Nos. 2015-1500, -1501

United States Court of Appeals for the Federal Circuit

ROBERT MANKES,

Plaintiff-Appellant,

v.

VIVID SEATS LTD., FANDANGO, LLC,

Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of North Carolina in Cases Nos. 13-cv-716, 13-cv-717, Judge Louise Wood Flanagan

BRIEF OF ASKELADDEN L.L.C. AS AMICUS CURIAE IN SUPPORT OF DEFENDANTS-APPELLEES

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August 10, 2015

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ROBERT MANKES V. VIVID SEATS LTD., FANDANGO, LLC

Nos. 2015-1500, -1501

CERTIFICATE OF INTEREST

Counsel for the Amicus Curiae, Askeladden L.L.C., certifies the following (use "None" if applicable; use extra sheets if necessary):

1. The full name of every party or amicus represented by me is:

Askeladden L.L.C.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

None

3. All corporations and publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

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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:

Goodwin Procter LLP: Kevin J. Culligan, John P. Hanish and Brian T. Burgess.

Dated: August 10, 2015

/s/ Kevin J. Culligan
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INTEREST OF AMICUS CURIAE

Askeladden L.L.C. is an education, information and advocacy organization dedicated to improving the understanding, use, reliability and quality of patents pertinent to financial services and related industries. Askeladden seeks to improve the United States patent system by, among other things, submitting amicus curiae briefs on important issues of intellectual property law.

Askeladden is a wholly owned subsidiary of The Clearing Housing Payments Company L.L.C. Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively hold more than half of all deposits in the United States and which employ more than one million people in the United States and more than two million people worldwide. The Clearing House clears almost $2 trillion each day, which represents nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. Its affiliate, The Clearing House Association L.L.C., is a nonpartisan advocacy organization that represents the interests of its owner banks by promoting and developing policies to support a safe, sound and competitive banking system.

Askeladden believes that a strong patent system is vital to continued innovation, and that the health of that system depends on retaining traditional limits on infringement liability. Plaintiff-Appellant's request that the Court overrule precedent that limits the scope of direct patent infringement would inhibit continued innovation in the financial services industry and deter financial institutions from developing products to make banking more convenient and accessible for their customers.

Financial services institutions regularly offer new products, like mobile banking applications, that customers operate on their own devices using software developed by third parties. Expanding the scope of direct infringement in the manner proposed by Plaintiff-Appellant would subject financial services institutions to strict liability for actions taken by customers, creating unpredictable and potentially substantial exposure to damages. Expanding the nature and range of activities that constitute direct infringement also would increase the leverage of abusive, opportunistic patent holders that attempt to extort payments from parties that are coerced into settling for far less than the cost of litigating the validity and infringement of the asserted patents. As frequent targets of abusive patent claims, financial services institutions have an interest in preventing this change and preserving the traditional scope of direct infringement.[1]

[1] No counsel for a party authored this brief in whole or in part, and no counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amicus curiae or its counsel made a monetary contribution to the brief's preparation or submission. All parties have consented to the filing of this amicus brief.

SUMMARY OF ARGUMENT

Plaintiff-Appellant Robert Mankes concedes that he does not have a valid claim for patent infringement against either defendant in this case under existing law. He therefore is forced to ask this Court to reject Circuit precedent and dramatically expand the scope of direct infringement under 35 U.S.C. § 271(a) (a strict-liability provision) to sweep within the ambit of the statute activities that courts routinely have held do not constitute direct infringement. The Court should decline Mankes's invitation to uproot its precedent.[2] Instead, the Court should reaffirm what it has held multiple times and reiterated just months ago: a party is not liable for direct infringement unless it—or others whom it controls—actually performed each step of the claimed invention. *See, e.g.*, *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 786 F.3d 899, 905 (Fed. Cir. 2015) ("*Akamai II*").

