

2010-1291

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MCKESSON TECHNOLOGIES INC.
(FORMERLY MCKESSON INFORMATION SOLUTIONS, LLC),

Plaintiff-Appellant,

v.

EPIC SYSTEMS CORPORATION,

Defendant-Appellee.

**Appeal from the United States District Court for the Northern District of
Georgia in Case No. 06-CV-2965, Chief Judge Jack T. Camp**

**EN BANC REPLY BRIEF OF
PLAINTIFF-APPELLANT MCKESSON TECHNOLOGIES INC.**

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CERTIFICATE OF INTEREST

Counsel for Appellant McKesson Technologies Inc. certifies the following:

1. The full name of every party or amicus represented by me is McKesson Technologies Inc. (formerly known as McKesson Information Solutions LLC).
2. The name of the real party in interest represented by me is McKesson Technologies Inc.
3. McKesson Corporation owns 100% of the stock of McKesson Technologies Inc. No parent corporations or publicly held companies hold 10% or more of the stock of McKesson Corporation.
4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this Court are:

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September 6, 2011
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ARGUMENT

Epic's brief simplifies the issues before the Court. Epic concedes that a party is liable for joint infringement if it performed some steps of a patented method and another's performance of the remaining steps "can be attributed" to it. Epic Br. 23. That should be the end of the matter. Under long-settled principles, the actions of one party are attributed to another in several circumstances, at least two of which are present here: Epic's licensed healthcare providers direct and cause their patients' performance of the only method step the healthcare providers do not perform themselves; and the healthcare providers combine their performance of some steps with their patients' performance of the remaining step to complete the patented method. Epic's attempt to limit joint infringement to only two bases for attribution—agency and contract—is simply untenable. Once one recognizes that some traditional bases for attribution are relevant to direct infringement liability, there is no basis for picking and choosing among them.

Even if the healthcare providers were not liable for direct infringement, Epic would still be liable for inducing their joint performance, with their patients, of McKesson's patented method. Epic's analysis of the case law before this Court's recent decision in *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007), only confirms that Epic's liability for indirect infringement turns on whether it induced a combined *act* of direct infringement, not on whether any one

actor is directly liable for that infringement. Moreover, Epic simply ignores the guiding principle behind the indirect infringement doctrine: “to provide for the protection of patent rights where enforcement against direct infringers is impractical,” *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 511 (1964), in order to prevent “the technicalities of patent law” from enabling an entity “to profit from another’s invention,” *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 188 (1980). Especially if the healthcare providers were not liable for direct infringement, that would be exactly the situation here.

As the amicus briefs of the American Intellectual Property Law Association (“AIPLA”), Biotechnology Industry Organization (“BIO”), Pharmaceutical Research and Manufacturers of America (“PhRMA”), and others reflect, Epic’s position produces a legal paradox: valid patents that confer no enforceable right to exclude, and thus confer nothing at all. That would create a gaping and unwarranted loophole in patent protection.

I. THE HEALTHCARE PROVIDERS DIRECTLY INFRINGE UNDER TRADITIONAL PRINCIPLES OF LAW.

On direct infringement, the parties agree on a fair amount. Epic eschews a hard and fast single-actor rule, stating instead that “direct infringement *typically* occurs only where a single actor practices all elements of a claimed invention.” Epic Br. 29 (emphasis added). Epic further concedes that two parties’ combined

actions directly infringe a patented method when the actions of one joint actor “could be attributed to” the other. *E.g., id.* at 12.

But Epic then takes back those reasonable-sounding statements and asserts that the issue turns not on general principles of attribution, but rather on whether one joint infringer is “vicariously liable” for the other. *Id.* at 54. Epic also defines vicarious liability narrowly to cover only “an agency relationship or a contractual obligation to perform [the relevant] actions.” *Id.* at 24. That internal inconsistency—acknowledging attribution as a basis for joint liability but then insisting on a much narrower test—makes Epic’s position as incoherent as it is untenable.

A. One Party’s Actions Are Attributable To Another In A Number Of Relevant Circumstances.

1. A party that directs, controls, or causes another’s performance of a method step is responsible for that performance.

The common law does not limit either attribution or vicarious liability to principal-agent relationships. The whole point of Section 877 of the Restatement (Second) of Torts is to define rules for attribution “independent of” such relationships. *See* Restatement (Second) of Torts § 877 cmts. a & c (1979) (“Restatement”). Under those rules, a party is responsible for conduct it directs, orders, or induces because it “is as responsible for it when accomplished through directions to another as when accomplished by” itself. *Id.* cmt. a. Thus, when one

actor performs some steps and causes another to perform the other steps, all of that conduct is attributable to it. *See* McKesson Br. 26-33; *Zimprich v. N.D. Harvestore Sys., Inc.*, 419 N.W.2d 912, 914 (N.D. 1988).

Applying only a limited subset of the traditional bases for attribution would be extraordinary. All of the traditional joint and vicarious liability doctrines work together to identify the full set of “circumstances in which it is just to hold one individual accountable for the actions of another.” *Sony Corp. Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984). It would make little if any sense to do justice in some but not other circumstances.

