

Nos. 12-786 & 12-800

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**In The  
Supreme Court of the United States**

LIMELIGHT NETWORKS, INC.,  
*Petitioner,*

v.

AKAMAI TECHNOLOGIES, INC., *ET AL.*

EPIC SYSTEMS CORPORATION,  
*Petitioner,*

v.

MCKESSON TECHNOLOGIES, INC.

*On Petitions for Writs of Certiorari to the United States Court of  
Appeals for the Federal Circuit*

**BRIEF OF CTIA—THE WIRELESS ASSOCIATION,  
CONSUMER ELECTRONICS ASSOCIATION, AND  
METROPCS WIRELESS, INC. AS *AMICI CURIAE* IN  
SUPPORT OF PETITIONERS**

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## **QUESTION PRESENTED**

Whether a defendant may be held liable for inducing infringement of a patent that no one is liable for directly infringing.

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**BRIEF OF CTIA—THE WIRELESS  
ASSOCIATION, CONSUMER ELECTRONICS  
ASSOCIATION, AND METROPCS WIRELESS,  
INC. AS *AMICI CURIAE* IN SUPPORT OF  
PETITIONERS**

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**INTEREST OF *AMICI CURIAE*<sup>1</sup>**

CTIA—The Wireless Association is an international nonprofit organization that represents the wireless communications industry. CTIA's members include hundreds of network providers, suppliers, manufacturers, providers of data services and products, and other contributors to wireless services. CTIA regularly files briefs as *amicus curiae* in cases presenting issues of importance to the wireless industry. *See, e.g., AT&T Mobility LLC v. Concepcion*, 131 S. Ct. 1740 (2011); *Stolt-Nielsen S.A. v. Animalfeeds Int'l Corp.*, 130 S. Ct. 1758 (2010).

MetroPCS Wireless, Inc. is the fifth largest wireless mobile broadband communications provider in the country, based on number of customers served.

The Consumer Electronics Association is a nonprofit association uniting 2,000 companies within the consumer technology and wireless industries.

*Amici* are concerned that the Federal Circuit's ruling will unfairly subject wireless mobile broadband communications providers and their suppliers to unwarranted litigation and threats of liability for activities that have been considered innocent and non-infringing since at least the enactment of the Patent Act, 35 U.S.C. §§ 1 *et seq.*, 60 years ago. In *amici's* view, the Federal Circuit's

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<sup>1</sup> This brief is filed with the written consent of all parties through either universal or individual letters of consent on file with the Clerk. No counsel for either party authored this brief in whole or in part, nor did any party or other person make a monetary contribution to the brief's preparation or submission.

decision will encourage poorly drafted patents and destabilize patent law. *Amici* accordingly file this brief to underscore the debilitating effects the ruling could have for innovative industries and the imperative of this Court's prompt review.

### SUMMARY OF ARGUMENT

By the slimmest of margins, the en banc Federal Circuit has overturned decades of settled patent law governing induced infringement. As petitioners explain, that rule of inducement without actual infringement lacks any grounding in statutory text, and it contravenes settled precedent.

While all agree that there is no such thing as collective direct infringement of a patent by independent parties, under the Federal Circuit's new legal regime, a single party can be held liable for *inducing* just such collective infringement. The profound consequences that new liability rule portends necessitate this Court's immediate review. For businesses like network providers that offer a vital platform for linking together other independent businesses and customers, the Federal Circuit's crabbed new legal regime exposes them to induced infringement allegations for the *innocent and independently non-infringing* conduct of those third parties, even though the aggregating providers have no authority, control, or capacity to direct those parties' actions. And those third parties, in turn, engage in the innocent activity of offering non-infringing services and products to equally innocent and non-infringing consumers.

The Federal Circuit nevertheless has ruled that two non-infringing rights can make a wrong. As the five dissenting judges explained, that works an extraordinary upheaval in patent law with significant adverse consequences for the many businesses that provide the connective network for others to bring innovative and in-demand services and products to the public. That sea change is unnecessary, moreover, because the patentee, as master of its claims, is already well-equipped to address problems of infringement by multiple parties through careful claims drafting.