This Court's decisions limiting the scope of direct infringement are sound. Indeed, the Court's single-infringement rule follows directly from the text, structure and history of section 271 of the Patent Act. Section 271(a) prohibits the "use[]" of "any patented invention," 35 U.S.C. § 271(a), and it is firmly established that a party does not "use" a method claimed in a patent unless it "do[es] or

[2] Because the Panel lacks authority to depart from Circuit precedent, it must affirm the judgment of the district court or ask the regular active judges to consider hearing the case en banc. *See USPPS, Ltd. v. Avery Dennison Corp.*, 676 F.3d 1341, 1346 (Fed. Cir. 2012). Askeladden submits this brief to oppose Mankes's implicit request for en banc review. *See* Federal Circuit Rule 35(a)(1).

perform[s] *each* of the steps recited." *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005) (emphasis added), *abrogated on other grounds by* 672 F.3d 1309, 1323 (Fed Cir. 2012) (en banc). A party does not directly infringe a method patent unless it completes each step of the claimed process, either personally or through agents it controls. Mankes's attempt to stretch section 271(a) beyond that definition of joint infringement has no support in the text and would subvert the overall statutory scheme. Sections 271(b) and (c) enumerate the limited circumstances in which an actor that did not personally infringe a patent may still be held liable due to the conduct of others. By turning section 271(a) into a catch-all provision for joint infringement, Mankes's interpretation would undermine Congress's decision to codify specific forms of indirect infringement and to impose careful limits on liability through strict scienter requirements.

Lacking any real support in the statutory text, Mankes tries to justify his broad reading of section 271(a) by invoking "public policy considerations." Mankes Br. 16. Public policy, however, strongly supports adherence to the Court's precedent. Imposing strict liability on one party for the actions of others it does not control would chill innovation in industries like financial services that provide interactive services to consumers. It also would invite abusive patent suits designed to extort settlements. Mankes in any event fails to explain why patent applicants cannot avoid any "loopholes" in patent enforcement simply by drafting claims carefully to focus on a single action–just as this Court recommended eight years ago. *See BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2007) ("The concerns over a party avoiding infringement by arms-length cooperation can usually be offset by proper claim drafting."). Even if the Court believes that Mankes raises legitimate concerns about the scope of patent protection, that would not justify rewriting the Patent Act. Such policy decisions should be left to Congress, which is far better positioned to reconcile competing interests and can pair any expansion in liability for direct infringement with corresponding protections for innocent actors. *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 457 (2007) (alleged loopholes created by the statutory text are "properly left for Congress to consider, and to close if it finds such action warranted").

ARGUMENT

I. Mankes's Proposed Revision of Circuit Precedent Interpreting Section 271(a) Lacks Support in the Text, Structure and History of the Law

This Court has long held that for a party to directly infringe a patent under 35 U.S.C. § 271(a), it must complete *all* of the steps claimed by the patent. *See Akamai II*, 786 F.3d at 904 (citing *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 775 (Fed. Cir. 1993), and *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1567-68 (Fed Cir. 1983)). Mankes provides no reason to depart from this precedent in favor of an amorphous "multi-party" standard. There is no basis for his proposal in the text of section 271(a), and it contravenes the history and structure of section 271 as a whole.

A. Direct Infringement Requires Proof that the Practice of Each Element of the Invention Can Be Ascribed to a Single Party

Section 271(a) provides in relevant part that "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . infringes the patent." 35 U.S.C. § 271(a). Because "[e]ach element contained in a patent claim is deemed material to defining the scope of the patented invention," *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 29 (1997), a patent cannot be *partially* infringed; there is no infringement unless every single component claimed by a patent is used. *See Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 528 (1972). When this principle is applied to method patents, it means there is no infringement unless "each step of the claimed method is performed." *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1328 (Fed. Cir. 2008); *see also Royer v. Coure*, 146 U.S. 524, 530 (1892) ("[I]t must be shown that the defendants used all the different steps of that process, or there could be no infringement[.]"); *Canton Bio-Medical, Inc. v. Integrated Liner Techs., Inc.*, 216 F.3d 1367, 1370 (Fed. Cir. 2000) (describing the "all-elements rule" for infringement of a method patent)

This Court's approach to the issue of "divided infringement" flows directly from these uncontroversial premises. If Party A performs steps one and two of a three-step method claim, it has not infringed the patent. *See id.* That does not change just because someone else (Party B) separately performs step three. The "usual rule" is that a person is only accountable for his own actions. II Dan. B. Dobbs, *The Law of Torts* § 333, at 905 (2000). In the hypothetical, Party A has not performed each step of the patent. Indeed, even if Party A "[e]ncourag[ed] or instruct[ed]" Party B to perform the final step, that is "not the same as performing the act oneself and does not result in direct infringement." *Akamai II*, 786 F.3d at 904; *see also Fromson*, 720 F.2d at 1568 (explaining that a manufacturer could not be held liable for direct infringement because a claimed step was performed by the manufacturer's customers).

