
Federal Circuit Provides Details on How to Adequately Plead Certain Infringement Claims

by Evan Finkel

*The recent opinion of the Federal Circuit in *In re Bill of Lading Transmission and Processing System Patent Litigation*, – F.3d – (Fed. Cir. Jun. 7, 2012) ("In re Bill of Lading"), addresses in substantial detail the requirements for adequately pleading claims for direct infringement (including the direct infringement that is a necessary prerequisite for pleading indirect infringement), inducing infringement, and contributory infringement.*

The Federal Circuit ruled that Form 18 to the Federal Rules defines the requirements for pleading direct infringement. If a pleading meets the requirements of Form 18, then it is sufficient. The Supreme Court's decisions in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009), requiring that a complaint plead "enough factual matter" that, when taken as true, "state[s] a claim to relief that is plausible on its face" did not and could not change the requirements for pleading direct infringement. Congress, and only Congress, has the power to change the requirements for pleading direct infringement by amending Form 18.

Therefore, to plead direct infringement, the complaint does not have to identify a specific direct infringer, or plead facts regarding each element of any claim being met, or even identify any specific claim of the patent that is infringed. None of those elements are set out in Form 18 for pleading direct infringement.

However, because Form 18 does not apply to indirect infringement claims, pleading such claims must satisfy *Twombly* and *Iqbal*. In evaluating whether a complaint states a plausible claim for indirect infringement, the court must draw all reasonable inferences in favor of the plaintiff (non-moving party). The court must choose the inferences that favor the plaintiff as long as they are "plausible." And, as a general matter, the court must accept as true the allegations contained in the complaint as long as nothing in the complaint convinces the court that it should decline to accept the truthfulness of the allegations.

These and other important pronouncements from the Federal Circuit in *In re Bill of Lading* are discussed in some detail herein. However, please note that Judge Newman wrote a dissent to the Court's refusal to apply *Iqbal* and *Twombly* to the direct infringement claims, and opined that meeting the requirements of Form 18 is not in and of itself sufficient. It is quite possible that the Federal Circuit will grant a rehearing en banc to take up this issue with the full court.

Background Facts

The plaintiff, R+L, owned the '078 patent relating to “the less-than-a-load trucking industry.” Briefly, carriers send out trucks to pick up freight from several different customers destined for different locations around the country. The freight is taken to a terminal, unloaded from the trucks, sorted by destination with freight headed in the same direction consolidated and reloaded onto trucks so that each truck can travel in one direction. The claims of the '078 patent are directed to a method automating the process by first scanning the documentation for each package on the transporting truck. The scanned image is wirelessly sent to a processing center where a loading manifest is prepared before the package is removed. The loading manifest indicates the truck/destination to which the package is to be reloaded/sent once it arrives at the terminal.

A number of defendants in this multi-district litigation consolidated for discovery and all pretrial proceedings, were accused of indirect infringement – inducing infringement and contributory infringement – for selling and offering for sale products used by their customers to allegedly practice, and thus directly infringe, the method claims of the patent.

The district court dismissed the complaints against the alleged indirect infringers for failing to adequately plead indirect infringement. The district court ruled that the complaints against each of these defendants failed to state a claim to relief that was plausible on its face as required by *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). The plaintiff appealed.

Direct Infringement – Compliance With Form 18 Is All That Is Required

One ground on which the district court found certain of the complaints defective was a failure to identify specific customers that directly infringed the patent because, as you know, there can be no indirect infringement in the absence of direct infringement.¹ The plaintiff attacked that holding in part by making the argument that the defendants “directly infringed” under the contributory infringement statute, 35 U.S.C. § 271(c), by “offering to sell” the patented method. That argument confuses an offer for sale that constitutes direct infringement under 35 U.S.C. § 271(a) and an offer for sale that constitutes indirect contributory infringement under 35 U.S.C. § 271(c). The Federal Circuit said as much, concluding (see slip op. at 12):

R+L appears to confuse liability for direct infringement based upon an offer to sell a patented method with contributory infringement liability based upon offers to sell a component, material, or apparatus. These are distinct concepts, with distinct standards. Because R+L alleges only claims for indirect infringement against the Appellees and there are no allegations that either Appellees or their customers offered to sell the patented method, there is no need to address whether an offer to sell a patented method gives rise to liability under § 271(a), i.e., direct infringement. The only relevant questions before the district court were whether contributory infringement can be based on an offer to sell a product for use in practicing a patented method—by § 271(c)'s plain terms, it can—and whether direct infringement is a prerequisite for a finding of contributory infringement based on such an offer to sell—it is.