Not surprisingly, thus, a century’s worth of *patent* case law—mostly uncontested by Epic—has held actors liable for joint conduct in a variety of circumstances, not only those conceded by Epic. *See* McKesson Br. 22-23, 34-35. The copyright cases further confirm that the full range of attribution doctrines is compatible with intellectual property law. *See id.* at 31-33.

Epic’s position is so untenable that neither Epic nor its *amici* accepts the logic of their principal-agent distinction. Epic’s recognition of an additional “contractual obligation” basis for attribution makes clear that agency is not a tenable line. And there is no justification for going beyond the principal-agent line but then stopping at contractual obligations. Obligating someone else contractually

to perform a step is *one* way of directing, controlling, or causing the other's conduct; but it is not the *only* way.

A number of Epic's *amici* similarly confirm the untenability of their line by not actually sticking to it. One *amicus* asserts that “perform[ing] or caus[ing] the performance of all steps of a method claim” results in liability. Encore Br. 7 (emphasis added). That formulation mirrors McKesson's position, not Epic's. *See also* Washington State PLA *Akamai* Br. 6 (“something less than a fiduciary common law agency relationship” can suffice); NYIPLA Br. 6 (outsourcing a step gives rise to liability).

Epic suggests that inducement should be irrelevant to direct infringement because 35 U.S.C. § 271(b) already covers “inducement.” Epic Br. 52. But Section 271(b) addresses a different question under a different standard: whether a party should be *secondarily* liable for performance of a patented method, even if it did not participate in that performance. In contrast, the attribution question here concerns the *primary* liability of an actor that participates in direct infringement by performing some steps and causing others to perform the remainder. And for purposes of primary liability, the Restatement clearly uses “induce”—in addition to direct and control—in its ordinary sense of “influence” or “cause,” as opposed to a technical patent-law sense, as confirmed by the Restatement's application to *all* areas of tort law. McKesson Br. 27 n.1. For Epic to claim that the full range of

traditional attribution principles is not needed for purposes of direct infringement because Section 271(b)'s indirect infringement provision addresses the present situation, but then claim elsewhere in its brief that Section 271(b) does not address or remedy this situation, is little more than a shell game.

2. A party directly infringes when it knowingly combines its acts with another's to practice a patented method.

Similarly, the common law has long provided that knowingly combining one's acts with another's to complete a tort is the same as committing the entire tort oneself. This theory rests on the same basic insight as attribution: by choosing to combine one's acts with another's, one assumes responsibility for the combination. *See McKesson Br.* 19-20.

Epic contends that, for purposes of this theory (though not the attribution theory discussed above), an actor is liable only if its conduct was independently tortious. *See Epic Br.* 47-48. Epic simply ignores, however, the leading treatise's explanation that numerous courts have recognized that liability attaches "where the acts of each of two or more parties, standing alone, *would not be wrongful*, but together they cause harm to the plaintiff." Prosser & Keeton on Torts § 52, at 354 (5th ed. 1984) (emphasis added). And Epic notes but does not dispute the basic point that independently nontortious conduct becomes "wrongful because it is done in the context of what others are doing." *Id.*; *see Epic Br.* 50 n.2; *McKesson Br.* 20. That is the key point: performing some but not all steps of a patented method

would not be wrongful *standing alone*, but it becomes wrongful when deliberately combined with another's performance of the remaining steps.

Epic contends that various comments to the Restatement limit liability on this basis, and also on the acting-in-concert basis discussed below, to circumstances where a defendant's own actions were "tortious," as opposed to "innocent." Epic Br. 47-48 (citing Restatement §§ 875 cmt. a, 876 cmt. c, 879). When read in context, however, those comments draw two distinctions: the defendant must have been directly involved in some of the relevant conduct, as opposed to being held liable solely on a secondary theory of liability, *see* Restatement § 875 cmt. a; and the defendant must have acted with culpability, as opposed to "innocently, rightly, and carefully," *id.* § 876 cmt. c. As confirmed by the provisions discussed above, a party that knowingly combines its actions with another's to complete a tort is on the culpable side of that line.

The case law further confirms that conclusion. *See* McKesson Br. 20-24. Epic counters that, in a select few of the cases cited by McKesson, the parties' actions were independently tortious. *See* Epic Br. 48-49. But the whole point of that line of cases is that the culpable actor's conduct was *not* independently wrongful. *See, e.g., Town of Sharon v. Anahma Realty Corp.*, 123 A. 192, 193 (Vt. 1924) (parties' actions "caused and could cause no damage" independently); *Blair v. Deakin*, 57 L.T.R. 522, 525-26 (1887) (independently harmless substances);

Hillman v. Newington, 57 Cal. 56, 63-64 (1880) (independently harmless diversions of common water supply). In all events, Epic conspicuously ignores a number of the other cases McKesson cited. *See* McKesson Br. 21-22; *see also* Restatement § 883 & cmt. b.