Party A will have infringed the patent only in those limited circumstances where it has a legal relationship with Party B, such that "the law would traditionally hold [Party A] vicariously liable for the acts committed by [Party B] that are required to complete performance of a claimed method." *Muniauction*, 532 F.3d at 1330. These traditional principles of vicarious liability are based in agency law, and they are premised on one party's legal right to control the activities of another. They ensure that a "party cannot avoid infringement . . . simply by contracting out steps of a patented process to another entity," *BMC*, 498 F.3d at 1381, while also giving effect to the rule that a party does not infringe a patent by performing only some of the claimed steps.

Mankes tries to avoid this straightforward implication from established infringement principles by suggesting that the use of the term "whoever" in section 271(a) implies that there can be joint or split infringement by multiple parties. *See* Mankes Br. 6-10. That argument is of no moment. No one doubts that "whoever" is plural in the sense that section 271(a) may extend to multiple parties that each infringe the patent. If both A and B separately "practice[] every element of the claim," then of course both A and B can be held "independently liable for direct patent infringement." *Akamai II*, 786 F.3d at 907 n.2. The use of "whoever" in the statute does not mean that the independent practice by separate entities of one or more of the limitations of a claim can be combined to constitute infringement of the claim as a whole.[3] Instead, the key statutory text is the language establishing liability for the "use[]" of "any patented invention." 35 U.S.C. § 271(a). "Because a process is nothing more than the sequence of actions of which it is comprised," a party does not actually "use" the patented invention unless it "do[es] or perform[s] *each* of the steps recited." *NTP, Inc.*, 418 F.3d at 1318 (emphasis added).

[3] Mankes's reference (at 10) to 35 U.S.C. § 154 fails for the same reason. A patent holder's right to "exclude *others* from making, using, offering for sale, or selling the invention," § 154 (emphasis added), establishes only that it can exclude more than one party from infringing its patent. It does not provide patentees with a claim against a party that has not independently performed each claimed step of the patent.

Mankes admits that neither defendant "perform[ed] each of the steps recited" by the patent. *Id*; *see* Mankes Br. 21-24. He also does not argue that the defendants are vicariously liable for conduct of other parties that supposedly performed the remaining steps of the claimed process. *See id.* Under the plain meaning of section 271(a), that should be the end of this case.[4]

B. Interpreting Section 271(a) to Encompass Joint-Actor Liability Would Undermine the Limits Congress Placed on Indirect Infringement in Sections 271(b) and (c).

The structure and history of section 271 strongly reinforces this interpretation of section 271(a). The Patent Act prohibits both direct and indirect infringement. It does so in separate statutory subsections that apply materially different legal standards.

Section 271(a) "governs direct infringement" and establishes a "strict-liability offense" under which "a defendant's mental state is irrelevant." *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015). Sections 271(b) and (c), in turn, set the bounds for indirect infringement, respectively imposing liability for inducing infringement by another and engaging in acts of contributory infringement. In contrast to subsection (a), indirect infringement under subsections

[4] Mankes does not allege that either defendant is liable under a joint-enterprise theory. This case therefore does not raise the question whether vicarious liability for patent infringement should be imposed in circumstances in which there is no single "mastermind." *See Akami II*, 786 F.3d at 904 n.1 ("Because this case does not implicate joint enterprise liability, this case is not the appropriate vehicle to adopt joint enterprise liability.").

(b) and (c) requires scienter. Under either provision, the plaintiff must show that the defendant knew about the infringed patent. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). To establish liability for induced infringement, the plaintiff must prove "specific intent and action to induce infringement"; "mere knowledge of possible infringement by others" is not enough. *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed. Cir. 2003). Similarly, a party can be held liable for contributory infringement for selling or importing some product only if it knows that the product is specially adapted to aid infringement and has no other use. *See* 35 U.S.C. § 271(c).

Interpreting section 271(a) to impose liability for direct infringement on parties for the actions of others (in the absence of vicarious liability) would collapse the statutory distinction between direct and indirect infringement, effectively making subsections (b) and (c) "redundant." *Akamai II*, 786 F.3d at 907-08; *see also* Mark A. Lemley et al., *Divided Infringement Claims*, 33 AIPLA Q.J. 255, 262 (2005) ("Construing the patent laws to permit the individual, non-infringing acts of unrelated parties together to add up to infringement would render both § 271(b) and § 271(c) meaningless."). Patent holders could use section 271(a) as an all-purpose-vehicle for challenging the combined actions of multiple parties without having to prove scienter as required by subsections (b) and (c).

