

No. 2018-1574

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IN THE  
**United States Court of Appeals for the Federal Circuit**

INTERNATIONAL BUSINESS MACHINES CORPORATION,  
Plaintiff-Appellant,

v.

BOOKING HOLDINGS INC., f.k.a. Priceline Group, Inc., KAYAK SOFTWARE  
CORPORATION, OPENTABLE, INC., PRICELINE.COM LLC,  
Defendant-Appellees.

On Appeal from the United States District Court for the District of Delaware,  
Case No. 1:15-cv-00137-LPS, Chief Judge Leonard P. Stark

**OPPOSITION TO PETITION FOR REHEARING EN BANC**

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August 8, 2019

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**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

**IBM v. Booking Holdings, Inc.**

**Case No. 18-1574**

**CERTIFICATE OF INTEREST**

Counsel for the:

(petitioner)  (appellant)  (respondent)  (appellee)  (amicus)  (name of party)

Booking Holdings Inc. (f/k/a The Priceline Group Inc.); KAYAK Software Corporation; OpenTable, Inc.; and Priceline.com LLC

certifies the following (use “None” if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
KAYAK Software Corp.	KAYAK Software Corp.	Booking Holdings Inc. (f/k/a The Priceline Group Inc.)
OpenTable, Inc.	OpenTable, Inc.	Booking Holdings Inc. (f/k/a The Priceline Group Inc.)
Priceline.com LLC	Priceline.com LLC	Booking Holdings Inc. (f/k/a The Priceline Group Inc.)

Booking Holdings Inc. (f/k/a The Priceline Group Inc.)	Booking Holdings Inc. (f/k/a The Priceline Group Inc.)	None
<p>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 (<b>and who have not or will not enter an appearance in this case</b>) are:</p> <ul style="list-style-type: none"> <li>• Gilbert A. Greene (formerly), Brandy S. Nolan, Marwan Elrakabawy, W. Andrew Liddell (formerly), and Eric B. Hall of Norton Rose Fulbright US LLP</li> <li>• Francis DiGiovanni, M. Curt Lambert, and Thatcher A. Rahmeier of Drinker Biddle &amp; Reath</li> <li>• Warren K. Mabey, Jr. of Fish &amp; Richardson</li> </ul>		
<p>5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. See Fed. Cir. R. 47. 4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).</p> <p style="text-align: center;">None</p>		
<p><u>August 8, 2019</u> Date</p> <p>Please Note: All questions must be answered</p>		<p><u>/s/ Jonathan S. Franklin</u> Signature of counsel</p> <p><u>Jonathan S. Franklin</u> Printed name of counsel</p>

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## INTRODUCTION

In this Court, “[a] petition for rehearing en banc is rarely appropriate if the appeal was the subject of a nonprecedential opinion by the panel of judges that heard it.” Fed. Cir. Rule 35, Practice Notes. That admonition squarely applies to this case. As the panel necessarily concluded, no precedential opinion was needed because the decision did “not add[] significantly to the body of law.” Fed. Cir. Rule 32.1(b). Rather, it was merely an application of settled law to facts, made even more straightforward by the fact that appellant (“IBM”) expressly forfeited any reliance on this Court’s established legal tests that determine whether a defendant is vicariously liable for third-party performance of method steps.

IBM claims to have patented a method—known as “caching”—whereby a local user’s computer system “stores” advertising data for later retrieval. Seeking a windfall, it sued Appellees because their websites and mobile applications—like millions, if not hundreds of millions, of others—send non-binding, optional instructions regarding caching that users and their third-party local software can utilize, if they desire, to determine what advertising data they will store on those local systems. IBM’s patent claims, however, require “storing” advertising data at a *user’s* “reception system,” and as the panel noted, “[t]here is no dispute that the storing step occurs on the users’ device.” Panel Opinion (“Op.”) at 8. Moreover, as IBM admits on nearly every page of its petition, any such “storing” is performed

by “third-party” software and hardware<sup>1</sup> (the users’ web browsers or mobile operating systems) that Appellees neither created nor own.