Without citation, Epic contends that liability for combining actions is inapplicable to strict-liability torts. *See* Epic Br. 45. Contrary to Epic's assertion, the Restatement does not support a strict-liability exception to normal joint liability principles; it simply takes no position on that question. *See* Restatement § 876 (Caveat). And case law refutes Epic's position. *See* McKesson Br. 22; *Kennecott Copper Corp. v. McDowell*, 413 P.2d 749, 753 (Ariz. 1966); *Barnes v. Masterson*, 56 N.Y.S. 939, 941 (App. Div. 1899). The reason is simple enough: if a defendant is responsible for the combined acts, it is responsible for whatever the legal consequences of the combined acts might be; the "form of the action has [no] material bearing on the case." *Barnes*, 56 N.Y.S. at 941. The proof is in the pudding because numerous courts have applied this doctrine in *patent* cases. McKesson Br. 22-23.

3. A party that enters into an agreement to act in concert with another is responsible for the concerted conduct.

The common law also holds parties responsible for acting in concert to commit a tort. *See* Restatement § 876(a). Apart from reiterating its incorrect view that such liability requires independently tortious conduct, Epic does not

meaningfully respond to this point. *See* Epic Br. 49; pp. 6-7, *supra*. Moreover, Epic ignores the many patent cases that impose liability for concerted action. *See* McKesson Br. 34-35.

B. The Healthcare Providers Directly Infringe By Directing And Causing Their Patients' Actions And Then Combining Their Own Actions With Their Patients' To Complete The Patented Method.

Under the traditional liability theories discussed above, the healthcare providers are liable for the joint infringement; at a bare minimum, there is a genuine dispute of material fact on that question, such that Epic is not entitled to summary judgment.

As explained in McKesson's opening brief, a healthcare provider creates, operates, and controls the entire MyChart environment. In doing so, it performs all of the method steps but one—the patient's initiation of a communication. The healthcare provider directs and causes the patient's performance of that step by creating each patient's personalized webpage, account, and password, and instructing the patient on how to use the account and password to initiate a communication. With full knowledge of the patient's performance of that step, the healthcare provider then performs all of the remaining steps of the patented method. *See id.* at 8-9.

Epic hums the familiar refrain that patients are not *required* to use the software. *See* Epic Br. 56-57. That might be relevant to the existence of an agency relationship, but it is irrelevant under the principles explained above.

Any doubt on that score should be resolved by the parties' agreement that the relationship between joint actors "may, as a factual matter, make it easier" to prove joint infringement. *Id.* at 24; *see also* McKesson Br. 25-26. As explained in McKesson's opening brief, the doctor-patient relationship is a uniquely close one that imposes numerous special consequences throughout the law. *See, e.g.,* McKesson Br. 25-26, 29-30. Instead of disputing that, Epic strains to characterize the relationship as a website operator-user relationship. Epic Br. 24. That ignores the reason a healthcare provider and its patients use the website—for doctor-patient communications.

Epic also argues that patients should not be liable for direct infringement because, unlike healthcare providers, they lack knowledge of the entirety of the infringing acts. *See id.* at 28, 42, 57. That contention is irrelevant because there is no dispute that one direct infringer (the healthcare provider) is a sufficient predicate to hold Epic liable for indirect infringement. It is also academic because no one would sue individual patients for minimal damages; instead, patentees routinely sue the bigger fish, like Epic and Limelight, for broader damages and injunctions. Thus, there is no need to reach the patients' liability in this case.

If this Court nonetheless chose to consider the patients' liability, it would turn in part on the patients' knowledge, and thus present a question of fact for remand. If patients (who McKesson has not sued) lacked the knowledge required for the traditional theories discussed above (for example, knowledge of combining the acts), they would not be liable. If they had such knowledge, they would be liable. That is hardly unfair. As Epic readily emphasizes, patients would be liable for direct infringement if system claims were at issue, because they would use the infringing system, even if they knew nothing about whether it satisfied the claim elements. *See id.* at 41. Thus, Epic's professed concern for individual patients is as hollow as it is irrelevant to the healthcare providers' and Epic's liability. *See* McKesson Br. 36-37.

C. There Is No Justification For Departing From Ordinary, Common-law Principles.

Epic does not dispute that the Supreme Court has repeatedly held that traditional principles of law generally apply in patent cases, just as they do in all other cases. *See id.* at 17. Nor does it even attempt to refute most of the 125 years of *patent* cases applying traditional joint and vicarious liability doctrines. *See id.* at 22-23, 34-35. Epic's assertion that the traditional bases for liability are nonetheless inconsistent with patent law is incorrect.

1. Congress intends to incorporate ordinary background principles unless it clearly states otherwise.

Epic complains that McKesson would incorporate common-law principles “no matter the context” in which they arose. Epic Br. 30. But the fact that those principles arose in the context of the general common law of torts is an excellent reason to apply them here: “The common law . . . ought not to be deemed to be repealed, unless the language of a statute be clear and explicit for this purpose.” *Fairfax’s Devisee v. Hunter’s Lessee*, 11 U.S. (7 Cranch) 603, 623 (1812). Thus, Congress is presumed to legislate against the backdrop of ordinary tort law, and to incorporate that law into its statutes, unless Congress clearly indicates otherwise. *See, e.g., Meyer v. Holley*, 537 U.S. 280, 285 (2003).