The Federal Circuit concluded, however, the plaintiff had adequately pled direct infringement by customers, and was not required to identify specific customers. More specifically, the Federal Circuit quoted Form 18 to the Federal Rules of Civil Procedure that provides a sample complaint for direct infringement as requiring only (slip op. at 14):

¹ As the Federal Circuit stated (see slip op. at 12-13): “It is axiomatic that “[t]here can be no inducement or contributory infringement without an underlying act of direct infringement.” *Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1326 (Fed. Cir. 2004) (citation omitted)” (other citations and quotations omitted).

(1) an allegation of jurisdiction; (2) a statement that the plaintiff owns the patent; (3) a statement that defendant has been infringing the patent 'by making, selling, and using [the device] embodying the patent'; (4) a statement that the plaintiff has given the defendant notice of its infringement; and (5) a demand for an injunction and damages.

The Federal Circuit ruled that a complaint which meets the requirements of Form 18 is sufficient; the Supreme Court is powerless to rule otherwise; and only Congress can change this by changing the Form (slip op. at 15-16; emphasis added):

The sample complaint in the Appendix of Forms is relevant because Federal Rule of Civil Procedure 84 states that "the forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate." Fed. R. Civ. P. 84. The Advisory Committee Notes to the 1946 amendment of Rule 84 states that "[t]he amendment serves to emphasize that the forms contained in the Appendix of Forms are sufficient to withstand attack under the rules under which they are drawn, and that the practitioner using them may rely on them to that extent." *Id.* The language of Rule 84 and the Advisory Committee Notes make "clear that a pleading, motion, or other paper that follows one of the Official Forms cannot be successfully attacked." 12 Charles Alan Wright, Arthur R. Miller & Richard L. Marcus, *Federal Practice and Procedure* § 3162 (2d ed. 1997). As the Supreme Court has noted, moreover, any changes to the Federal Rules of Civil Procedure "must be obtained by the process of amending the Federal Rules, and not by judicial interpretation." *Leatherman v. Tarrant Cnty. Narcotics Intelligence & Coordination Unit*, 507 U.S. 163, 168 (1993);² see also *Twombly*, 550 U.S. at 569 n.14 (acknowledging that altering the Federal Rules of Civil Procedure cannot be accomplished by judicial interpretation). **Accordingly, to the extent the parties argue that *Twombly* and its progeny conflict with the Forms and create differing pleadings requirements, the Forms control. ... Thus, whether R+L's amended complaints adequately plead direct infringement is to be measured by the specificity required by Form 18.**³

Direct Infringement – Form 18 Does Not Require Plaintiff To Identify Specific Customers Guilty Of Direct Infringement, Or To Plead Facts Regarding Each Element Of Any Claim, Or To Even Identify Specific Claims That Are Infringed

Because Form 18 does not require a plaintiff to identify a specific direct infringer, or to plead facts regarding each element of any claim being met, or even to identify any specific claim of the patent that is infringed, none of that is required to adequately plead direct infringement:

In essence, the Appellees argue that the amended complaints are deficient because they do not describe precisely how each element of the asserted claims are practiced by their customers. When compared to the requirements of Form 18, this argument is premised on a pleading standard that is too stringent. See *McZeal*, 501 F.3d at 1356–57. **[¶] As we held in *McZeal*, Form 18 and the Federal Rules of Civil Procedure do not require a plaintiff to plead facts establishing that each element of an asserted claim is met. *McZeal*, 501 F.3d at 1357. Indeed, a plaintiff need not even identify which claims it asserts are being infringed. *Id.*** [Slip op. at 16-17, emphasis added].

² As the Federal Circuit later said: "While there may be criticism of the text of Form 18, it is not within our power to rewrite it; only an act of Congress can revise the Federal Rules. See *Leatherman*, 502 U.S. at 168." (Slip op. at 17, n. 7).

³ Judge Newman wrote a dissent to the Court's refusal to apply *Iqbal* and *Twombly* to the direct infringement claims, and opined that meeting the requirements of Form 18 is not in and of itself sufficient. Possibly the Federal Circuit will grant a rehearing en banc to take up this issue with the full court.

[W]e must determine whether a plaintiff alleging indirect infringement must name a specific customer to adequately plead the predicate direct infringement. [¶] This court has upheld claims of indirect infringement premised on circumstantial evidence of direct infringement by unknown parties. [Citations omitted]. Given that a plaintiff's indirect infringement claims can succeed at trial absent direct evidence of a specific direct infringer, we cannot establish a pleading standard that requires something more. **To state a claim for indirect infringement, therefore, a plaintiff need not identify a specific direct infringer if it pleads facts sufficient to allow an inference that at least one direct infringer exists.** [Citations omitted]. As long as the complaint in question contains sufficient factual allegations to meet the requirements of Form 18, the complaint has sufficiently pled direct infringement. [Slip op. at 19, emphasis added].