Applying this idiosyncratic claim language and settled law, the panel majority straightforwardly—and correctly—concluded based on the undisputed factual record that Appellees themselves do “*not* perform[] the storing step.” *Id.* at 9. IBM had argued that the third-party performance of the storing step should be attributed to Appellees because they allegedly “control” storing that is performed by the users and their third-party systems. As the majority noted, however, there is no need to create a new rule for this case because this Court’s well-developed law *already* allows a patentee to assert that a defendant is liable for third-party performance of method steps that it “directs or controls.” Op. 9 (citing *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1022 (Fed. Cir. 2015) (en banc)). But as the panel unanimously concluded, IBM *expressly* forfeited any argument under the only aspect of the *Akamai* test that it even attempted to argue on appeal. *See* Op. 10-11; Dissent 4 n.1.

Under *Akamai*, direct infringement occurs only where all steps of a claimed method are “performed by or attributable to a single entity.” 797 F.3d at 1022. The panel straightforwardly held Appellees do not “perform” the storing step by themselves and that IBM waived any argument that the performance is

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<sup>1</sup> *See, e.g.*, Petition (“Pet.”) at 1, 2, 3, 6, 10, 11, 12, 14.

“attributable” to them under *Akamai*’s tests. There is no cause for this Court to grant rehearing of a non-precedential opinion that merely applied settled law to the limited (and incorrect) factual assertions that IBM elected to preserve for review.

## BACKGROUND

### A. Facts.

The ’849 patent was a product of the now-antiquated “Prodigy” service, developed before the World Wide Web. Pet. 2. It sought to take advantage “of the computing power of the ‘user reception system,’ such as the user’s computer ....” IBM Br. 5 (filed May 23, 2018). Given that focus on the user’s system, the representative independent claim requires “selectively *storing* advertising objects at a store established *at the reception system.*” Op. 4 (emphasis added). Thus, the claimed “storing” step occurs entirely on the user’s computer system.

Appellees provide websites and mobile applications to assist users in, among other things, booking travel and making dining reservations. IBM alleges that Appellees’ products infringe its patents because when accessing their websites or mobile applications, users and their third-party computer systems may “cache” certain images (including what IBM asserts is advertising data) by downloading the images and storing them locally.

Unrefuted evidence, however, shows that for the accused websites “[i]t is the user and his/her browser, not [Appellees], that determines whether to cache data



and actually caches the data.” Appx2888 (¶ 42).<sup>2</sup> IBM’s entire infringement argument hinged on the fact that Appellees—like vast numbers of other companies—transmit HTML “cache control headers” that users and their local systems can (but need not) utilize. These headers, however, are merely optional instructions and will not necessarily lead to caching of information. Cache values provided by the accused websites “are only suggestions as to if and for how long to store data. There is no requirement that [Appellees’] users or their browsers follow these suggestions.” Appx2888 (¶ 42). Thus, “users of a web browser can and do exercise independent control over whether objects are cached.” Appx2888-89 (¶ 43). Similarly, a mobile application “doesn’t have control over the caching behavior.” Appx2895 (¶ 65). Rather, as the district court found, it is the mobile operating system “that decides what to cache and when.” Appx48 (quoting Appx3397 (147:12-14)).

In fact, whether caching will occur in the first place is determined entirely by the users and their local systems. At most, cache control headers *restrict*

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<sup>2</sup> See also Appx3158 (IBM expert’s testimony that “caching occurs when a *web browser stores* local copies of web resources”) (emphasis added); Appx2894-96 (¶¶ 65-66) (testimony that Appellees’ mobile applications “do not perform caching. Rather, software at the mobile device operating system does”); Appx47 (district court finding with respect to mobile applications “that any caching that is performed is performed by the mobile operating system, not by Defendants’ applications”); Appellees’ Br. 14-16 (filed Aug. 8, 2018).

caching that the local systems otherwise allow. They merely specify restrictive parameters *if* caching is mandated by the user or the user's system, such as what information is cacheable and how long it can be stored.<sup>3</sup> They do not mandate any caching that users, or the makers of their local systems, do not wish to occur.