#### **ARGUMENT**

#### **I. THE FEDERAL CIRCUIT'S DISTORTION OF LONG-ESTABLISHED LIABILITY RULES INVITES COSTLY LITIGATION OVER OFTEN INNOCENT CONDUCT**

The Federal Circuit has turned patent law upside down by holding that defendants can be held liable for inducing infringement even though no direct infringement ever occurred. That novel rule of liability was adopted en banc without briefing or argument focused on the legal principles of inducement liability. Indeed, in *Limelight Networks*' case, no claim of inducement was pressed at trial at all. Pet. App. 30a.<sup>2</sup> The decision thus was made without the court of appeals' comprehensive consideration of the extraordinarily harmful consequences to innovation and the stability of

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<sup>2</sup> "Pet. App." refers to the petition appendix in No. 12-786.

patent law that its inducement-only rule of liability has wrought. In particular, the rule that a single party can now be held liable for the non-infringing actions of multiple independent third parties over which it has no control, authority, or responsibility threatens companies with lengthy, resource-consuming litigation and potentially crippling liability for conduct that they have no practical capacity to avert and that, until now, has always been deemed innocent and non-infringing.

Because the Federal Circuit adopted this troubling and erroneous rule of law en banc, only this Court can correct its newly minted theory of second-hand liability without any first-hand infringement.

**A. The Federal Circuit's Rule Of Law Is Wrong And Contrary To This Court's Precedent**

CTIA concurs with both petitioners' explanation of the magnitude of the Federal Circuit's departure from statutory text, *see* 35 U.S.C. §§ 271(a), & (b), precedent, and long-settled liability principles, as well as the urgent need for this Court's correction.

1. Until the decision in this case, the law drew a careful balance in divided infringement suits by holding a defendant liable for the infringing conduct of multiple parties only when those actions were carried out under the defendant's direction or control. *See BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1380 (Fed. Cir. 2007). But the law did not hold a defendant responsible for actions involving multiple independent actors where the party lacked the capacity to control the third parties and where no



single direct act of infringement occurred. See *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008). Those principles built on the foundational rule that infringement “requires, as it always has, a showing that a defendant has practiced each and every element of the claimed invention.” *BMC*, 498 F.3d at 1380; see *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 771, 774-775 (Fed. Cir. 1993) (“A method claim is *directly* infringed only by one practicing the patented method.”).

The law of this Court was equally well settled that liability for indirect infringement mapped onto those same rules: “[I]f 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); see *Joy Techs.*, 6 F.3d at 774 (“Liability for either active inducement of infringement or for contributory infringement is dependent upon the existence of direct infringement.”). Accordingly, absent a direct infringement by a single actor, as a matter of law, a patentee could not demonstrate *inducement* of infringement either. See *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1277 (Fed. Cir. 2004) (“Dynacore’s failure to prove direct infringement \*\*\* necessarily dooms its allegations of indirect infringement[.]”).

Indeed, this Court’s precedent was explicit: “[I]f the purchaser and user could not be amerced as an infringer certainly one who sold to him \*\*\* cannot be amerced for contribution to a non-existent infringement.” *Aro*, 365 U.S. at 341 (quoting *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S.

661, 674 (1944) (Roberts, J. dissenting)); *see also* *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 (2011) (inducer must “lead another to engage in conduct that \*\*\* amount[s] to infringement”); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972) (the patent law “defines contributory infringement in terms of direct infringement”).

2. The Federal Circuit’s new “inducement-only” infringement theory turned its back on that precedent. Patentees no longer need to show either that the defendant directly infringed or that the defendant controlled one or more third parties who infringed. Indeed, no proof that direct infringement occurred is required at all. Instead, it is enough that the defendant somehow “aid[s]” or “cause[s]” any number of independent third parties to take steps, innocent in their own right, that would have constituted direct infringement *if, and only if, they had been taken together by a single person*. Pet. App. 8a-9a. To be clear, that means a defendant can be sued for inducing patent infringement (i) when no individual actually committed direct infringement, (ii) based on the accumulated actions of third parties—including customers, *id.* at 4a, (iii) over which the defendant had no control. *See id.* at 31a (Newman, J. dissenting) (criticizing majority’s rule permitting liability for “merely advising or encouraging acts that may constitute direct infringement” if performed by one actor).

