

In the
United States Court of Appeals
for the
Federal Circuit

CARDIAC PACEMAKERS, INC. AND GUIDANT SALES CORPORATION,
Plaintiffs–Appellants,
and

MIROWSKI FAMILY VENTURES, LLC AND ANNA MIROWSKI,
Plaintiffs–Appellants,

v.

ST. JUDE MEDICAL, INC. AND PACESETTER, INC.,
Defendants–Cross-Appellants.

Appeals from the United States District Court
for the Southern District of Indiana
in 96-CV-1718, Judge David F. Hamilton

**BRIEF FOR *AMICI CURIAE* CISCO SYSTEMS, INC., INTEL CORPORATION,
APPLE INC., ORACLE CORPORATION, MICROSOFT CORPORATION,
AND SYMANTEC CORPORATION IN SUPPORT OF
CROSS-APPELLANTS' PETITION FOR REHEARING *EN BANC***

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January 30, 2009

CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* Cisco Systems, Inc., Intel Corporation, Apple Inc., Oracle Corporation, Microsoft Corporation, and Symantec Corporation certifies the following:

1. The full name of every party represented by me is: Cisco Systems, Inc., Intel Corporation, Apple Inc., Oracle Corporation, Microsoft Corporation, and Symantec Corporation.
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: n/a.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: n/a.
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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STATEMENT OF INTEREST OF *AMICI CURIAE*

As global companies based in the United States, *Amici Curiae* Cisco Systems, Inc., Intel Corporation, Apple Inc., Oracle Corporation, Microsoft Corporation, and Symantec Corporation have an interest in the development of American intellectual property law in a way that fosters their worldwide competitiveness as leading innovators. *Amici* have a significant interest in this case in particular because the panel's application of § 271(f) of the Patent Act creates litigation uncertainty in producing and distributing products abroad, in managing legal risk, and in protecting patent rights. *Amici* encourage *en banc* consideration of the proper construction of § 271(f).

Amici have contemporaneously filed a motion for leave to file this brief pursuant to Federal Circuit Rule 35(g).

SUMMARY OF THE ARGUMENT

This appeal is ripe for *en banc* treatment so the full court can reconsider its controversial ruling in *Union Carbide Chemicals Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005). In *Union Carbide*, for the first time in the twenty-year life of § 271(f), a panel of this Court ruled that § 271(f) could be expansively read to apply to process claims. There are two independent reasons why *en banc* treatment is warranted to rectify the law of § 271(f) to conform to its proper role in the statutory scheme.

First, the panel decision perpetuates a conflict in precedent. Reasoning that it was legally bound by *Union Carbide*'s broad interpretation of § 271(f) to cover process claims as a prior panel ruling on the same issue, the panel here did not address the merits of whether § 271(f) should be read to include process claims. Importantly, however, while *Union Carbide* predates this appeal, it is not the *earliest* panel decision to address this issue. See *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1322 (Fed. Cir. 2005) (concluding that § 271(f) does not apply to process claims); *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1375 (Fed. Cir. 1991) (same). Indeed, members of the Court have previously faulted the *Union Carbide* panel for failing to respect the prior holdings in *Standard Havens* and *NTP* on this same issue. See *Union Carbide Chems. Corp. v. Shell Oil Co.*, 434 F.3d 1357, 1358-59 (Fed. Cir. 2006) (Lourie, J., joined by Michel, C.J., and Linn, J., dissenting from order denying rehearing *en banc*).

By following a more recent panel decision (*Union Carbide*) and not the earliest panel decisions (*Standard Havens* and *NTP*), the present panel decision fails to adhere to the fundamental rule that the *earliest* panel decision governs subsequent panel decisionmaking. See *Newell Cos., Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988) (where a conflict in precedent exists, the “first” panel decision is binding). The aberrant, intervening decision in *Union Carbide* should not have been followed by the panel and thereby allowed to divert Federal

Circuit law to an overbroad interpretation of § 271(f). Because the panel decision conflicts with the *Newell* “first panel” rule, it should be considered *en banc* to reinstate the proper interpretation of § 271(f) that has long been in effect. *See* F.R.A.P. 35(a)(1).

Second, even if there were no panel conflicts regarding § 271(f), *en banc* treatment would still be warranted. The interpretation of § 271(f) is an extremely important issue of patent law. The *Union Carbide* interpretation has significant adverse commercial effects on United States-based companies. It also clashes with the basic principle that extra-territorial statutes should be construed narrowly. *See, e.g., Microsoft Corp. v. AT&T Corp.*, 127 S.Ct. 1746, 1758 (2007). The Supreme Court recognized the importance of the interpretation of § 271(f) relating to software when it granted certiorari in *AT&T*; the interpretation of that same provision on the more elemental question of whether it applies to process claims is likewise sufficiently important to be worthy of *en banc* consideration. *See* F.R.A.P. 35(a)(2).