As IBM itself has admitted, “[f]or browsers reconfigured to disable caching, *no content will be stored on the user’s computer, regardless of the cache control directives that the browsers receive.*” IBM Br. 10 (emphasis added). *See also id.* at 32 n.2 (“the user may reconfigure their browser to disable caching in its entirety at the browser, in which case caching will never occur”). Likewise, IBM’s own expert admitted that “[a] web browser can be configured to disable caching....,” Appx2531-32 (¶ 93), and in that event “the cache control header ... will not be what’s used to direct whether caching is done by the reception system,” Appx2982-83 (723:23-724:4).

Thus, undisputed evidence established that Appellees’ HTML headers cannot result in caching of any information that the users and/or the makers of the local systems do not desire to cache. And there is no contention, nor could there

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<sup>3</sup> *See* Appx3567-68 (listing categories of cache control directives including “[r]estrictions on what are cacheable,” “[r]estrictions on what may be stored by a cache [which] may be imposed by either the origin server or the user agent,” and “[m]odifications of the basic expiration mechanism”) (emphasis added); Dist. Ct. Docket Entry 396, Ex. 8, § 13.4 (“[u]nless specifically constrained by a cache-control ... directive, a caching system MAY always store a successful response”).

be, that Appellees either created or own the admittedly “third-party” web browsers and mobile operating systems that actually perform any caching of advertising data. As a result, Appellees cannot by themselves require any caching to occur.<sup>4</sup>

Moreover, it is also undisputed that Appellees provide exactly the same information to users regardless of whether caching occurs. Appellees’ websites operate in an “identical manner” whether caching is enabled or not. Appx2891 (¶ 52). Appellees “respond[] to requests for images from the browser in an identical manner whether or not caching is enabled” and “do[] not penalize the browser for requesting an image that could have been cached.” *Id. See also* Appx2898 (¶¶ 71, 72) (IBM provided no evidence that Appellees “do[] not respond to requests for images from the mobile application in an identical manner whether or not caching is enabled” or that Appellees “penalize[] the user for requesting an image that could have been cached”).

## **B. Panel Decision.**

The district court granted Appellees summary judgment of non-infringement. Appx21. The panel affirmed. The majority noted that “the infringement analysis turns on the entity performing the storing of the advertising

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<sup>4</sup> Contrary to IBM’s statement, it is not “undisputed” that “defendants ‘cause[d]’ advertising objects to be stored locally on a user’s machine.” Pet. 10. Page 14 of appellees’ brief, which IBM cites for that proposition, merely notes that IBM’s expert had made that contention.

objects at the reception system.” Op. 6. The outcome of that inquiry was simple because the evidence is clear that Appellees do not by themselves perform any storing at the local users’ systems. “Direct infringement under § 271(a) occurs where all steps of a claimed method are performed by or attributable to *a single entity*.” *Akamai*, 797 F.3d at 1022 (emphasis added). But in this case, it is undisputed that the storing step is not “performed by ... a single entity.” *Id.* Rather, “some third party (at least a party that is not [Appellees]) is involved in the performance of [that] method step.” Op. 8. The panel majority therefore did not need to decide “who is actually performing the storing step,” because it was clear that Appellees themselves are “*not* performing the storing step.” *Id.* at 8-9. The relevant question was “whether, by setting the cache control directives, [Appellees] should be held liable as if [they] had performed the storing step [themselves].” *Id.* at 8.