“Broadening the doctrine of inducement, such that no predicate act of direct infringement is required, is a sweeping change to the nation’s patent

policy,” Pet. App. 80a (Linn, J. dissenting), and has “greatly enlarged [the] grounds” for liability, *id.* at 31a (Newman, J., dissenting). The fallout is particularly harmful for individuals and companies, like the *amici* network providers, that make products or provide services that aggregate the operations and activities of multiple actors. Given this Court’s and the Federal Circuit’s longstanding contrary precedent, such a dramatic reworking of patent liability principles “is not for th[e] [Federal Circuit] to make.” *Id.* at 80a (Linn, J., dissenting).

That is especially true because Congress has left the relevant statutory text and precedent “untouched” for decades, *Microsoft Corp. v. i4i L.P.*, 131 S. Ct. 2238, 2252 (2011), including in recent amendments to the Patent Act, *see* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). “The fact that Congress was aware of” Federal Circuit precedent when it passed this Act indicates that it “did not intend to abrogate the single entity rule for direct infringement, or broaden indirect infringement liability beyond its intentionally limited scope.” Pet App. 83a (Linn, J., dissenting).

### **B. The *Akamai* Decision Threatens Vastly More And Costlier Litigation Against Wireless Network Providers**

The Federal Circuit’s displacement of settled infringement law has flung open the courthouse doors to a new theory for lawsuits and claims of inducement liability. Plaintiffs who cannot meet the calibrated and balanced criteria for direct divided

infringement claims—*i.e.*, actual direct infringement, authority or control—can now simply reframe their claims as inducement. *See* Mark Janis & Timothy Holbrook, *Patent Law’s Audience*, 97 MINN. L. REV. 72, 119-120 (2012) (post-*Akamai*, “many future [divided infringement] cases \*\*\* will be framed as inducement cases”). Given the wireless industry’s distinctive role in bringing together and interconnecting customers, service providers, hardware makers, and product creators, the fallout for the wireless industry from the Federal Circuit’s decision will be particularly severe.

### ***1. High-Tech Innovation In The Wireless Industry***

The Federal Circuit’s decision has intruded a misguided rule of patent law into one of the fastest-growing, most inventive, and highly productive segments of the United States’ economy. *See* FCC, FIFTEENTH ANNUAL REPORT AND ANALYSIS OF COMPETITIVE MARKET CONDITIONS WITH RESPECT TO MOBILE WIRELESS, INCLUDING COMMERCIAL MOBILE SERVICES (“FCC Report”) 13-14 (2011). Today there are more than 320,000,000 wireless subscriber connections in the United States. *See* CTIA, WIRELESS QUICK FACTS, *available at* <http://www.ctia.org/advocacy/research/index.cfm/aid/10323>. Indeed, due to business requirements and multiple-device consumers, the number of U.S. connections has now surpassed the number of Americans. *See id.*

Almost 100 million Americans, or 42% of all U.S. mobile subscribers, use smartphones. comScore,

2012 MOBILE FUTURE IN FOCUS 7 (2012). These modern devices allow users not only to talk, but also to text, surf the Internet, play games, obtain needed information on demand, and enjoy individually tailored web services nationwide. *See* FCC Report ¶ 5.

A “mobile wireless ecosystem” provides the expansive infrastructure that enables individuals to do more with their handheld devices than ever before, connecting the “various parts of the supply and production network that bring thousands of mobile wireless products to Americans every day.” FCC Report ¶ 5. The state-of-the-art technology connecting customers to the wireless ecosystem has both upstream (network) and downstream (consumer) components. On the upstream side are the core infrastructure elements—the towers, equipment, and backend technology that provide the connections on which voice, messaging, and data services can run—as well as various third-party providers who offer location tracking and other services over the wireless networks. Downstream consumer devices connect to the networks, while software and mobile programs called “apps” enable the devices to access the networks and provide a broad diversity of rich and tailored user experiences. The recent explosion in cloud computing has added yet another dimension to the modern wireless ecosystem.