Conceding nothing, Epic contends that this rule somehow applies only to background “agency principles.” Epic Br. 34. Of course, it applies much more broadly to the common law in general. *See, e.g., Kennedy v. Plan Administrator*, 555 U.S. 285 (2009) (trusts); *Anza v. Ideal Steel Supply Corp.*, 547 U.S. 451, 457 (2006) (proximate causation); *New Jersey v. New York*, 523 U.S. 767, 783-84 (1998) (shoreline property changes); *Consolidated Rail Corp. v. Gottshall*, 512 U.S. 532, 551 (1994) (negligent infliction of emotional distress).

Epic’s reliance on *Meyer* is misplaced. While the facts of *Meyer* happened to involve an alleged principal-agent relationship, *Meyer* nowhere held that Congress incorporates only principal-agent principles. To the contrary, *Meyer* held

that Congress presumptively applies “*ordinary* background tort principles,” as opposed to “an unusual modification of those rules.” *Meyer*, 537 U.S. at 286 (emphasis in original). And it is Epic that is proposing an “unusual modification” of traditional rules.

Nor is *Central Bank v. First Interstate Bank*, 511 U.S. 164 (1994), on point. That case held that Congress did not incorporate common-law aiding and abetting principles in a judicially created private right of action under the securities statutes. *Central Bank* is irrelevant because the opposite presumption applied there: while courts presumptively construe statutory causes of action to incorporate the common law, they must give “narrow dimensions” to judicially created causes of action. *See Janus Capital Group, Inc. v. First Derivative Traders*, 131 S. Ct. 2296, 2302 (2011).

Equally important, McKesson is not arguing that the healthcare providers *aided and abetted another’s* infringement; instead, McKesson relies on their *participation* in direct infringement. Aiding and abetting—a criminal law doctrine—targets persons who did *not* participate in the underlying wrong. *See, e.g., In re NM Holdings Co.*, 622 F.3d 613, 626 (6th Cir. 2010); *Boim v. Holy Land Foundation for Relief & Development*, 549 F.3d 685, 692 (7th Cir. 2008) (en banc) (Posner, J.). As a result, some courts have been reluctant to extend that criminal doctrine to the civil context, and thereby sweep up those who did not participate in

the wrongdoing. *Central Bank*, 511 U.S. at 181-82. But *Central Bank* provides no basis for departing from settled common-law doctrines of *direct* liability for those who did participate in joint conduct. Cf. *International Rectifier Corp. v. Samsung Electronics Co., Ltd.*, 361 F.3d 1355, 1362 (Fed. Cir. 2004) (holding that conduct was not attributable to party that did not act in “active concert or participation” in the alleged direct infringement).

2. The text and structure of the 1952 Act support traditional rules of joint and vicarious liability.

Far from clearly rejecting common-law joint and vicarious liability theories, the text and structure of the Patent Act embrace them. *McKesson* Br. 45-49.

The Patent Act confers a “right to exclude *others*” in the plural, not just single actors, from practicing a patented invention. 35 U.S.C. § 154 (emphasis added). *Epic* responds that, in light of the public notice function of patents, the right to exclude must be limited to the claims as drafted by the patentee. *See Epic* Br. 40-41. That is true, and it is exactly why *McKesson* is correct: the asserted claims literally and expressly cover joint action, and thus confer a right to exclude that joint action. Otherwise, they would exclude nothing.

The infringement provisions of the Patent Act further confirm that the right to exclude includes a right to exclude joint actors. The legislative history makes clear that “infringement would be *any* violation” of the exclusive rights conferred by a patent. H.R. Rep. No. 82-1928, at 9 (1952) (emphasis added). Section

271(a)'s direct-infringement provision therefore provides that “whoever” practices the invention is a direct infringer. Any doubt about whether the statutory term “whoever” encompasses joint actors is resolved by the Patent Act’s use of “whoever” to describe the inventor or inventors of an invention because it is well settled that there can be joint inventors. *See* 35 U.S.C. § 101; McKesson Br. 46. While Epic ignores the latter point, it is dispositive: because a statutory term like “whoever” takes the same meaning throughout a statute, its undisputed application to joint actors for purposes of inventorship confirms that it also covers joint actors for purposes of direct infringement. *See* McKesson Br. 46.

None of Epic’s other arguments clearly and explicitly refutes the breadth of the Patent Act’s exclusionary rights and direct infringement provisions. Epic’s contention that joint infringement rules would subvert the scheme for indirect infringement overlooks the fact that joint infringement principles work *together* with the indirect infringement provisions to cover all violations of a patentee’s exclusive rights. Just as joint infringement is necessary to remedy some infringements, the indirect infringement provisions remain necessary to remedy other infringements. *See id.* at 48-49. Thus, none of these infringement theories is superfluous, and all are necessary to protect the exclusive patent right. Indeed, Epic recognizes that an indirect infringer is “a species of joint tortfeasor”—not the *only* species. Epic Br. 26 (quoting *Aro*, 377 U.S. at 500).

