defendant knew of all induced or combined “acts,” which happen to infringe a patent; the defendant must know of the patent and intend for infringement to occur. Yet, McKesson is arguing precisely that this would be sufficient under direct infringement. McKesson argues that this Court should reduce the knowledge requirement for combined acts under § 271(a) from what Congress decided was the appropriate standard of liability for one who performs less than all elements of a patent claim in §§ 271 (b) and (c). Nothing in the statute or the caselaw supports such a significant revision of § 271.

2. McKesson's “Direction, Control, Inducement, or Right To Control” Test is Improper.

McKesson also claims an actor is liable for direct infringement not only where it performs all of the method steps (itself or through an agent), but also where it directs, controls, induces, or fails to exercise a right to control the

performance of one or more method steps. Br. at 26–28. Despite McKesson’s overtures to the contrary, this test is the same as inducement of infringement under § 271(b), albeit under a different proposed standard.

This Court in *BMC Resources* and *Muniauction* articulated a “direction or control” test for direct infringement based upon traditional vicarious liability principles. McKesson would now expand that test dramatically by adding “inducement” (which is covered by § 271(b)) and “failure to exercise a right to control,” relying on cases from copyright law that arise under the Copyright Act’s doctrine of “contributory infringement.” See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984). Both are improper extensions of the direct infringement statute.

The error in McKesson’s argument is apparent from the Restatement itself. In quoting the Restatement, McKesson omitted a critical portion of the rule that requires knowledge of a tortious act: “if he knows or should know of circumstances that would make the conduct tortious if it were his own.” See Restatement (Second) of Torts § 877. Under the Patent Act, knowledge of these circumstances is inducement of infringement under § 271(b)—“once the defendants knew of the patent, they actively and *knowingly* aided and abetted another’s direct infringement.” See *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006). The Restatement also applies where a party “should

know,” which is a negligence standard, not the strict liability that applies in the context of direct infringement claims.

McKesson’s reliance upon copyright infringement cases is likewise unavailing. McKesson cites numerous “contributory” copyright cases that do not apply to the direct infringement analysis at hand. *See, e.g., Grokster*, 545 U.S. 913; *Sony*, 464 U.S. 417. The other copyright cases McKesson cites focus exclusively on finding one entity vicariously liable for the direct copyright infringement of another. *See Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261–64 (9th Cir. 1996); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020–24 (9th Cir. 2001); Restatement (Second) of Torts § 877(c). In these cases, an actor has control over the premises and knows or has reason to know another actor is engaging in direct infringement. *See Grokster*, 545 U.S. at 930 (stating “[o]ne infringes contributorily by intentionally inducing or encouraging *direct infringement* and infringes vicariously by profiting from *direct infringement* while declining to exercise a right to stop or limit it.”). Thus, there must be a prerequisite finding of direct infringement under this copyright law doctrine, which McKesson attempts to dispense with altogether in the patent context by inappropriately relying on these contributory and vicarious liability copyright cases.

However, direct patent infringement statutorily provides liability only for those that perform each and every element of a patent claim. *See* 35 U.S.C.

§ 271(a); *BMC Resources*, 498 F.3d at 1381. These copyright cases thus are inapposite. *See Sony*, 464 U.S. at 439 n.19 (warning that copyright and patent are “not identical twins” and that a court should exercise “caution” in applying “doctrine formulated in one area to the other.”). The 1952 Act provides different statutory standards for direct infringement and induced or contributory infringement, and McKesson cannot conflate those distinct causes of action so as to eliminate the requirement that it prove direct infringement.

Furthermore, the copyright cases cited by McKesson involve extending liability to the owner of the premises on which the underlying direct infringement occurred. In this case, there is no premise on which infringement occurred. The patient initiates communication on its own computer; the Internet Service Provider carries the information to the provider’s server over the Internet; and the health-care provider’s servers operate MyChart. These copyright cases are not relevant here for this reason as well.

3. The Relationship Between the Health-care Provider and the Patient Is Not Relevant to the Inquiry of Direct Infringement And The Undisputed Material Facts Show that the User’s Actions are Not Attributable to the Health-care Provider.