Providing platforms for all of those complex and distributed technologies and capabilities are the wireless network providers who “offer mobile voice, messaging, and/or data services using their own

network facilities.” FCC Report ¶ 26. These providers do not always design the technology behind the network infrastructure or employ the diverse array of developers, vendors, contractors, and other affiliates who help implement it. Instead, the network providers implement published standards and protocols to encourage interoperability of the systems, and provide capital and guidance to foster seamless nationwide coverage. Similarly, the providers generally do not design or manufacture the “more than 630 different handsets and devices” available to U.S. customers, nor do they develop more than a handful of the “more than 1.9 million apps available on more than 11 operating systems from 27 different non-carrier stores.” CTIA, THE WIRELESS INDUSTRY FACTS: AN INDEPENDENT REVIEW (2010), *available at* [http://files.ctia.org/pdf/082010\\_Independent\\_Assessment\\_of\\_Wireless\\_Industry.pdf](http://files.ctia.org/pdf/082010_Independent_Assessment_of_Wireless_Industry.pdf).

The decentralized and competitive nature of the wireless ecosystem fosters innovation and technology development. Although they are independent entities, network providers, device manufacturers, and software application and content developers interact cooperatively and (subject to industry standards) are free to design, implement, test, and innovate as they see fit. As a result, network providers interact daily with thousands of vendors, contractors, and developers, and millions of customers. These cooperative interactions, moreover, ultimately yield lower costs and enhanced services for the ever-growing demands of wireless customers.

## ***2. The Need for Clear and Calibrated Patent Rules***

For industries focused on “complex product technologies” like wireless communications, “it is common for there to be hundreds of patentable elements in one product.” Stephen Merrill *et al.*, National Academy of Sciences, A PATENT SYSTEM FOR THE 21ST CENTURY 37 (2004) (“Academy Report”). That is because each device or network “typically contain[s] many different components or features that are themselves covered by patents.” FTC, THE EVOLVING IP MARKETPLACE 90 (2011) (“2011 FTC Report”). Wireless providers “must license thousands of patents to provide any one consumer product,” and “if they miss a single high-tech horseshoe nail, a whole network may be threatened.” Michael Heller, THE GRIDLOCK ECONOMY: HOW TOO MUCH OWNERSHIP WRECKS MARKETS, STOPS INNOVATION, AND COSTS LIVES 154 (2008).

That phenomenon of “densely overlapping patent rights held by multiple patent owners” is known as a “patent thicket.” 2011 FTC Report at 56; *see* FTC Chairwoman Deborah Platt Majoras, A GOVERNMENT PERSPECTIVE ON IP AND ANTITRUST LAW 7 (2006) (“Majoras Remarks”), *available at* [www.ftc.gov/speeches/majoras/060621aai-ip.pdf](http://www.ftc.gov/speeches/majoras/060621aai-ip.pdf). Such thickets create a “dense web of overlapping intellectual property rights that a company must hack its way through in order to actually commercialize new technology.” Carl Shapiro, INNOVATION POLICY AND THE ECONOMY 120 (Adam Jaffe, *et al.* eds., 2001). Network providers cannot avoid such a thicket given the interconnective nature

of the services provided and the involvement of multiple actors and technologies in every transaction. For them, “there is often no economically feasible way, prior to making sunk investments, to identify and obtain rights to all the relevant patented technologies.” Majoras Remarks at 7.

That patent thicket often leads to lawsuits, including increasingly by “non-practicing entities” that hold patents but do not produce any associated product or services. *See eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (some firms “use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees”); 2011 FTC Report at 58-60 (companies “reported a dramatic increase in the number of patent infringement lawsuits filed against their companies compared to seven to ten years ago” because of non-practicing entities). Indeed, the extraordinary growth in patent litigation in recent years is “almost entirely attribut[able]” to such entities. *Id.*; *see also* PricewaterhouseCoopers, 2012 PATENT LITIGATION STUDY 6 (2012), *available at* [http://www.pwc.com/en\\_US/us/forensic-services/publications/assets/2012-patent-litigation-study.pdf](http://www.pwc.com/en_US/us/forensic-services/publications/assets/2012-patent-litigation-study.pdf).

“Patent infringement litigation has not only increased dramatically in frequency over the past few decades, but also has also seen striking growth in both stakes and cost.” John Allison, *et al.*, *Patent Litigation and the Internet*, 2012 STAN. TECH. L. REV. 3, 1 (2011); Academy Report at 68 (same). The escalation of both the “cost and uncertainty of patent litigation” is demonstrated by the fact that



“litigations typically take several years to complete, if appealed may be remanded more than once, and can cost several million dollars.” S. Rep. No. 259, 110th Cong., 2d Sess. 3-4 (2008); *see id.* at 4 n.12 (“Where more than \$25 million is at stake, the median litigation cost is \$4 million for each party”). Litigation leads to indirect costs too, including “premature settlements simply to avoid the high cost and uncertainty of patent litigation.” *Id.* at 4.