Although Mankes denies that his proposed expansion of direct infringement would have this consequence, Mankes Br. 10-11, he can avoid it only by arbitrarily stipulating that section 271(a) should not apply if liability already is available under sections 271(b) and (c). This approach has no basis in the statutory text, and it effectively would transform section 271(a) from a prohibition of direct infringement into a residual clause that prohibits all possible infringement claims. Going forward, not only would section 271(a) bar direct infringement of patent claims—the role it has always been understood to play—but it would also encompass all the instances of *indirect* infringement recognized by some common law courts that Congress did not enumerate in sections 271(b) and (c).

Transforming section 271(a) into a statutory catch-all for both direct and indirect infringement claims turns the structure and history of the Patent Act s on their heads. Before the Patent Act was amended in 1952, "courts applied a myriad of approaches to multi-actor infringement," with "some liberally allow[ing] for multi-actor liability" and "others nearly never permit[ting]" such liability. *Akamai II*, 786 F.3d at 906. Congress then acted to "clear[] away the morass of multi-actor infringement theories that were the unpredictable creature of common law" by replacing them with distinct statutory causes of action. *Id.* With section 271(a), Congress codified existing case law on *direct* infringement. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 (1961) ("[Section] 271(a) of the new Patent Code . . . left intact the entire body of case law on *direct ‘infringement*[.]’” (emphasis added)). In sections 271(b) and (c), Congress defined the circumstances in which an actor that did not perform all the steps claimed by a patent could still be held liable for the combined effect of its actions with others. *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203-204 (1980); *see also* H.R. Rep. No. 82-1923, at 28 (1952) (“Paragraphs (b) and (c) define *and limit* contributory infringement of a patent[.]” (emphasis added)).

By carefully enumerating the potential bases for infringement liability, “Congress removed joint-actor patent infringement liability from the discretion of the courts.” *Akamai II*, 786 F.3d at 906. Courts may not override Congress’s judgment about the scope of multi-actor infringement liability by expanding it beyond what the text of sections 271(b) and (c) permits. *See Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 184 (1994) (“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.”).

Courts may not accomplish the same result by relabeling acts that merely facilitate infringement as direct infringement. *See Janus Capital Grp., Inc. v. First Derivative Traders*, 131 S. Ct. 2296, 2302 n.6 (2011) (rejecting plaintiffs’ attempt to evade the limits on secondary liability recognized by *Central Bank* through an overbroad definition of primary liability). Congress specifically set out the circumstances in which it wanted to hold parties liable for infringement based on the conduct of others whom they do not control, and it imposed scienter requirements to cabin that liability. Interpreting section 271(a) to include all the instances of joint tortfeasor liability that sections 271(b) and (c) excluded would expand indirect liability substantially and eviscerate the protections of the statute.[5]

Mankes offers no reason to believe that Congress intended this sort of disparate treatment, which exposes innocent actors to strict liability for completing one step of a multi-step process, even if that step already was recognized in the art. No such reason is apparent.

II. Public Policy Considerations Do Not Support Discarding the Circuit's Established Limits on Direct Infringement

Because Mankes's joint infringement theory lacks support in the text, structure and history of the Patent Act, he not surprisingly invokes "[p]ublic policy considerations." Mankes Br. 16. Mankes's proposed interpretation, however, would cause far more problems than it supposedly solves. In particular, reading section 271(a) to encompass joint infringement liability would impose a significant

[5] The common law provided similar protection against indirect liability to parties acting without legal fault. *See* Restatement (Second) of Torts § 876 (explaining that the provision concerning "tortious act[s] in concert" may not apply "when the conduct of either the actor or the other is free from intent to do harm or negligence but involves strict liability for the resulting harm").

burden on industries, like the financial services industry, that offer interactive services to customers using platforms provided by third parties.

A. Expanding the Scope of Direct Infringement Would Harm Financial Services Institutions and Their Customers

Consumers demand quick, easy access to financial services to review their accounts, pay bills, make purchases, transfer money and engage in a variety of other banking activities. Financial institutions have responded. They now frequently interact with customers through various technological platforms that make banking easier, ranging from basic activities like paying bills online to mobile banking using smartphone applications.