Indirect Infringement – Form 18 Not Applicable

Turning to the requirements for pleading indirect infringement, the Federal Circuit ruled that Form 18 does not apply to indirect infringement and, therefore, for indirect infringement, the *Iqbal/Twombly* standards do control:

We agree with several district courts that have addressed this issue that Form 18 should be strictly construed as measuring only the sufficiency of allegations of direct infringement, and not indirect infringement. ... In other words, because Form 18 addresses only direct infringement, we must look to Supreme Court precedent for guidance regarding the pleading requirements for claims of indirect infringement. [Slip op. at 20].

Indirect Infringement - Contributory Infringement – Standard For “No Substantial Non-Infringing Use”

For contributory infringement, therefore, the complaint must allege facts that allow an inference that all the elements of contributory infringement are met, namely (slip op. at 20-21):

Determining whether a complaint states a plausible claim for relief is a very “context-specific task.” *Iqbal*, 556 U.S. at 679. Thus, the district court was required to analyze the facts plead in the amended complaints and all documents attached thereto with reference to the elements of a cause of action for contributory infringement to determine whether R+L's claims of contributory infringement were in fact plausible. Contributory infringement occurs if a party sells or offers to sell, a material or apparatus for use in practicing a patented process, and that “material or apparatus” is material to practicing the invention, has no substantial non-infringing uses, and is known by the party “to be especially made or especially adapted for use in an infringement of such patent.” 35 U.S.C. § 271(c); see also *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1312 (Fed. Cir. 2005).

The Federal Circuit then focused on the “no substantial non-infringing use” element, finding, as did the district court (slip op. at 21):

To state a claim for contributory infringement, therefore, a plaintiff must, among other things, plead facts that allow an inference that the components sold or offered for sale have no substantial non-infringing uses. [Citations omitted]. [¶] The district court focused on this “no substantial non-infringing uses” prong of a cause of action for contributory infringement and concluded that the amended complaints failed to state a claim for contributory infringement because the facts alleged demonstrated that the Appellees' products *do* have substantial non-infringing uses. Importantly, the district court did not conclude that the allegations of contributory infringement lacked sufficient detail to satisfy the specificity requirement of *Twombly and Iqbal*;

the district court found that affirmative allegations of fact in the amended complaints defeated any claim of contributory infringement.

In agreeing with the district court, the Federal Circuit confirmed that “[i]n the context of a claim of contributory infringement under § 271(c), a substantial non-infringing use is any use that is ‘not unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.’ *Vita-Mix Corp. v. Basic Holdings, Inc.*, 581 F.3d 1317, 1327–29 (Fed. Cir. 2009).” (Slip op. at 22).

The plaintiff alleged that the defendants’ products, as customized or adapted or combined by their customers, were used in an infringing manner and had no substantial non-infringing uses. (Slip op. at 22). That is, plaintiff alleged, “Rather, as noted, R+L alleges that if the products are used to scan bills-of-lading and if the bills-of-lading are used to make a loading manifest, then the products have no substantial non-infringing uses.” (Slip op. at 23). The Federal Circuit rejected that argument finding that you must consider all uses of the defendants’ products, not just the use to which these customers put the products (slip op. at 22-23):

These allegations are tailored too narrowly; they say nothing more than “if you use this device to perform the patented method, the device will infringe and has no non-infringing uses.” But that is not the relevant inquiry. For purposes of contributory infringement, the inquiry focuses on whether the accused products can be used for purposes other than infringement. ... The fact that a product may be unavailable for simultaneous non-infringing uses while being used to infringe, is not determinative. Where the product is equally capable of, and interchangeably capable of both infringing and substantial non-infringing uses, a claim for contributory infringement does not lie.

The Federal Circuit did appear to re-affirm an exception where the products have components included in the product that have no substantial non-infringing use, an exception that was not applicable to this case:

In *Ricoh*,⁴ this court held that summary judgment of no contributory infringement could not be granted in favor of an optical disc drive manufacturer because, although its drives were capable of writing data by either an infringing method or a non-infringing method, the drives contained “at least some distinct and separate components used only to perform the allegedly infringing write methods.” 550 F.3d at 1336, 1340. R+L’s amended complaints do not allege that certain of Appellees’ products can perform the infringing method and only the infringing method.

Most telling in this case was the fact that plaintiff attached to its complaint documents reflecting certain non-infringing uses, and thus the Federal Circuit affirmed the district court as to contributory infringement:

The materials regarding Appellees’ products from which R+L quotes, and, which are attached to the amended complaints, contain repeated descriptions of non-infringing uses to which the accused products can be put. R+L, thus, supplies the very facts which defeat its claims of contributory infringement. (Slip op. at 23).