Because the evidence was clear that no single entity performed the storing step, and even clearer that Appellees were not doing so by themselves, the majority turned to IBM’s belated argument that performance of the step should be “attributed” to Appellees under *Akamai*. The outcome of that inquiry was equally simple. *Akamai* sets forth two ways a party can be vicariously liable for “direct[ing] or controll[ing]” third-party performance of a method step: through an agency or contractual relationship, 797 F.3d at 1023, or if it “conditions

participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method....” *Id.* IBM, however, did not argue an agency or contractual relationship. Op. 9-10. And although IBM attempted to argue, for the first time on appeal, that Appellees conditioned a benefit on performance of the storing step, the panel unanimously held that “IBM waived this argument” when in the district court “[i]t affirmatively stated it was *not* arguing divided infringement under the benefit test.” *Id.* at 10-11 (citing Appx3318) (emphasis in original). *See also id.* at 11 (“IBM expressly forfeited [this] particular argument”); Dissent 4 n.1 (“I agree with the panel majority that IBM did not preserve its ‘conditioning receipt of a benefit’ argument for divided infringement.”).

IBM moved for and received a 30-day extension of time to file its petition for rehearing, in order to seek amicus curiae support. *See* Motion for Extension 1-2 (filed June 4, 2019). But no amici filed briefs.

## **ARGUMENT**

### **I. THE PANEL’S NON-PRECEDENTIAL DECISION APPLIED SETTLED LAW AND IBM’S CLEAR WAIVER.**

The panel’s non-precedential opinion merely applied settled law to undisputed facts. Contrary to IBM’s arguments, the majority did not look merely to what device performed the storing but, as required by *Akamai*, examined whether that step was either “performed by or attributable to *a single entity*.” *Akamai*, 797 F.3d at 1022 (emphasis added). The answer was easy: Appellees do

not “perform[.]” that step by themselves and IBM waived any argument that the performance is “attributable” to them under *Akamai*’s direction or control test.

In an attempt to obfuscate this application of settled law, IBM argues that the panel majority erred because it contravened a purported rule that “infringement turns on who, not what, bears responsibility for the infringing activity.” Pet. 6. Even if this were an established legal principle for all cases, the panel did not contravene it. To the contrary, the majority recognized that “the infringement analysis turns on *the entity performing the storing* of the advertising objects at the reception system,” Op. 6, and found that there was no infringement because the evidence was clear that Appellees themselves were not directly performing any storing, *id.* at 8. As a result, the majority did not need to determine whether another party was solely responsible for performing any storing, because Appellees—the only entities accused of infringement in this case—were not. That straightforward holding was correct, and does not remotely warrant the extraordinary remedy of rehearing en banc.

None of IBM’s cited cases even arguably demonstrates any error in the panel’s analysis. As both the majority and the dissent agreed, *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319 (Fed. Cir. 2010), is inapposite. As the majority noted, in *SiRF* “the defendant manufactured a chip incorporated in the end user’s device that performed all the claimed method steps” and the Court held that “this was ‘*not* a

situation ... in which a third party actually performs some of the designated steps ....” Op. 8 (quoting *SiRF*, 601 F.3d at 1329) (emphasis supplied by panel). See also Dissent 2 (agreeing that *SiRF* “involved different facts from those present here”). *SiRF* held that “only [the defendant’s] actions [were] involved” in carrying out the method steps. 601 F.3d at 1331. Here, by contrast, “some third party (at least a party that is not [Appellees]) *is* involved in the performance of a method step.” Op. 8 (emphasis in original). *SiRF* is therefore wholly inapposite.

IBM’s other cases (*see* Pet. 8-9)—none of which IBM even cited in its brief to the panel—are even further afield. None of those cases involved allegations of divided or attributed infringement. IBM characterizes *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009), as holding that “software users—not the software itself—[were] infringers when they caused the software to perform a claimed method step.” Pet. 8. But even accepting that characterization, it hardly helps IBM here. The “software users” in this case (who would be the infringers under IBM’s interpretation of *Lucent*) are the local users who installed and operated the software that actually performs any storing of advertising data. In *Symantec Corp. v. Computer Associates International, Inc.*, 522 F.3d 1279 (Fed. Cir. 2008), the Court found evidence of induced infringement where software “customers can only use the [defendant’s] products in an infringing way.” *Id.* at 1293. Here, there is no allegation that local users can only use their browsers and