Epic’s bell-and-widget hypothetical illustrates its error. Epic asserts that if Company A sells a widget to Company B, which adds a bell, both would be liable under McKesson’s position for joint infringement of an apparatus patent claiming the combination, even if Company A lacked knowledge of the infringement. *See id.* at 33. That is incorrect. In this hypothetical, only Company B “makes” the infringing product (by adding the last element), and it is therefore the sole direct infringer of the apparatus claim. *See Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310-11 (Fed. Cir. 2005); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 527-29 (1972). Because liability for making a product is based on the *single act* of completing it, as opposed to a series of steps, joint infringement is simply irrelevant to such claims. Company A’s liability would turn, instead, on indirect infringement principles.

In contrast, joint infringement principles would be essential if the hypothetical involved a method claim. Otherwise, the two companies could intentionally divide the performance of method steps among them, leaving the patentee remediless for the violation of its exclusive right. Thus, Epic’s hypothetical only confirms the important and distinct roles served by the different infringement doctrines.

Nor has McKesson inserted a knowledge requirement into the strict liability offense of direct infringement, as Epic suggests. *See Epic Br.* 50. Direct

infringement by joint actors is a strict-liability tort that turns on whether any one actor is responsible for the performance of each step, without more. In making the antecedent determination whether one person's acts are attributable to another, knowledge may be relevant or inherent. But that is not meaningfully different from direct infringement by a single actor because a single actor does not perform infringing acts without knowing that it is performing them. Principals also know of their agency relationships, just as contracting parties know they are contracting.

In the end, Epic seems to be suggesting that, because Congress enacted Sections 271(b) and (c) to address indirect infringement, it must have implicitly rejected joint direct infringement under Section 271(a). But Sections 271(b) and (c) simply do not address this question. Congress needed to enact specific provisions for indirect liability because: (1) it disagreed with the Supreme Court's prior jurisprudence on that point and sought to *expand* the scope of liability, *Dawson*, 448 U.S. at 200; and (2) unlike joint infringement, aiding and abetting liability is not necessarily incorporated by silence, *see pp. 13-14, supra*.

But Congress's decision to *broaden* the scope of *indirect* infringement is by no means a clear and explicit *rejection* of the traditional bases of joint and vicarious liability for *direct* infringement—much less a clear and explicit rejection of some but not other bases (agency and contractual obligation). Congress's decision to “enhance[] the common law in specific, well-defined situations does

not signal its desire to extinguish the common law in other situations.” *United States v. Texas*, 507 U.S. 529, 535 n.4 (1993). That is especially true here. Congress simultaneously enacted Section 271(a), making clear that direct infringement presents a different question. And it is well settled that Congress enacted Sections 271(b) and (c) to “expand significantly the ability of patentees to protect their rights,” not to restrict it. *Dawson*, 448 U.S. at 203.

3. The statutory policies strongly support application of traditional joint and vicarious liability doctrines.

The many *amicus* briefs confirm that joint infringement remedies are as essential in patent law as in other areas of law because parties could otherwise divide method steps among them to evade a patentee’s exclusive rights. *See, e.g.*, AIPLA Br. 7, 17; BIO Br. 3-4; PhRMA Br. 8, 13-15.

While Epic claims that its agency-or-contract rule would “prevent[] masterminds from contracting out actions as a scheme to avoid infringement” (Epic Br. 44), that is clearly untrue. Epic’s rule would allow actors to jointly perform patented methods at will, so long as they were not foolish enough to do so with a principal or agent, or to enter into contractual obligations to do so. As AIPLA explains, that “gaping loophole” would “foreclose many interactive technologies from obtaining enforceable patent rights” and “encourage the development of business models designed to misappropriate the patented methods

of others by ensuring that one or more steps of those methods are performed by third parties.” AIPLA Br. 7.

The *amicus* briefs further demonstrate the extent to which Epic’s rule would endanger “thousands of issued patents.” PhRMA Br. 3. Interactive methods involving more than one actor are vital to numerous industries, and will become all the more important as “emerging areas of innovation will include novel interactive methods connecting individuals, financial institutions, mobile phone carriers, shipping and delivery providers, and sellers of products with respect to all manner of transactions, such as ordering, billing, and the like.” *Id.* at 10.

The problem is especially acute for the broad “array of interactive diagnostic and treatment methods that . . . implicate multiple actors.” *Id.* at 11. In *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, 628 F.3d 1347 (Fed. Cir. 2010), *cert. granted*, ___ S. Ct. ___ (2011), for example, this Court recently upheld the validity of methods in which a medical laboratory conducts a test and a separate healthcare provider makes a diagnosis or treats a patient. As BIO and Myriad explain, numerous such methods are divided, *or could be divided*, among different actors. BIO Br. 8-10; Myriad Br. 11-17. If Epic were right about joint infringement, the high-profile debate about whether such methods claim patentable subject matter would be all but irrelevant because the patents would be

unenforceable in any event. It would make little sense for this Court to uphold the validity of such patents only to negate them through infringement rules.