Because the amended complaints actually make clear on their face that Appellees’ products do have substantial non-infringing uses, R+L has not stated a claim for contributory infringement against any of the Appellees. We thus affirm dismissal of R+L’s contributory infringement claims. (Slip op. at 25).⁵

⁴ *Ricoh Co. v. Quanta Computer Inc.*, 550 F.3d 1325, 1339 (Fed. Cir. 2008).

⁵ The Federal Circuit also rejected plaintiff’s argument that the district court should have first construed the claims before determining whether the products have substantial non-infringing uses, finding: “[F]ormal claim construction is not required to reach the conclusion that each Amended Complaint affirmatively establishes that Appellees’ products can be used for non-

Indirect Infringement - Inducing Infringement – Reasonable Inferences

Turning to inducing infringement, the Federal Circuit reversed the district court, finding that the complaint was adequate to plead inducing infringement under 35 U.S.C. § 271(b) which provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.”

“Liability under § 271(b) ‘requires knowledge that the induced acts constitute patent infringement.’ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). [Other citations omitted].” (Slip op. at 25). Thus, according to the Federal Circuit, “To survive Appellees’ motion to dismiss, therefore, R+L’s amended complaints must contain facts plausibly showing that Appellees specifically intended their customers to infringe the ’078 patent and knew that the customer’s acts constituted infringement.” (Slip op. at 25).

In making that assessment, however, the court must still “draw all reasonable inferences in favor of the [plaintiff] non-moving party” and, therefore choose the inferences that favor the plaintiff as long as they are “plausible”. (Slip op. at 26). And, “[a]s a general matter, [we] must accept as true the allegations contained in the complaint” as long as “[n]othing in the complaint convinces us that we should decline to accept the truthfulness of [the] allegation[s].” (Slip op. at 36).

The Federal Circuit then found that based on statements (e.g., advertising) by the defendants, after receiving notices of infringement, regarding the benefits of their products, “when viewed in the context of the industry in which they patented method is practiced, it is more than reasonable to infer that [defendant] DriverTech intended to induce its customers to use its products to practice the patented method and did so with knowledge of the patent.” (Slip op. at 29). For example the Federal Circuit explained at 30:

The specification of the ’078 patent makes clear that the method it claims improves asset utilization and efficiency by enabling route planning to occur while shipments are still en route. To achieve these benefits, bills-of-lading are scanned in the truck cab and transmit- ted while the truck is en route. Significantly, other than the method claimed in the ’078 patent, no appellee has identified a method by which a trucking company could increase efficiency and improve asset utilization by scanning shipping documents and transmitting them from the cab of the truck. Common sense indicates that advertising that your product can be used in conjunction with dispatch software to improve asset utilization and provide operational efficiency to the less-than-a-load ship-ping/trucking industry gives rise to a reasonable inference that you intend to induce your customers to accomplish these benefits through utilization of the patented method. This is sufficient to push the complaint past the line “between possibility and plausibility.” *Twombly*, 550 U.S. at 557.⁶

Indirect Infringement – Claims Given Broadest Possible Construction.

The Federal Circuit swiftly dispensed with the plaintiff’s argument that the district court should not rule on a motion to dismiss until after the claims have been construed so that sufficiency of the allegations can be tested in view of the claims as properly construed. The Federal Circuit ruled, instead, that in evaluating the sufficiency of the complaint, the patent claims are simply given their broadest possible construction (slip op. at 32, n. 13):

We agree with R+L that, to the extent the district court based its assessment of the “reasonableness” of a given inference of infringement on a narrow construction of the patent’s claims, claim construction at the pleading stage—with no claim construction processes under-

infringing purposes. Nor is claim construction required to determine that these uses are not unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.” (Internal quotations and citations omitted).

⁶ Similar conclusions were reached as to the complaints against the other defendants (see slip op. at 30-39).

taken—was inappropriate. Appellant’s Reply Br. 9–11. We afford the claims their broadest possible construction at this stage of the proceedings.

Indirect Infringement – Knowledge Of Patent After Complaint Filed Is Apparently Sufficient

The Federal Circuit also appeared to endorse the proposition that the knowledge and intent requirements for indirect infringement claims – *e.g.*, knowledge of the patent as required for inducing and contributory infringement; an intent to induce infringement as required for inducing infringement; and knowing a component to be especially made or adapted for an infringing use as required for contributory infringement – can be based on the knowledge provided by the complaint and continued activities thereafter. In that regard, the Federal Circuit found the allegation of inducing infringement sufficient where the plaintiff alleged (slip op. at 35):

R+L alleges that Intermec became aware of its patent, at the latest, in July or August when it was served with its complaint.

If you have questions, please contact the Pillsbury attorney with whom you regularly work or the author:

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