ARGUMENT

I. THE PANEL DECISION PERPETUATES THE UNDUE EXPANSION OF § 271(F)

Section 271 contains seven different subsections defining different forms of patent infringement. By its plain terms, § 271(f) applies to product claims, not process claims, in requiring that the “patented invention[s]” that are the subject of

the provision must have “components” that can be “supplied” from the United States. It is well understood, however, that processes consist of steps made up of acts and do not have components. *NTP*, 418 F.3d at 1322 (“A method, by its very nature, is nothing more than the steps of which it is comprised.”); R. Farber, *LANDIS ON MECHANICS OF PATENT CLAIM DRAFTING* § 4.1 (5th ed. 2007) (“A very important rule to remember is that the ‘elements’ of a method claim, instead of being structural parts, are, and must be, *acts* or manipulative steps that are performed upon an article, workpiece, or chemical substance.”) (emphasis in original). As a matter of logic, an act cannot be made or adapted and then supplied. *See Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367, 1374 (Fed. Cir. 2003) (limiting § 271(g) to articles “manufactured” abroad due to “made” requirement).

It is incongruous to wedge process claims into the text of § 271(f). The statutory text lacks the terminology associated with method claims, such as “processes,” “method,” “step,” or “act.” In addition, according to § 271(f)(2), a “component” must be “especially made or especially adapted for use in the invention” and cannot be a “staple *article* or *commodity* of commerce suitable for substantial noninfringing use.” 35 U.S.C. § 271(f)(2) (emphasis added).

That a process can involve the use of materials does not change this. Any materials acted upon are not “component[s]” of the “patented invention.” This

Court has expressly rejected the suggestion that a process is comprised of the materials used to perform it. *In re Kollar*, 286 F.3d 1326, 1332 (Fed. Cir. 2002) (“[a] process, however, is a different kind of invention; it consists of acts”). Indeed, § 271(c) distinguishes between a “component” of “a patented machine, manufacture, combination or composition” and a “*material or apparatus* for use in practicing a patented process,” reinforcing that Congress understood that materials used in processes are not “components.” 35 U.S.C. § 271(c) (emphasis added).¹

In short, the expansion of § 271(f)’s reach to process claims is incompatible with the provision’s plain meaning and should not stand without review by the *en banc* Court.

II. THE PANEL DECISION DEEPENS THE INTRACIRCUIT CONFLICT ON THE SCOPE OF § 271(F)

Federal Circuit panels have been inconsistent in deciding whether § 271(f) applies to process claims. The first panel to address the issue, in *Standard Havens*,

¹ The petition for rehearing *en banc* and the brief of the Federal Circuit Bar Association and the American Intellectual Property Law Association address in detail why § 271(f) should not apply to process claims as a matter of statutory interpretation. See Pet. for Rehearing *En Banc* at 6-8 (Jan. 21, 2009); Br. for Fed. Cir. Bar Ass’n and Am. Intellectual Property Law Ass’n as *Amici Curiae* in Supp. of Cross-Appellants’ Pet. for Rehearing *En Banc* at 8-10 (Jan. 30, 2009). *Amici* address the paramount issue of the text of § 271(f), and simply direct the Court to those briefs for additional evidence supporting the correct statutory interpretation of this provision.

correctly ruled that claims for patent infringement based on a process patent did not “implicate[]” § 271(f). 953 F.2d at 1374.

In *NTP*, the Court recognized the *Standard Havens* holding, explaining that the lesson of that case is that “the sale in the United States of an apparatus for carrying out a claimed process did not infringe the process claim under § 271(f) where the customer practiced the process abroad.” 418 F.3d at 1322. In following *Standard Havens*, the *NTP* panel explained that “it is difficult to conceive of how one might supply or cause to be supplied all or a substantial portion of the steps of a patented method in the sense contemplated by the phrase ‘components of a patented invention’ in Section 271(f).” *Id.*

After *Standard Havens* and *NTP*, this same issue presented itself again in *Union Carbide*. Even though the panel in *Union Carbide* recognized the rule that, when this Court has issued multiple decisions that conflict, the earliest decision controls, it did not apply that principle. 425 F.3d at 1379-80. Indeed, the *Union Carbide* panel failed to acknowledge at all the earlier and controlling ruling in *Standard Havens*, a case consistently understood to have settled that § 271(f) does not reach process claims.