mobile operating systems in an infringing way, and no allegation of induced infringement. In *Microsoft Corp. v. ITC*, 731 F.3d 1354, 1367 (Fed. Cir. 2013), the defendant manufactured mobile phones and tablets and the Court noted, in passing, that the claim term “displaying on a display” could read on the defendant’s products. Here, Appellees make no products on which any alleged “storing” occurs. Finally, in *Embrex, Inc. v. Service Engineering Corp.*, 216 F.3d 1343 (Fed. Cir. 2000), the defendant manufactured machines that performed all steps of a patented method. *Id.* at 1346-47. Appellees, by contrast, do not.

IBM also invokes *Akamai*’s tests for vicarious attribution of method steps, Pet. 11-12, 13. But as IBM neglects to mention, the panel unanimously held that IBM expressly waived and forfeited any reliance on those tests. Op. 10-11; Dissent 4 n.1; *supra* at 7-8. IBM now faults the majority for not devising, on its own, a new test for “direction and control” attribution, Pet. 13, but the majority correctly concluded that IBM asserted no theory cognizable under *Akamai*, Op. 11. As the majority explained, although *Akamai* stated that its “principles of attribution are to be considered in the context of the particular facts presented,” the particular facts of a case must still align with *Akamai*’s “legal framework for direct infringement,” which includes three specific tests, none of which IBM preserved for review. Op. 11 (quoting *Akamai*, 797 F.3d at 1023).



The dissent believed this case raised a “new question” not settled by existing precedent. Dissent at 5. But the dissent was mistaken, both factually and legally. First, there is no genuine dispute that performance of the storing step is not carried out by Appellees alone. Appellees neither created nor own the local software and hardware that indisputably performs any storing. Indeed, IBM concedes throughout its petition that these are “third-party” systems. *See supra* note 1. IBM did not and cannot argue that Appellees created that software or hardware, possess it, placed it on the users’ computers or devices, or even activated it. Rather, the ultimate authority over those systems, including over whether to cache data, rests with the systems’ users and makers. Moreover, appellees cannot require those systems to cache any information that the users and the makers do not allow to be cached. At most from IBM’s perspective, Appellees provide non-binding instructions on what those systems may cache *if* the users and manufacturers independently elect to mandate caching. Cache control headers merely restrict caching that the local systems otherwise mandate. *See supra* at 4-5.

Second, the well-defined *Akamai* legal framework for attribution is more than broad enough to deal with any concerns identified by the dissent or IBM. *Akamai*’s “conditioning participation or benefit” test significantly expanded the Court’s prior law. But IBM simply chose not to preserve any argument for attribution under *Akamai*. *See Op.* 11-12. It is not surprising that IBM forfeited

the argument, because it would have failed. There is no contractual or agency relationship here, and Appellees did not condition any benefit on performance of the storing step because, *inter alia*, their websites and mobile applications operate the same way regardless of whether caching occurs. *See supra* at 6; Appellees' Br. 30-34. But in a different case, where the argument is preserved and a third-party method step is critical to the functionality of a website or another commercial product, a patentee could argue that the defendant conditioned receipt of a benefit or participation in an activity on performance of the step. *Cf. Akamai*, 797 F.3d at 1024. Accordingly, the Court's settled law squarely applies to this case, and there was no need for the panel to create any new, amorphous legal tests.

## **II. THE NON-PRECEDENTIAL DECISION MADE NO NEW LAW AND WILL CAUSE NO HARM.**

Contrary to IBM's argument, Pet. 14, the panel's decision to apply settled law and IBM's waiver is neither exceptionally important nor harmful. Thus, it is not surprising that no amici filed briefs even though IBM sought and received a 30-day extension to attempt to recruit them. To begin with, the decision is nonprecedential and this Court "will not give one of its own nonprecedential dispositions the effect of binding precedent." Fed. Cir. Rule 32.1(d). The decision is only preclusive as to the parties in this case and will have no binding effect on any future case or activity, including any of the (unfounded) hypothetical fact patterns concocted by IBM. *See* Pet. 15.