“Method of treatment or drug delivery claims likewise may require the participation of healthcare providers and patients,” as McKesson’s patented method does. BIO Br. 8. And “[t]he importance of such patents is not limited to the biomedical field.” *Id.* at 9. “In agricultural and environmental biology, process patents may play very similar roles in the production of biofuels and bioplastics.” *Id.*

The *amicus* briefs further confirm that patentees could not protect themselves through claim drafting, as Epic asserts. At the outset, “it is unfair to assume that any drafter could anticipate all of the possible schemes that could be devised to achieve the performance of some portion of a claimed method to a second actor.” AIPLA *Akamai* Br. 5; *accord* PhRMA Br. 20. Even if one did, different drafting would oftentimes accomplish little so long as a party could simply have another person perform one of the steps, however it was drafted. *See Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1371 (Fed. Cir. 2010); McKesson Br. 51. The Myriad and BIO briefs explain that point in detail. Myriad Br. 11-17; BIO Br. 8-9.

Moreover, Epic’s repeated insinuations that there is something wrong with method claims in general, or with method claims that contemplate action by more

than one actor in particular, lack any grounding in patent law. *See* Epic Br. 39-42. There is, quite simply, no rule that method claims are disfavored vis-à-vis product ones, or that method claims may not be drafted to call for action by more than one person. *See* McKesson Br. 50. Indeed, method claims are sometimes the only viable way to claim an interactive invention. *See* BIO Br. 8.

Epic's own policy arguments mostly attack straw men. No one disputes Epic's contention that, in light of the "public notice" function of patent claims, courts should not "restructure" them to capture joint conduct. Epic Br. 41. McKesson seeks only to enforce its claims *as written*; it has never sought to expand or re-write its claims. *See id.* Similarly, Epic's refrain that McKesson would impose liability on innocent and unknowing participants, such as someone who simply sells a component that could be used in an infringing combination, is baseless. None of the tests described above target unwitting actors. *See* McKesson Br. 22-23, 34-35.

In the end, the policy balance is not close, as APLA confirms. For many patentees in many industries, the question is whether they have *any* exclusive rights to their patented inventions. In contrast, Epic's high-tech *amici* appear to view this Court's recent joint infringement jurisprudence as a convenient way to short-circuit some nonpracticing entity ("NPE") suits they view as abusive. As Cisco explains, the high-tech sector likes to use this requirement "to fend off

opportunistic litigation” Cisco Br. 1; *see also* CTIA Br. 13; Internet Retailers *Akamai* Br. 11-12.

McKesson fully understands that perspective because, as a high-tech company, it is also subject to abusive NPE suits. But those suits are abusive because the patents are invalid or not infringed or the patentee is otherwise engaging in improper behavior; the problem is not that the patents call for joint action. Using joint infringement jurisprudence to address NPE suits would be wholly arbitrary because it would wipe out legitimate suits based on legitimate patents, while leaving most NPE suits unaffected.

4. Congress has not acquiesced in *BMC*’s four-year-old rule (or this Court’s more recent limitation of *BMC*).

Epic falls back to the notion that Congress has acquiesced in *Akamai*’s agency-or-contractual obligation test by not amending the Patent Act to overrule it. *See* Epic Br. 37-38. But Congress acquiesces only in longstanding and settled statutory interpretations, not such recent ones. *See, e.g., Jama v. Immigration & Customs Enforcement*, 543 U.S. 335, 351 (2005); *TVA v. Hill*, 437 U.S. 153, 192 (1978). If Congress acquiesced in anything, it was in the earlier decisions of this and other courts applying traditional joint and vicarious liability principles in patent cases.

II. A PARTY IS LIABLE FOR INDIRECT INFRINGEMENT IF IT INDUCED OR CONTRIBUTED TO THE PERFORMANCE OF EVERY STEP OF A PATENTED METHOD, EVEN IF DIFFERENT ACTORS PERFORMED DIFFERENT STEPS

Even if policy considerations drove this Court to hold that no one actor should be held liable for direct infringement, there would be no reason to absolve Epic of liability for its indirect infringement. As a single actor that intentionally induces and profits from healthcare providers' and patients' combined performance of McKesson's patented method, Epic is clearly culpable. Letting an entity like Epic escape liability on the ground that it induced performance by multiple actors instead of a single one would be the ultimate technicality—a technicality that would open a gaping loophole in patent protection with no offsetting benefit, as explained in a number of *amicus* briefs. *See, e.g.*, AIPLA Br. 3, 7; BIO Br. 22-24. There is, quite simply, no reason to let Epic—a single actor—get away with intentionally inducing the performance of the entire patented method.

All of Epic's arguments about notice, knowledge, and fairness fade away when the question is whether a single actor can intentionally induce the performance of a patented method, but escape liability on the ground that it induced two actors to perform jointly instead of one to perform singly. And Epic's arguments about the statutory distinctions between direct and indirect infringement only confirm that liability for one need not be tied to liability for the other. Indeed, far from undermining the distinction between direct and indirect infringement,

holding Epic accountable for inducing infringement would uphold that distinction. *See* McKesson Br. 47-48.