The telecommunications industry is a frequent bearer of those costs. “The most litigated patents are far more likely to be software and telecommunications patents, not mechanical or other types of patents.” John Allison, *et al.*, *Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents*, 158 U. PENN. L. REV. 1, 103 (2009); *see id.* at 118 (“34% of the most litigated patents are in the telecommunications industry”).

### ***3. The Federal Circuit’s Decision Deprives Business of Stability and Predictability in Patent Law***

Under the Federal Circuit’s new rule of inducement-only patent infringement, the same wireless ecosystem that has made rapid and revolutionary advancements in wireless technology and services possible now is at risk of becoming a target-rich environment for patent litigators. Those businesses are now vulnerable to a host of potential patent infringement charges and lawsuits arising out of the combination of their own *non-infringing*—simply interconnecting—conduct with the *non-*

*infringing* conduct of multiple third parties over which they exercise neither control nor authority.

Indeed, in just the few short months since the Federal Circuit's decision, numerous district courts have permitted plaintiffs to amend their complaints to add inducement claims. *See, e.g., Prism Technologies, LLC v. McAfee, Inc.*, No. 8:10CV220, 2012 WL 5385210 (D. Neb. Nov. 1, 2012); *Transunion Intelligence LLC v. Search America, Inc.*, No. 11-1075 PJS/FLN (D. Minn. Nov. 7, 2012). Other courts have reconsidered grants of summary judgment, *see, e.g., Civix-DDI, LLC v. Hotels.Com, LP*, No. 05 C 6869, 2012 WL 5383268 (N.D. Ill. Nov. 1, 2012), and have denied motions to dismiss, *see, e.g., Driessen v. Sony Music Entm't*, No. 2:09-CV-0140-CW, 2012 WL 5293039 (D. Utah Oct. 23, 2012). At least one district court decision has already been reversed for "founding its indirect infringement analysis on a single-entity requirement." *Travel Sentry, Inc. v. Tropp*, No. 2011-1023, 2012 WL 5382736, at \*9 (Fed. Cir. Nov. 5, 2012). Such rulings indicate *Akamai's* "retroactive effect" on "lawsuits filed by patent owners who could not prove joint direct infringement before but will now have a chance of succeeding with an inducement charge." Tony Dutra, *Akamai/McKesson Inducement Rule Affects wide Range of Industries, Practitioners Say*, BLOOMBERG BNA, Sept. 7, 2012.

The en banc decision now renders a network provider a target for induced infringement claims precisely because it is the nexus that connects every user of any technology on the wireless ecosystem. No longer restrained by the need to prove direct

infringement by a single actor, plaintiffs can now subject companies to the enormous burdens of litigation simply by alleging that the wireless networks brought together product suppliers, service providers, and customers—none of whom individually infringed. Instead, their disaggregated actions are collectively alleged to have practiced the patent without any superintending control, direction, or authorization by the network providers.

Once begun, that litigation will be harder to end as well, regardless of its merits, under the Federal Circuit’s new rules. Under prior precedent, accused infringers could often “resolve the case early, on a quick summary judgment motion or even a Rule 12(b)(6) motion,” especially if “the requirement that multiple parties be involved [was] \*\*\* apparent from the face of the claim itself.” Mark Lemley, *et al.*, *Divided Infringement Claims*, 33 AIPLA Q.J. 255, 279-284 (2005); *see, e.g., IpVenture, Inc. v. Cellco P’ship*, No. C 10-04755 JSW, 2011 WL 207978, at \*3 (N.D. Cal. Jan. 21, 2011) (dismissing inducement claim against Sprint and AT&T because “Plaintiff has failed to allege a third party who directly infringes the patent”).

But now “the fact that no single entity performs all of the steps in a patented method does not resolve the issue of indirect infringement.” *Voter Verified Inc. v. Premier Election Solutions, Inc.*, 698 F.3d 1374, 1384 n.5 (Fed. Cir. 2012). Instead, cases will turn on such discovery-requiring and potentially trial-intensive questions as knowledge, *see Global-Tech*, 131 S. Ct. at 2068. The result will be costly discovery involving multiple actors, based solely on

allegations of mental state which are “easy to allege and hard to disprove.” *National Archives & Records Admin. v. Favish*, 541 U.S. 157, 175 (2004) (quoting *Crawford-El v. Britton*, 523 U.S. 574, 585 (1998)).