In any event, IBM’s predictions of doom are baseless. As this case was, each patent case must be considered on its own facts, including the specific claim language of each patent and the particular circumstances surrounding how a method step is performed. Here, Appellees do not infringe this particular patent given that, *inter alia*, (1) it was drafted to cover only the affirmative act of “storing” at the user’s “reception system,” (2) Appellees do not themselves perform such storing and merely provide non-binding instructions that restrict caching that the local systems otherwise mandate; (3) Appellees provide exactly the same information to users whether or not caching occurs; and (4) IBM expressly waived and forfeited any argument under *Akamai*’s attribution tests. But as explained above, in another case involving different facts, a different patentee with different patent language may be able to argue that a method step that is critical to a commercial process should be attributed to a defendant under *Akamai* even if performed remotely by users or third-party systems.

Moreover, this Court has recognized that many, if not all, issues relating to divided infringement can be addressed through careful claim drafting. *See, e.g., BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2007), *overruled on other grounds by Akamai*, 797 F.3d at 1023 n.3. This case involves an old patent drafted to cover the antiquated Prodigy service, which predated both the World Wide Web and this Court’s recent divided infringement jurisprudence.

The patentee chose to draft its patent to cover specific activity occurring at the local user's system, which is the location where Prodigy software ran and the primary subject of the patent disclosure. But other patents might be drafted solely to cover only acts taken by a singular party. Thus, the decision in this case could have no bearing on patents with different claim language.

Finally, while the panel's non-precedential decision is of little moment or import beyond the parties to this case, if IBM's incorrect view of the law were enshrined as precedent, that could have a deleterious effect on the entire internet and software industry. In this case, for example, IBM accused Appellees of infringement merely because their websites transmit HTML code containing the same type of non-binding "caching" headers that are also transmitted by millions of other websites. IBM has licensed its patent to the makers of the browsers and operating systems (Apple, Microsoft and Google) that actually perform the "storing" step under its view of the claim language,<sup>5</sup> yet is now suing third parties that cannot mandate, and do not condition any benefit on, the caching of information that those browsers and operating systems may or may not cause to occur. It now seeks from this Court an unjustified windfall that would permit it to threaten virtually any company with a website or mobile application.

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<sup>5</sup> See Dist. Ct. Docket Entry 344 at Ex. Q § 1, Ex. R § 1.8, Ex. P § 1.

Beyond the patent at issue, this Court should not accede to IBM's request to issue a *per se* rule that, regardless of particular factual circumstances or claim language, any party is always liable, as a *direct* infringer, for any and all actions that result when that party provides software instructions that an end user's equipment carries out. *See* Pet. 1. Under that *per se* rule, for example, any website operator that provides HTML code could be automatically liable for any alleged infringement, however remote, that occurs when that code is processed by hardware or software controlled by the user and unknown to the website operator. Rather than embarking on that treacherous and uncharted course, the panel properly limited itself to applying settled law to the facts of this case.

### CONCLUSION

The Court should deny the petition for rehearing *en banc*.

Respectfully submitted,

/s/ Jonathan S. Franklin

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August 8, 2019

Counsel for Appellees

## **CERTIFICATE OF COMPLIANCE**

Pursuant to Fed. Cir. R. 35(e)(4), I certify that this Opposition is proportionately spaced and contains 3808 words excluding parts of the document exempted by Fed. R. App. P. 35(c)(2).

Dated: August 8, 2019

/s/ Jonathan S. Franklin

## **CERTIFICATE OF SERVICE**

I certify that on August 8, 2019, the foregoing response was served on all counsel of record via the Court's CM/ECF system.

/s/ Jonathan S. Franklin