Until *BMC*, therefore, this and other courts recognized that one entity can be liable for indirect infringement when multiple actors combine to perform the patented method, even if no one actor would be liable for that direct infringement. *See id.* at 22-23, 41. Significantly, Epic cites *no* contrary authority on point prior to *BMC*. The cases cited by Epic hold only that “if there is no direct infringement of a patent there can be no contributory infringement.” Epic Br. 18 (quoting *Aro*, 365 U.S. at 341). *None* of those cases holds that the requisite “direct infringement” is limited to circumstances in which a single actor performs the entire method or is liable for the method’s performance. In other words, infringement is not necessarily synonymous with liability.

While Epic claims that “McKesson is unable to identify any authority supporting its position,” *id.* at 16, McKesson cited multiple such decisions in its opening brief, *see* McKesson Br. 22-23, 41. Epic attempts to distinguish only one of them: *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983), in which this Court held that a company “could be liable for contributory infringement” if it performed some steps and left the remaining step for its customers to perform. *Id.* at 1568. That holding clearly rejects the contention that

indirect infringement must be predicated on a single actor's direct infringement. McKesson Br. 41.

While Epic discards *Fromson* on the theory that it “presumably” referred only to system and not method claims, Epic Br. 12; *see also id.* at 19-21, Epic’s presumption is incorrect. This Court explained that both types of claims were asserted and then discussed all of them together, without distinction. *See Fromson*, 720 F.2d at 1568. Epic’s insistence that *Fromson* nonetheless “cannot” have meant what it said because that would be contrary to Epic’s view of the law (Epic Br. 20) is pure question-begging.

Epic’s further contention that the relevant portion of *Fromson* is *dictum* because it appeared in a portion of the opinion labeled background (Epic Br. 21) is just wishful thinking. The court’s legal analysis of contributory infringement was a holding because it dictated the scope of the remand. *See Cole Energy Development Co. v. Ingersoll-Rand Co.*, 8 F.3d 607, 609 (7th Cir. 1993) (Posner, C.J.); *see also Ahlberg v. Dep’t of Health & Human Servs.*, 804 F.2d 1238, 1245 (Fed. Cir. 1986). Indeed, on remand, the district court—citing the very passage Epic calls *dictum*—concluded that the defendant had contributorily infringed the process as well as product claims. *See Fromson v. Advance Offset Plate, Inc.*, No. 76-4515-F, 1984 WL 1390, *8 (D. Mass. 1984). This Court eliminated any doubt about that reading of its decision when it subsequently affirmed the district court

on infringement. *See Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1558-59 (Fed. Cir. 1985).

Significantly, Epic makes no effort to distinguish the other cases cited in McKesson's opening brief. While Epic argues that Congress silently abrogated those cases in the 1952 Act (Epic Br. 22), that contention gets things backward: it is well established that the 1952 Act *expanded* liability. *See* p. 17, *supra*. Thus, if there were no *direct* infringement liability after 1952, the reason would have to be that Congress treated this circumstance as warranting only *indirect* infringement liability. Indeed, *amicus* Apple argues against direct infringement liability precisely because *indirect* infringement "is a specific application to patent law of the law of joint tort feisor where two people somehow together create an infringement which neither one of them individually or independently commits." Apple *Akamai* Br. 17 (quotation marks, citation, and emphases omitted).

Epic's attempt to make out a textual argument relies on irrelevant provisions. As Epic acknowledges, Section 271 defines infringement. *See* Epic Br. 18. That provision simply makes "infringement" a requirement for indirect infringement; it says nothing about the question presented here. *See id.* at 16; 35 U.S.C. 271(b), (c). The other provisions cited by Epic state that a patentee shall have a remedy by civil action for infringement, 35 U.S.C. § 281, that prevailing plaintiffs are entitled to damages for infringement, *id.* § 284, and that the

limitations period for recovering damages for infringement is six years, *id.* § 286. None of those provisions indicates that direct infringement and liability for direct infringement necessarily go hand in hand, as Epic argues. Indeed, the statute of limitations cited by Epic affirmatively refutes that notion, as do other defenses such as invalidity and inequitable conduct.

Epic’s reliance on the legislative history is equally misplaced. The legislative history cited by Epic simply states that Section 271(a) “is ‘a declaration of what constitutes infringement.’” Epic Br. 17 (quoting S. Rep. No. 82-1979, at 6 (1952)). That truism hardly advances the ball because, as explained above, Section 271 does not address this question. The important legislative history, which McKesson cited in its opening brief and Epic ignores, strongly supports McKesson’s position by confirming that infringement is “any” violation of the exclusive right. H.R. Rep. No. 82-1928, at 9 (1952). As previously discussed, McKesson’s exclusive right is not limited to a right to exclude single actors. *See* McKesson Br. 47.