A 2013 report indicated that "[o]nline banking now accounts for 53% of banking transactions, compared with 14% for in-branch visits." Robin Sidel, *After Years of Growth, Banks Are Pruning Their Branches*, Wall St. J., Apr. 1, 2013, at A1. Meanwhile, the use of mobile banking services continues to grow as an increasing number of Americans own smartphones. *See* Federal Reserve Board, *Consumers and Mobile Services 2015*, at 10 (Mar. 2015) (describing increasing rates of mobile banking usage and a December 2014 survey indicating that 52 percent of smartphone users with a bank account used mobile banking). Technological innovation in this area holds great promise, not only for making banking more convenient for existing customers, but also for bringing services to new customers who might not otherwise receive such services. "The relatively high prevalence of mobile phone and smartphone use among younger generations, minorities, and those with low levels of income . . . makes mobile phones a potential platform for expanding financial access and inclusion." *Id.* at 5.

Imposing joint-actor liability under section 271(a) without regard to traditional agency principles would burden these and future innovations. It would subject both financial services institutions and their customers to substantial liability and increase their vulnerability to abusive patent suits.

1. A Joint-Actor Rule Would Subject Financial Services Institutions to Strict Liability for Conduct They Do Not Control

Modern financial transactions often involve complex interactions between multiple parties in which the financial services institution may not know (much less control) the actions undertaken by its counterparties. *See, e.g., BMC*, 498 F.3d at 1375-77 (rejecting claim for direct infringement against a credit card processing company because the alleged infringement was based on the combined steps taken independently by customers, merchants, debit networks and financial institutions to process debit card payments). Financial services institutions do not, for instance, choose the laptops, smartphones and other devices used by their customers to access the institution's services and complete financial transactions. They accordingly are not in a position to determine whether the interactions between their services, a customer's device and software developed and provided by a third party operated on the customer's device will combine to complete all of the steps of some (potentially unknown) process patent.

Under Mankes's proposed rule, financial services institutions could face strict liability for infringement in these circumstances. The effect would be to penalize institutions for offering consumer friendly products absent any showing that they either (1) knew about the relevant patent, or (2) specifically intended consumers to perform the remaining steps of the method claimed by the patent. At most, financial services institutions might be permitted to argue that they did not know the details of their customers' activities and thus could not have acted in concert with them. *See Akamai II*, 786 F.3d at 929 (Moore, J., dissenting). This limited defense, however, would provide only "illusory protection," because patent holders could easily manufacturer knowledge of another's actions by simply sending a demand letter describing the acts of others or filing an action that seeks post-suit damages and injunctive relief. *Id.* at 913 (majority opinion).

2. <u>Mankes's Proposal Would Encourage Abusive Patent Suits Against Financial Services Institutions</u>

Exposing financial services institutions to strict liability based on the independent conduct of their millions of customers would increase the significant litigation burden these institutions already face. Financial services institutions are attractive targets for infringement suits because they provide products and services to millions of customers who in turn enter into many millions of transactions. This creates enormous exposure to damages and incentivizes nuisance litigation. One study found that patents directed to financial services are *27-39 times* more likely to be asserted in litigation than patents generally. Josh Lerner, *The Litigation of Financial Innovations*, 53 J.L. & Econ. 807, 808 (2010).

Defending against infringement actions exacts a substantial toll from financial services institutions. Patent litigation is time consuming and expensive. According to a 2013 report, the median litigation cost for patent infringement actions with at least $1 million in alleged damages ranged between $2 million to $5.5 million through trial. *See* Am. Intellectual Property Law Ass'n, *Report of the Economic Survey* 34 (2013). Even for cases involving damages claims of less than $1 million, the median litigation cost is $700,000—often more than the value of the claims themselves. *See id.*

"[T]he astronomical cost" of patent litigation, coupled with the risk of large damage awards, regularly "coerces accused patent infringers to settle," even if the claims against them are weak. Megan M. La Belle, *Against Settlement of (Some) Patent Cases*, 67 Vand. L. Rev. 375, 403 (2014); *see also* S. Rep. No. 110-259 (2008), at 4 ("[L]itigation concerns can encourage . . . premature settlements simply to avoid the high cost and uncertainty of patent litigation.").