Based on the foregoing, Epic’s response to this Court’s second question is straightforward. The relationship of the actors only matters to the extent that the relationship renders one actor vicariously liable for the acts of another. Again, the

key point is whether one actor's actions should be imputed to another such that it is the same as if one actor performed all of the steps of the method itself. Any relationship that does not provide vicarious liability, such as through agency or a contractual obligation, is not sufficient to show joint infringement.

Even McKesson has backed away from the "close, ongoing relationship" test that it argued before the panel and on which it petitioned this Court for *en banc* rehearing. McKesson never argued before the district court that the close, ongoing nature of the relationship of a health-care provider and patient was relevant to the determination of joint infringement, and thus waived its argument to this effect on appeal. *Sage Prods.*, 126 F.3d at 1426.

Despite the waiver, McKesson argued before the panel that the allegedly close, ongoing nature of this relationship was dispositive, and it now states that a close, ongoing relationship may merely be evidence of a combination of actions or concerted activity. Br. at 26, 30. However, this Court should not decide in the abstract whether an entire category of relationships such as doctor/patient or service provider/customer provides a basis for finding joint infringement. If it did so here, it next would be forced to enunciate rules applicable to lawyers and clients, accountants and clients, website owners and users, and a host of other categories and labels of relationships.

Rather than engage in an artificial analysis based on labels of relationships, this Court should adopt the standard for joint infringement of a method claim set forth in *BMC Resources* and its progeny, and then analyze, and instruct district courts to analyze, each case on its own facts under this standard and the relevant language of the method claims at issue. That is precisely what the panel and the district court did in determining that the evidence is undisputed that health-care providers do not direct or control users of MyChart to initiate a communication, and that therefore McKesson cannot, as a matter of law, show direct infringement. A19.

Moreover, this case is a particularly poor choice to try to lay down a relationship-based test because (in addition to the fact that McKesson never argued the relationship issue in the district court) the evidence is undisputed that health-care organizations offer MyChart as an option for patients to use. A1255. It also is undisputed that none of the health-care organizations who offer MyChart requires patients to register to use MyChart. A1243; A5357-58. It further is undisputed that even if a patient registers for MyChart, health-care organizations do not require that the patient actually use MyChart at any time or for any purpose. A1242-43; A5358-59. Thus, the health-care provider does not direct or control the patient to initiate a communication using MyChart, and the label of their

relationship is in no way responsible for the patient's voluntary decision to initiate the communication.

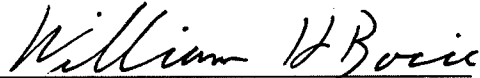
Further, there is nothing in the record to show that patients know of any steps that the health-care provider performs after the patient logs into a provider's website using MyChart. Although the focus of this appeal is on the step of "initiating a communication," the claims require other steps, such as the storing of information on a central server, comparing content with mapped content, and the dynamic assembly of custom content and creation of a personalized web page. A000059-60. Therefore, even under the common-law standards McKesson advocates but that this Court should decline to incorporate into the statute, a patient could not knowingly combine, induce activity, or act in concert with a health-care provider to meet all of the steps of the claimed invention.

Accordingly, no matter what standard this Court chooses to adopt—and even if it were to adopt McKesson's additional common-law tests—the voluntary use of MyChart does not provide any basis for finding both the provider and patient strictly liable for the tort of direct infringement through actions that each takes on its own and that together are alleged to perform the method claimed in McKesson's patent.

V. CONCLUSION

For the foregoing reasons, Appellee Epic Systems Corporation respectfully requests that this Court affirm the judgment below.

Respectfully submitted this 3rd day of August, 2011.



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CERTIFICATE OF SERVICE


This is to certify that I have this day served DEFENDANT-APPELLEE'S RESPONSE TO PLAINTIFF-APPELLANT'S OPENING EN BANC BRIEF upon counsel for Plaintiff-Appellant via email and via Federal Express overnight delivery addressed as follows:

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CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned certifies that the foregoing brief, exclusive of the exempted portions as provided in Fed. R. App. P. 32(a)(7)(B)(iii) and Fed. Cir. R. 32(b), contains 13,741 words and therefore complies with the type-volume limitations of the Fed. R. App. P. 28.1(e)(2)(A)(i).

This 3rd day of August 2011.


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