In the end, the most that Epic could reasonably assert is that neither the statute, nor the legislative history, nor any case law controlling on this *en banc* Court squarely resolves this issue. At that point, one would have to look to first principles by considering the purpose of the indirect infringement doctrine. As explained in McKesson’s opening brief—and pointedly ignored by Epic—the

courts developed that doctrine “to provide for the protection of patent rights where enforcement against direct infringers is impractical,” *Aro*, 377 U.S. at 511, in order to prevent “the technicalities of patent law” from enabling an entity “to profit from another’s invention without risking a charge of direct infringement,” *Dawson*, 448 U.S. at 188.

As *Fromson* and similar cases reflect, those first principles strongly support holding Epic liable for intentionally inducing the joint performance of McKesson’s patented method. Otherwise, parties could structure their affairs to preclude any redress for the performance of a patented invention—exactly what the courts developed the indirect infringement doctrine to prevent.

Finally, Epic argues that “McKesson cannot show that Epic is the mastermind of” the joint infringement because “Epic has no interaction with patients,” only with healthcare providers. *See* Epic Br. 23. Even assuming *arguendo* that Epic does not interact with any patients, that is a distinction without a difference. Epic clearly masterminds and induces the joint activity because it induces healthcare providers to use its software for the purpose of communicating with patients in a manner that practices the patented invention. Whether Epic has any direct interaction with individual patients is irrelevant. *See Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1312-13 (Fed. Cir. 1998) (advertising sufficient to show inducement); *see also DSU Medical*

Corp. v. JMS Co., Ltd., 471 F.3d 1293, 1305-06 (Fed. Cir. 2006). In any event, this would present at most a factual issue for remand.

III. EPIC'S OTHER ARGUMENTS ARE WRONG.

A. McKesson Did Not Waive Any Arguments.

Epic briefly contends that McKesson did not preserve the argument that the doctor-patient relationship supports a finding of joint infringement. *See* Epic Br. 55. McKesson preserved that argument for the reasons given in its panel reply brief, reasons the panel accepted by reaching the issue without any suggestion of waiver. *See* slip op. 8; Panel Reply 7.

Nor has McKesson forfeited its indirect infringement arguments. McKesson properly raised that question, and it was a centerpiece of the oral argument. *See* Panel Br. 36; Panel Reply 2, 3, 22; Pet. Rhg. 11-13; slip op. 11, 17 (Newman, J., dissenting); Oral Argument at 7:20-11:55; *see also* Oral Argument at 2:55-3:00, 28:55-29:20, 33:10-33:20. Moreover, McKesson has undisputedly preserved this *issue* of whether Epic is liable for inducement of the joint activity; McKesson is therefore free to raise additional supporting *arguments* regardless of whether it advanced them earlier (which it did). *See, e.g., Yee v. City of Escondido*, 503 U.S. 519, 534-35 (1992); *Interactive Gift Exp., Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1347 (Fed. Cir. 2001).

In all events, Epic has clearly waived any waiver of this issue by waiting to raise its procedural objection until this late date, after this Court granted *en banc* rehearing and after this Court, the parties, and numerous *amici* devoted considerable resources to the issue. *See, e.g., Proffitt v. Wainwright*, 685 F.2d 1227, 1266 n.60 (11th Cir. 1982). Epic knew how to raise waiver arguments when opposing rehearing *en banc* because it did raise a number of meritless waiver arguments against *en banc* review. Epic's Response to Rhg. Pet. 1-3. Epic's failure to raise this issue with those others at that time underscores both the untimeliness and the meritlessness of its current waiver argument.

Epic attacks a straw man by suggesting that McKesson waived any argument that Epic is liable for direct infringement. *See* Epic Br. 15. That is true but irrelevant because McKesson has always argued that Epic is an indirect, not direct, infringer. *See, e.g.,* McKesson Br. 10.

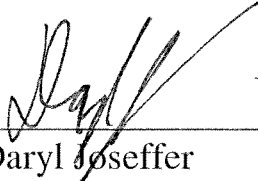
B. Epic's Invalidity Contentions Are Beside The Point.

Finally, Epic's meritless invalidity arguments only confirm that this case should be about whether the patent is valid, not about whether McKesson can enforce its presumptively valid patent at all. *See, e.g.,* Epic Br. 4-6, 39. If Epic wants to dispute validity, it can do so on remand.

CONCLUSION

This Court should reverse and remand for further proceedings.

Respectfully submitted on this 6th day of September 2011.



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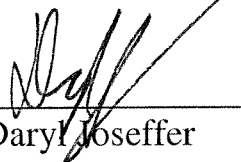
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PROOF OF SERVICE

This is to certify that I have this day served the foregoing “En Banc Reply Brief of Plaintiff-Appellant McKesson Technologies Inc.” upon counsel for Defendant-Appellee, by depositing two copies of the brief with UPS for delivery to each party’s counsel as follows:

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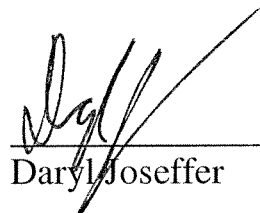
This 6th day of September 2011.



Daryl Joseffer

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 6,974 words and therefore complies with the type-volume limitations of Fed. R. App. P. 28.1(e)(2).



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September 6, 2011