Studies involving infringement claims asserted by non-practicing entities show that although the vast majority of their cases settle, claims that are litigated to judgment are overwhelmingly unlikely to succeed. *See* John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 Geo L.J. 677, 708-09 (2011) (noting that "roughly 90% of [non-practicing entity] cases settled without judgment" and that those entities win only 9.2% of cases that are litigated to judgment). These statistics strongly suggest that many such suits lead to "nuisance settlement[s]" rather than the affirmation of "real legal rights." *Id.* at 709.

Mankes's proposed expansion of the scope of direct infringement would encourage more abusive suits against financial services institutions by increasing their exposure for the actions of their customers under a strict liability regime that eliminates potential defenses. The experience of patent litigants between this Court's decision in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc) ("*Akamai I*"), and the Supreme Court's subsequent reversal in *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S. Ct. 2111 (2014), is instructive. During that short period, parties could be held liable for indirect infringement if their actions, when combined with the actions of others whom they did not control, completed all of the steps of an asserted patent claim, although they could at least raise defenses based on section 271(b)'s and (c)'s scienter requirements. *See Akamai I*, 692 F.3d at 1318. Plaintiffs responded quickly during that period, filing numerous infringement actions against financial services institutions asserting vague allegations of combined infringement.

One notorious example is the litigation launched by Maxim Integrated Products, Inc., against dozens of financial services companies in which Maxim accused the defendants of infringing multiple patents by offering mobile banking applications that customers used on their smartphones. *See In re Maxim Integrated Prods. Inc.*, No. 12-mc-244-JFC (W.D. Pa.). Maxim asserted patents that originally were issued in connection with the development of a product called the "iButton"—a small steel fob containing basic internal circuitry designed to store and transfer data, such as digital money for a bus or subway fare. Beginning in 2012, Maxim began to assert those patents against companies in the financial services industry (along with others), sending generic notice letters to numerous financial services institutions and subsequently filing many actions for alleged patent infringement.

Maxim's theory was that its patents are infringed when a bank's mobile banking software applications are downloaded, accessed or used on mobile devices that operate using the Apple iOS, Google Android or Blackberry software systems. Maxim asserted that the steps performed by the banks' software, in combination with the hardware and software from mobile manufacturers used by bank customers, infringed the processes claimed in Maxim's patents. Notably, the financial services defendants did not design or manufacture any of the relevant mobile devices or operating systems. Instead, Maxim's infringement claims were directed to the interaction between the banks' mobile applications and roughly 1400 types of mobile devices made by approximately 51 different manufacturers. *See* Certain Opposing Parties' Brief in Support of Their Motion to Preclude at 1-2, *In re Maxim Integrated Prods., Inc Patent Litig.*, No. 12-mc-244, ECF No. 526. Notwithstanding the weaknesses of Maxim's patent claims, the overwhelming majority of accused financial services institutions settled rather than face the enormous risk of incurring damages based on the millions of financial transactions effected with mobile banking applications. *See In re Maxim Integrated Prods., Inc.*, No 12-mc-244, 2015 WL 867651, at *1 & n.1 (W.D. Pa. Feb. 27, 2015).

The Supreme Court's subsequent decision in *Limelight* took one arrow out of the quiver of plaintiffs like Maxim by requiring them to plausibly allege facts to show that at least one party infringed each and every step of the asserted patent claims, either by itself or through others that it controls. *See id.* at *7 (noting that Maxim was forced to withdraw infringement claims under one of its patents "[i]n light of the Supreme Court's decision in *Limelight*"). If the plaintiff fails to do so, financial services institutions may promptly move to dismiss the action on the pleadings before they incur substantial discovery costs. *Cf. Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 559 (2007). Mankes's proposed interpretation would reintroduce the problems created by *Akamai I* and make them worse—it would allow plaintiffs to assert blanket claims against multiple parties for the combined effect of their independent actions without having to plausibly allege scienter.

3. Joint-Actor Liability Under Section 271(a) Would Extend to Innocent Consumers

In addition to the negative impact that Mankes's proposed expansion of direct infringement under section 271(a) would have on financial services institutions, it also would threaten innocent customers with liability for infringement. A customer who performed the final step of a patented method could be held strictly liable for direct infringement. An aggressive plaintiff pursuing a strategy like Maxim in the litigation discussed above, for example, might accuse customers using mobile banking applications of infringing a method patent.