Still more untenably, the *only* entities that will face claims under the Federal Circuit’s new inducement-only theory in divided infringement cases are the alleged inducers, who will often be network providers and others offering platforms for new technologies, and not the actual perpetrators of the allegedly collectively infringing conduct. *See* Pet. App. 31a (Newman, J. dissenting). Indeed, the third parties whose collective actions allegedly accomplished a would-be-if-done-by-one-person infringement cannot be sued at all because whatever it was they were induced to do, it was not an actual direct infringement. *See* Pet. App. 54a-55a (Newman, J. dissenting) (noting the litigation anomalies and “uncertainties” surrounding the decision). That is the type of “dramatic change[] in the law of infringement” that merits this Court’s prompt review. Pet. App. 31a (Newman, J. dissenting).

That anomalous outcome was not driven by precedent, statutory text, or even logic as a sensible means of apportioning liability in divided infringement scenarios. It instead reflects the Federal Circuit’s choice to “avoid the result of some patentees having technically valid but valueless claims,” Pet. App. 74a (Linn, J., dissenting), even though the inevitable consequence is that those patentees will “target \*\*\* the deep-pocket commercial participant,” *Id.* at 59a (Newman, J., dissenting).

That was the factual scenario in *McKesson*. *See id.* at 60a (“[N]either the patient who accesses his medical records, nor the healthcare provider who assembles and provides the records, was sued. Only the licensor of the system software was sued[.]”). And it is what is continuing to happen in the district courts since the Federal Circuit’s decision. *See, e.g., Helferich Patent Licensing, LLC v. Legacy Partners, LLC*, No. CV-11-2304-PHX-NVW, 2013 WL 68610 at \*5 (D. Ariz. Jan. 7, 2013) (under *Akamai*, “the fact that [plaintiff] is pursuing a theory of induced infringement against Nissan for the collective actions of Nissan and the social media companies does not render the social media companies liable for indemnification”).

To be sure, many of those inducement-of-infringement claims should ultimately fail on the merits because “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement” or willful blindness. *Global-Tech*, 131 S. Ct. at 2068. While lower courts are in the midst of developing that standard’s contours, *Global-Tech* indicates that induced infringement should require at a minimum both a company’s specific knowledge of *and* intent to infringe a patent that it believes to be valid. “[I]t is not reasonable to assume that merely because a defendant is aware of the existence of a patent, he intended to infringe it. He may believe the patent invalid, believe he has successfully designed around it, or simply not think it covers what he is helping another to do.” Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 243 (2005). Thus, in the wireless

industry, where independent third parties make “the decision of how to design or make” the networks, devices, software, and apps, the network provider will not have “intend[ed] to cause an act that turns out to be infringing.” *Id.* at 242.

But even if *Global-Tech’s* knowledge requirement is properly applied, it may often rest on questions of fact that commonly survive dispositive motions, clogging the courts and burying companies in needless and expensive litigation over multitudes of claims that are ultimately destined to fail. Furthermore, a “lack of the requisite intent and knowledge” would still leave the alleged inducers at risk of being “subject to an injunction [i]f they continue activity after the suit is filed.” *Janis & Holbrook*, 97 MINN. L. REV. at 119 n.167. The possibility of such an injunction “and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.” *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

That the Federal Circuit’s expansive new inducement theory will spawn many lawsuits that ultimately prove to be without merit underscores the urgent need for this Court’s review. Because the Federal Circuit has exclusive jurisdiction and has adopted this rule en banc, the only thing that will percolate if this Court’s review is delayed is the increased patent litigation costs, lengthened trials, and growth in nuisance settlements. *See John Allison, et al., Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677, 707-09

(2011) (while non-practicing entities have a very low success rate at trial, they have a 90% success rate in obtaining what are believed to be nuisance settlement payments). Nothing will be gained and much will be worse by leaving aggregator businesses to litigate and settle even meritless claims for conduct that, since the Patent Act's inception in 1952, has been considered innocent and non-infringing.

