

# ClientAlert

## Intellectual Property

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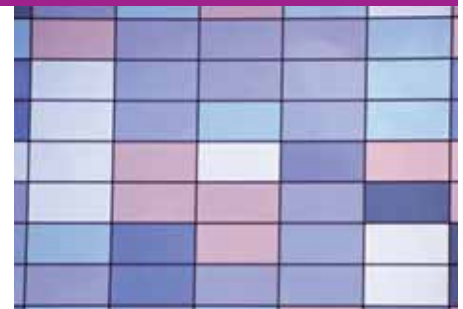
### Federal Circuit Muddies the Water With Its Clarification on Inducement Liability

On August 31, 2012, the Federal Circuit, sitting *en banc*, loosened the requirements for proving induced infringement of method claims. In a 6-5 split decision in the cases of *Akamai Tech., Inc. v. Limelight Networks, Inc.* and *McKesson Tech., Inc. v. Epic Systems Corp.*, Nos. 2009-1372, -1380, -1416, -1417 and 2010-1291 (Fed. Cir. Aug. 31, 2012), the Federal Circuit overruled its previous 2007 decision in *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1371 (Fed. Cir. 2007) and held that a defendant may be liable for inducing infringement of a method claim, even when all steps of the claim are not committed by a single entity. Maj. Op. 10. While some hailed this decision as closing what has been perceived as a loophole that allows entities to escape infringement liability under certain circumstances, others expressed concern about the potential for abuse and an expansion of liability beyond what was contemplated by Congress in 35 U.S.C. § 271.

*Akamai* and *McKesson* revolve around the question of whether a defendant may be held liable for inducing infringement when steps of a claimed method are performed by multiple actors. In *Akamai*, the patent involved a method for efficient delivery of web content. Maj. Op. 11. *Akamai* alleged both direct and induced infringement by Limelight, a company that maintains a network of servers and places some content on its servers for efficient delivery. *Id.* Limelight, however, does not perform all the steps of the claimed method. Limelight's customers perform the step of modifying the content provider's web pages by following Limelight's instructions on how to do so. *Id.* The *Akamai* lower court held that Limelight did not infringe because Limelight's customer, not Limelight, performed one of the steps of the claimed method. Maj. Op. 12.

In *McKesson*, defendant Epic provides software used by healthcare organizations for electronic communication between doctors and patients. Maj. Op. 11. Epic does not perform any steps of the claimed method. *Id.* Those steps are performed by either the healthcare provider or the patient. *Id.* Similar to the *Akamai* case, the district court in *McKesson* also held that Epic did not infringe the patent because the patients, not Epic or its direct customers, performed the step of initiating the communication. Maj. Op. 12.

Both lower courts in *Akamai* and *McKesson* based their decisions on Federal Circuit precedent, which held that "for a party to be liable for direct patent infringement under 35 U.S.C. § 271(a), that party must commit all the acts necessary to infringe the patent, either personally or vicariously." *Id.* (citing *Cross Med. Producers, Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1311 (Fed. Cir. 2005)). With respect to method claims, there would be no liability for direct infringement unless a single party has performed each and every element of the claimed invention. Maj. Op. 13 (citing *BMC*, 498 F.3d at 1381 and



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*Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008) (*en banc*). When multiple actors perform the steps of a method claim, there would be no direct infringement liability for a party who does not perform all the steps, absent an agency relationship or under a mastermind theory, whereby a party acts pursuant to the accused infringer's direction or control. *Id.*

On appeal, briefings in these cases, including *amicus curiae* briefs, focused on the questions of "whether direct infringement can be found when no single entity performs all of the claimed steps of the patent." Maj. Op. 10. The Federal Circuit, however, sidestepped this question entirely. Rather, the appellate court emphasized that this decision does not change the legal landscape with respect to direct infringement of method claims. Maj. Op. 13 (stating specifically that, "[b]ecause the reasoning of our decision today is not predicated on the doctrine of direct infringement, we have no occasion at this time to revisit any of those principles regarding the law of divided infringement as it applies to liability for direct infringement under 35 U.S.C. § 271(a)"). This decision is limited to liability under an inducement theory, as codified by 35 U.S.C. § 271(b).

The Court reaffirmed the well-established principle that "there can be no indirect infringement without direct infringement." Maj. Op. 15. The Federal Circuit only overruled *BMC* to the extent *BMC* held that "in order for a party to be liable for induced infringement, some other single entity must be liable for direct infringement." Maj. Op. 10 (citing *BMC*, 498 F.3d at 1373). The Court made it clear that "all the steps of a claimed method must be performed in order to find induced infringement, but that it is not necessary to prove that all the steps were committed by a *single* entity." *Id.* (emphasis added).

To reach this conclusion, the Federal Circuit separated the act of direct infringement from direct infringement liability. The Court clarified that "[r]equiring proof that there *has been* direct infringement as a predicate for induced infringement is not the same as requiring proof that a single party would be *liable* as a direct infringer." Maj. Op. 16 (emphasis in original). The Court's decision in this case is grounded in equity, reasoning that an inducer, who knowingly induced others to commit infringing acts, should not be shielded from liability for indirect infringement simply because no single defendant has committed all the acts necessary to give rise to liability for direct infringement. *Id.*

Both dissenting opinions, one by Judge Newman and one by Judge Linn, joined by Judges Dyk, Prost and O'Malley, criticized the majority opinion for failing to address the *en banc* questions concerning divided infringement. Newman Dissent 3 and Linn Dissent 4. Judge Linn's dissent, in particular, disagreed that joint liability under a direct infringement theory as codified by 35 U.S.C. § 271(a) can be somehow separated out from joint liability under an inducement theory as codified by 35 U.S.C. § 271(b). Linn Dissent 4. Both dissenting opinions also expressed concerns that the majority opinion has dramatically changed the landscape of patent infringement and reaches beyond statutory interpretation in an attempt to rewrite Congress's laws. Newman Dissent 2 and Linn Dissent 3.

In reaching its decisions in *Akamai*, the Federal Circuit has essentially punted on the question of whether and who would be responsible for direct infringement of method claims in cases of divided infringement involving multiple actors. In a September 4, 2012 decision in *Mirror Worlds, LLC v. Apple Inc.*, 2001-1392 (Fed. Cir. Sept. 4, 2012), the Court, without addressing its recent decision in *Akamai*, implied that a single actor is still required for a finding of direct infringement of a method claim. Op. 13 (noting that "Mirror Worlds, as the patentee here, has to show that Apple [a single actor] performed all of the steps in the claimed methods."). With respect to liability under an inducement theory, the *Mirror Worlds* Court simply reaffirmed that a finding of inducement requires a showing of an underlying act of direct infringement, without addressing the joint actor issue. Op. 15.

Unless the Supreme Court chooses to take up this issue, for now, *Akamai* represents the latest word on inducement liability under 35 U.S.C. § 271(b) and allows for a finding of liability whether or not a single actor performs each and every step of a method claim. For patentees, this decision closes a loophole and perhaps eases the enforcement of method claims. For accused infringers, the next battle will focus on the requisite intent necessary for a finding of liability as an inducer, regardless of how many actors perform the claimed method.

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