The potential impact on consumers of widely distributed financial products would be substantial. Under the joint-and-several liability principles that Mankes would read into section 271(a), consumers could be held liable for the full extent of infringement damages, notwithstanding their minimal contribution to any injury. Interpreting the law to expose consumers to this degree of liability even when they have no knowledge of the patent would be "nothing short of remarkable." *Akamai II*, 786 F.3d at 913. It also would exacerbate the problem of patent abuse, because patentees "might choose to sue less sophisticated customers who lack the resources or incentive to defend against the patent suit." *Id.* at 930 (Moore, J., dissenting) (acknowledging this concern).

Mankes clearly recognizes that the increased exposure of consumers to substantial damages is a problem for his interpretation of section 271(a), but the solution he offers flatly contradicts his overall theory. He contends that courts could assess liability for each party that partially infringes based on the party's contribution to the injury caused by infringement. *See* Mankes Br. 14-16. For support, he relies on a section of the Second Restatement of Torts explaining how to allocate liability between defendants in cases involving *divisible* harms. *See id.* at 15 (discussing section 881, which applies only to distinct or divisible harms). The premise of Mankes's direct infringement theory, however, is that two or more parties acting together to perform all the steps of a claimed process should be jointly liable for creating a single *indivisible* harm. *Cf. Akamai II*, 786 F.3d at 929 (Moore, J., dissenting) ("Joint tortfeasors are both acting to create a single indivisible harm." (emphasis omitted)). Indeed, provisions of the Second Restatement that Mankes relies on for his liability argument make this point unmistakably, as the Restatement explains that sections 875 and 876 are "concerned only with harm that is not divisible." Restatement (Second) of Torts § 875, cmt. b; *see id.* cmt. a (noting that section 876 is a "specific application[]" of section 875).

It is well established that apportionment rules do not apply to indivisible harms. *See id.* §§ 433A, 881; *see also* III Dan B. Dobbs et al., *The Law of Torts* § 488 (2d ed. 2011) ("If the injury was *indivisible* in nature . . . , then each tortfeasor who contributed proximately to that injury was liable for the *entire judgment*." (emphasis added)). The fact that Mankes strains so hard to avoid the implications of his own theory—invoking Restatement allocation principles that are facially inapplicable—highlights the serious problems with his interpretation. Notably, no judge in this Circuit has suggested that there is an easy escape from full liability for innocent consumers. Judge Moore, for example, argued only that companies might join as defendants in suits against customers to help shoulder litigation expenses. *Akamai II*, 786 F.3d at 930-931. This solution does nothing to limit a customer's potential liability, and it forces entities like financial services institutions into additional, burdensome patent litigation.

B. Concerns About "Gaps" in Infringement Liability Are Exaggerated and Do Not Warrant En Banc Review

In light of the serious problems that Mankes's interpretation would create, the countervailing policy concerns that he raises do not come close to justifying overruling this Court's precedent, especially when, as this Court recognized in *BMC*, patentees that face enforcement difficulties due to the single-infringer rule largely have themselves to blame for "ill-conceived claim[]" drafting. 498 F.3d at 1381.

Remedial gaps in method patent enforcement arise when claims are drafted to require steps that multiple entities may perform. *See* Lemley et al., *supra*, at 273. In most instances, however, a patent applicant can draft claims "in unitary form" that cover the same invention "simply by focusing on one entity and whether it supplies or receives any given element." *Id.* at 272. As a result, any "concerns over a party avoiding infringement by arms-length cooperation can usually be offset by proper claim drafting." *BMC*, 498 F.3d at 1381. As the *BMC* Court explained, if the patentee fails to protect itself in this way, it is not a court's role to rescue the patentee by "unilaterally restructur[ing] the claim or the standards for joint infringement." *Id.*

This Court's reasoning was sound when it issued *BMC* in 2007. It is even more compelling eight years later—eight years during which patent applicants have had clear notice of the need to carefully draft unitary claims and of the consequences of failing to do so. Parties have been operating for years in reliance on the joint infringement rules established by this Court, and Mankes provides no good reason to revisit them now. *Cf. Kimble v. Marvel Entm't*, 135 S. Ct. 2401, 2410 (2015) (recognizing that "considerations favoring *stare decisis* are at their acme" in cases involving, *inter alia*, "property," *i.e.*, "patents") (internal quotation marks omitted); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S.

722, 739 (2002) ("[C]ourts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.").