## **II. THE FEDERAL CIRCUIT'S EXPANSIVE INDUCED INFRINGEMENT RULE WILL ENCOURAGE OVERBROAD CLAIM DRAFTING**

The Federal Circuit's decision "effectively rewrites" the plain text of the Patent Code "to accord patentees certain extended rights" that they have never had before, without any congressional sanction or encouragement. Pet. App. 69a (Linn, J., dissenting); *see id.* ("In its opinion today, this court assumes the mantle of policy maker."). Because of the dispersed nature of product development and use for network-based industries, the Federal Circuit's decision will have an outsized effect on patents that relate to telecommunications, a field that is already plagued by poorly defined patent claims. Before a change of such substantial consequence befalls the patent world and the Nation's interconnective economy, this Court's review should be afforded.

**A. Until *Akamai*, The Requirement Of Direct Infringement For Inducement Liability Imposed Limitations On Claim Drafting**

One of the fundamental prerequisites for obtaining a patent is that the applicant identify the invention's scope with terms "particularly pointing out and distinctly claiming the subject matter" of the invention. 35 U.S.C. § 112(b). Because the patent right is defined by the words of the patent claims, *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373-374 (1996), the requirement that claims be clearly delimited operates as a crucial limitation on the patentee's exclusive rights. "In patent law, unlike in other areas of tort law—where the victim has no ability to define the injurious conduct upfront—the patentee specifically defines the boundaries of his or her exclusive rights in the claims appended to the patent and provides notice thereby to the public to permit avoidance of infringement." Pet. App. 96a (Linn, J., dissenting).

Clarity regarding the scope of existing patent rights is vitally important for efficient investment in the commercialization of network technologies because it provides the backdrop for critical business decisions about licensing patent rights, challenging the validity of patents, or avoiding the claimed technology. Unfortunately, many aspects of the patent rights that affect the wireless industry (and other information technology industries) are anything but clear and definite. Patent rights in high-tech fields are often "without well-identified claim boundaries, with virtually no implementation



details, and with few clues about the quality of claim implementation.” Robert Thomas, *Debugging Software Patents: Increasing Innovation and Reducing Uncertainty in the Judicial Reform of Software Patent Law*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 191, 217-218 (2008-2009). Patent notice principles function especially “poorly” in industries like telecommunications, 2011 FTC Report at 78, in part because of the enormous number of overlapping patents that apply to a single wireless product or service.

Until now, one anchor in that sea of uncertainty was the limitation on who could be charged with infringement of a claim. The scope of the patentee’s right to exclude was therefore clear: as long as no single actor (or actors under the direct control of some other entity) performed all the steps of a claim, there was no infringement and thus no liability. *See Muniauction*, 532 F.3d at 1329; *BMC*, 498 F.3d at 1380. Thus, whatever the ambiguity in claim language, the public could freely practice some (but not all) steps of a patent, which promoted the continued development of competitive products and services. *See* 2011 FTC Report at 1 (“The patent system’s exclusive right promotes innovation, but so too does competition, which drives firms to produce new products and services in the hope of obtaining an advantage in the market.”).

For similar reasons, until now, the patent applicant, who controls the words of the patent claims, appropriately carried the burden of defining the claimed invention to capture direct infringement. *See* Pet App. 96a (Linn, J., dissenting). Focusing

those claims on a single actor was administrable because “[a] patentee can usually structure a claim to capture infringement by [a] single party.” *See id.* (citing *BMC*, 498 F.3d at 1381). That burden, moreover, was appropriately placed on the patent applicant to provide proper notice in situations involving complicated claims that could potentially be performed by multiple actors. “[T]he claim drafter is the least cost avoider of the problem of unenforceable patents due to joint infringement.” *Id.* at 96a.

**B. Akamai’s Inducement-Only Rule Threatens To Reduce Innovation And Encourage Poorly Drafted Patents**

The Federal Circuit’s “sweeping change” to the scope of induced infringement actions, Pet App. 80a (Linn, J., dissenting), will have repercussions generally and, in particular, throughout the wireless industry.