Like *Union Carbide*, the panel decision in this case fails to acknowledge *Standard Havens*, much less adhere to it as governing precedent as required by *Newell*. See 864 F.2d at 765. Because Federal Circuit case law on § 271(f) is

inconsistent and conflicts with the principle that the first panel decision should govern, the Court should reconsider *en banc* the panel decision on this issue. *See* F.R.A.P. 35(a)(1) (identifying a conflict with prior precedent as a basis for rehearing *en banc*).

III. WHETHER § 271(F) APPLIES TO PROCESS CLAIMS IS EXTREMELY IMPORTANT AND SHOULD BE RESOLVED *EN BANC*

The panel's erroneous holding that § 271(f) authorizes patent infringement allegations based on process claims is of substantial commercial significance because it significantly disadvantages companies that innovate in the United States. Further, as explained below, it also creates anomalies between domestic and foreign infringement claims.

The panel's misinterpretation of § 271(f) implicates the important federal interest in preventing economic injury to the national economy. A very common business arrangement is for United States companies to export instructions, materials, recipes, and other knowledge-exports to Asian and other off-shore locations where manufacturing processes takes place. An overbroad extraterritorial interpretation of § 271(f) to apply to process patents creates potential worldwide liability for companies based in the United States that export anything that can properly be considered a process step. Yet, if their competitors exist outside the United States, they are not exposed to liability for United States patent infringement for supporting foreign manufacturing processes.

For example, where the ultimate allegedly infringing processes are performed in a manufacturing facility in Asia or Mexico, a company based in another Asian country (or Canada or Europe) providing “process steps” would face no United States patent liability, but an American company would face total exposure for all the processes performed in the foreign manufacturing facility.

This concern is particularly acute because of the nature of infringement allegations based on process claims. Often the allegedly infringing processes are not performed by the United States-based companies that are typically sued. Instead such companies are accused of *inducing* others to infringe process claims. But proving claims under § 271(f) for inducing “foreign” infringement of process claims of United States patents has been argued to be substantially easier than proving claims under § 271(b) for inducing *domestic* infringement. Specifically, under subsection (f), some patentees claim that there is no need to prove that acts of underlying direct infringement are actually taking place. *See Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1367-68 (Fed. Cir. 2001). Likewise, some have claimed that there is no steep scienter requirement of the kind required for inducement of domestic infringement under § 271(b). *See Liquid Dynamics Corp. v. Vaughan Co., Inc.*, 449 F.3d 1209, 1223 (Fed. Cir. 2006).

Moreover, it is important to reconsider *Union Carbide’s* expansive interpretation of § 271(f) because it unduly intrudes on foreign legal regimes. In

AT&T, the Supreme Court emphasized that “[t]he presumption that United States law governs domestically but does not rule the world applies with particular force in patent law,” and cited “[t]he traditional understanding that our patent law operates only domestically and does not extend to foreign activities.” 127 S.Ct. at 1758 (quotations and citation omitted). The Court held that this presumption “tugs strongly against construction” of a Patent Act provision to reach foreign activities and directed that any decision to expand the reach of U.S. patent laws should be left to Congress. *Id.* at 1758, 1760; *see also F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004) (cautioning courts not to construe ambiguous statutes broadly if such a reading implicates legitimate concerns about interference with “the sovereign authority of other nations”).

A broad reading of § 271(f) fails to respect the directive that statutes that risk extraterritorial consequences should be afforded a narrow reading, not a broad one. Moreover, conspicuously absent from the panel’s consideration was any concern for its expansive interpretation’s possible interference with foreign patent law. For example, the patented process could be viewed as unpatentable in a particular country, and allowing the U.S. patent to control the activity at issue would undermine that policy choice by the foreign country.

Although Congress intended § 271(f) to cover components of patented *products*, and left courts with the task of effectuating that legislative intent,

expansion of § 271(f) to regulate foreign processes is inappropriate absent a clear Congressional mandate. The Court should review the proper statutory construction of § 271(f) to ensure compliance with the established presumption against extraterritorial effect.

Whether § 271(f) applies to process claims is an issue of exceptional importance for all of these reasons and the panel's decision should be considered *en banc*. See F.R.A.P. 35(a)(2) (en banc consideration proper where "the proceeding involves a question of exceptional importance").

CONCLUSION

For these reasons, the Court should grant Cross-Appellants' petition for rehearing *en banc*.

Respectfully Submitted,

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