Mankes largely acknowledges that patentees can draft claims that avoid potential problems with divided infringement. *See* Mankes Br. 19-20. He cites (at 19), for example, this Court's decision in *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011), where the patent holder successfully asserted a carefully drafted unitary claim that "focus[ed] exclusively" on the actions of a single party, *see id.* at 1309 (upholding a jury's infringement verdict and distinguishing *BMC* and *Muniauction*). He nonetheless objects that the *BMC* Court's approach makes life difficult for patent applicants and stifles claim drafters by making them "prisoner[s] of a formula." Mankes Br. 19.

Contrary to Mankes's argument, however, the drafting guidelines informed by current precedent are far from arbitrary. In fact, they promote one of patent law's central functions by providing the public with clear notice of the claim and its scope. *See* 35 U.S.C. § 112. When the claim focuses on a single entity, it provides "interested members of the public" with fair notice to "determine whether or not they infringe" the patent. *Oakley, Inc. v. Sunglass Hut Int'l,* 316 F.3d 1331, 1340 (Fed. Cir. 2003). By contrast, Mankes's proposed broadening of direct infringement would turn this inquiry into guesswork for parties that face strict liability based on the combined effect of their activities with others whom they do not control.

To the extent Mankes raises any concerns about the scope of patent protection that are not answered by the control patentees have over the drafting of their claims, he should "seek relief not from this Court but from Congress." *Kimble*, 135 S. Ct. at 2405. Fashioning a rule for joint-actor infringement inevitably involves *competing* policy concerns. Although Mankes's proposal would provide additional protections for patentees (particularly those with poorly drafted claims), it also would "sweep a large number of innocent actors within the ambit of patent infringement." Lemley et al., *supra*, at 282. Because "the choice of what patent policy should be lies first and foremost with Congress," *Kimble*, 135 S. Ct. 2414, this Court should leave to Congress the decision whether to alter longstanding limits on direct infringement in order to address perceived gaps in the scope of infringement under section 271. *See Microsoft Corp.*, 550 U.S. at 457 (rejecting the Federal Circuit's interpretation of section 271(f), and explaining that although this Court's concern about allowing a "loophole" was "understandable," any such loophole was "properly left for Congress to consider, and to close if it finds such action warranted").

In addition to having the authority, Congress is better positioned than this Court to *effectively* address issues surrounding joint infringement. The only option available to this Court would be to force the square peg of joint-actor infringement into the round of hole of section 271(a), a strict-liability provision. The majority of the en banc court in *Akamai I* correctly recognized that this approach is problematic. *See* 692 F.3d at 1307 ("Because direct infringement is a strict liability tort, it has been thought that extending liability . . . would ensnare actors who . . . had no way of knowing that others were acting in a way that rendered their collective conduct infringing."). The Supreme Court subsequently rejected the en banc court's indirect infringement solution, *see Limelight*, 134 S. Ct. at 2115—any attempt to revisit and address this issue by judicial decision would again be fraught with the same concerns and problems that attend the expansion of the scope of section 271(a). Congress, however, would not be constrained by those problems. Unlike this Court, "Congress has the prerogative to determine the exact right response—choosing the policy fix, among many conceivable ones, that will optimally serve the public interest." *Kimble*, 135 S. Ct. at 2414. Congress could, for example, modify the scope of indirect infringement under sections 271(b) and (c) and insist on heightened scienter requirements for alleged joint infringers as well as other protections.

In short, the Court should not reconsider and revise its precedent based on "public policy considerations." Mankes Br. 16. It is questionable whether there are any legitimate concerns about this Court's rule. They at the very least are offset by competing concerns that Congress is best positioned to reconcile.

CONCLUSION

For the foregoing reasons, the Court should affirm the judgment of the district court.

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CERTIFICATE OF COMPLIANCE

I certify that this brief complies with the type-volume limitations set forth in Fed. R. App. P. 32(a)(7)(B) because this brief contains 6,485 words, excluding those parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii) and Fed. Cir. R. 32(b). I further certify that the brief complies with the typeface requirements of Fed. R. App. 32(a)(5) and the style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface, 14-point Times New Roman, using Microsoft Word.

Dated: August 10, 2015

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CERTIFICATE OF SERVICE

I hereby certify that on August 10, 2015, I electronically filed the foregoing document with the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. I certify that the following parties or their counsel of record are registered as ECF Filers and that they will be served by the CM/ECF:

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