*First*, the new liability rule will have a dramatic effect on planning and investment in future products and services. Patents that claim methods the steps of which are carried out by multiple actors now pose a serious threat to the network provider that provides a platform for bringing those disparate actors together. Those providers are now in the crosshairs of suits over would-be infringements they neither undertook nor had any meaningful capacity to control. The Federal Circuit’s decision thus has saddled the network providers with the impossible task of either predicting and monitoring the actions of diverse, independent actors for the collective performance of a patented method, or paying

plaintiffs for the consequences of independent third parties' actions. To operate under that unhealthy legal regime, any given company may be forced to increase the prices consumers pay to offset the significant costs attending efforts to avoid inducement-only claims, to restrict the introduction of innovations that potentially fall within uncertain patent boundaries, or to “drop[] innovative or productive efforts altogether.” 2011 FTC Report at 77. In each case, development in the industry and services for customers will suffer. *See id.* 78-79 (unintentional infringements “increase expected costs, reducing firms’ incentives to pursue innovative projects, \*\*\* caus[ing] firms to reduce spending on R&D”).

*Second*, the Federal Circuit’s new regime puts the burden of monitoring and evaluating activities that could potentially lead to induced infringement claims on the parties least able to carry it. For claims that require the actions of multiple actors, the actors themselves may avoid liability because no single entity will be carrying out each and every step. *See* Pet. App. 54a-55a (Newman, J. dissenting). Thus, those who actually carry out the individual steps (and understand the details of what they are doing) have no incentive to avoid doing so. Instead, the network provider, who will typically not have all the information about steps carried out by applications or operating systems, will alone face the induced infringement claims. The enormous number of applications, operating systems, and services on any network makes this result unavoidable, as “even

massive efforts might not reliably clear all relevant patents.” 2011 FTC Report at 77-78.

Even if those cases where a provider could determine whether an application (for example) carries out certain steps of a patented method, the network provider typically will have a very limited business relationship with those service providers, like the more than 100,000 “app” developers on the iTunes and Google Play stores. *See, e.g.*, TechNet, WHERE THE JOBS ARE: THE APP ECONOMY (2012), available at <http://www.technet.org/wp-content/uploads/2012/02/TechNet-App-Economy-Jobs-Study.pdf>. Moreover, some—perhaps many—service providers will not be able to offer indemnification at all due to their small size or resource limitations. The increased transaction costs accompanying such negotiations may quickly suffocate any economic benefit from making the service available on the network and stifle innovation as well.

By contrast, the patentee has complete control over how its claims are drafted and can write them to capture different actions by different actors. The prospective patentee thus is far better positioned to address the complexities of claims involving multiple parties. *See* Pet. App. 96a (Linn, J., dissenting). If required to direct claims to single actors, the patentee can still fully protect its interests in a way that network providers simply cannot.

*Third*, the Federal Circuit’s decision rewards vague and overbroad patent drafting. Due to the requirements for demonstrating direct infringement, patent applicants previously were advised to draft

patents that focused on the steps that could be carried out by a single party, lest they end up with “technically valid but valueless” patents. Pet. App. 74a (Linn, J., dissenting). But now the prospect of induced infringement liability without any proof of actual direct infringement has given applicants specific incentives to *expand* their patent claims to add steps directed to (for example) commercial applications involving a broad spectrum of third parties (*e.g.*, a step regarding “use on a telecommunications network”), for no reason other than to preserve inducement-only claims against wireless network providers and every other potential player in multiple-party use of a system. The Federal Circuit has thus blessed the broad drafting of patent claims to capture such difficult-to-avoid multi-actor claims. Simply put, the Federal Circuit was “unwise to overrule decades of precedent in an attempt to enforce poorly-drafted patents.” Pet. App. 96a (Linn, J., dissenting).

\* \* \* \* \*

The Federal Circuit’s decision works an upheaval in settled patent infringement law without any direction from Congress, anchor in statutory text, or sound reason for stultifying growth and innovative developments in a vital corner of the national economy. If patent law is to be changed so dramatically as to expose platform providers to suit simply for connecting an interconnective world and responsible for the innocent conduct of independent actors over whom they have no control, that should happen only after this Court’s or Congress’s careful consideration. A 6 to 5 vote of the Federal Circuit on

a legal question only tangentially briefed to it is an unsound basis for visiting such significant costs on the patent system and those businesses that depend on its stability.

### CONCLUSION

For the foregoing reasons, the petitions for writs of certiorari should be granted.

Respectfully submitted.

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