



Induced infringement of method claims where no single party performs all of the claimed steps

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Akamai Technologies, Inc, et al v Limelight Networks, Inc, and McKesson Technologies, Inc v Epic Systems Corp, 692 F 3d 1301 (Fed Cir 2012) (*en banc*), 31 August 2012

The Federal Circuit sitting *en banc*, found that a party may be liable for induced infringement of a method claim, even where no single party performs all of the claimed steps.

Legal context

In order to infringe a method claim directly, all the steps of the claimed method must be performed: 35 USC §271(a). A party may also be liable for infringement as an inducer if that entity induces another to perform all the elements of a claim: 35 USC §271(b). A party may only be liable for induced infringement if there is a direct infringement: *Aro Mfg Co v Convertible Top Replacement Co*, 365 US 336, 341 (1961).

The typical scenario of induced infringement involves a defendant who induces a single entity to commit all the steps in a claimed method. However, in a series of cases over the past decade, the Federal Circuit was presented with a scenario not squarely addressed by the statutes mentioned above. In particular, the Federal Circuit was asked to decide whether a defendant may be liable for induced infringement under circumstances where no single entity performs all steps in the claimed method but where all steps in a claimed method are practised by more than one entity. This scenario is commonly referred to as 'divided infringement'.

In addressing this issue, the Federal Circuit set forth conflicting analyses in multiple cases. For example, in *Fromson*, the Federal Circuit suggested that a manufacturer could be liable for contributory infringement where it performs some steps of a method and its customers perform the remainder of the steps: *Fromson v Advance Offset Plate, Inc*, 720 F 2d 1565, 1567–68 (Fed Cir 1983).

In contrast, more recently, the Federal Circuit in *BMC* and *Muniauction* took a different position by holding that in cases of divided infringement, a single entity (or agents of a single entity acting under its 'direction or control') must perform all the steps of a method claim in order for there to be direct or indirect infringement: *BMC Res, Inc v Paymentech, LP*, 498 F 3d 1373, 1382 (Fed Cir 2007); *Muniauction, Inc v Thomson Corp*, 532 F 3d 1318, 1329



(Fed Cir 2008). This proposition is commonly referred to as the ‘single entity rule’.

Further muddying the waters, the Federal Circuit also set forth a different standard for addressing the divided infringement issue in the context of system claims. In particular, the Federal Circuit held in *Centillion* that an entity can infringe a system claim even if it did not control all elements of the system, since an entity ‘uses’ a system under s 271(a) if it ‘puts the system as a whole into service, i.e., controls the system and obtains benefit from it’: *Centillion Data Sys, LLC v Qwest Commc’ns Int’l*, 631 F 3d 1279, 1285 (Fed Cir 2011).

Facts

Akamai/McKesson is a consolidated appeal of two cases, *Akamai Techs, Inc v Limelight Networks, Inc* and *McKesson Info Solutions LLC v Epic Sys Corp*.

In *Akamai*, Akamai Technologies owned a patent covering a process for efficient delivery of web content: *Akamai Techs, Inc v Limelight Networks, Inc*, 614 F Supp 2d 90, 97 (D Mass 2009) (*‘Akamai I’*). The patent claimed a method of replicating and placing some of a content provider’s information on a set of servers and modifying the content provider’s web pages to retrieve content from those servers. The defendant, Limelight Networks, maintained a similar content delivery system that placed some of a content provider’s information on its servers. However, Limelight did not modify the content provider’s web pages itself, but provided instructions to its customers containing the steps needed to achieve that modification. The district court relied on *BMC* to hold that Limelight did not infringe Akamai’s patents because Limelight’s customers performed one of the steps in the claimed process, rather than Limelight itself. On appeal, a three judge panel at the Federal Circuit held that Limelight did not infringe Akamai’s patent because ‘Limelight did not perform all of the steps of the asserted method claims, and the record contains no basis on which to attribute to Limelight the actions of its customers who carried out the other steps’: *Akamai Techs, Inc v Limelight Networks, Inc*, 629 F 3d 1311, 1314 (Fed Cir 2010) (*‘Akamai II’*).

Similarly, in *McKesson*, McKesson Information Solutions owned a patent regarding a method of electronic communication between healthcare providers and their patients: *McKesson Info Solutions LLC v Epic Sys Corp*, 2009 US Dist LEXIS 88158 at *4 (ND Ga 2009) (*‘McKesson I’*). The defendant, Epic Systems licensed its software to healthcare providers that permitted the providers to communicate electronically with patients. While Epic did not perform any of the steps in the patented method, those steps were performed by the healthcare providers and their patients. The district court used the same logic to grant summary judgment of non-infringement since healthcare providers and patients performed the steps in the patented method, rather than Epic itself. On appeal, a three judge panel of the Federal Circuit held that Epic did not induce infringement because a single party did not perform all steps of the patent and Epic did not exercise ‘control or direction’



over its customers such that the customers' actions would be attributable to Epic: *McKesson Techs Inc v Epic Sys Corp*, 2011 US App LEXIS 7531, at *7 (Fed Cir 2011) ('*McKesson II*'). In a concurring and dissenting opinion submitted with the case, two judges on the panel questioned the current line of authority on divided infringement issues.

After the Federal Circuit agreed to review these decisions *en banc*, both decisions were vacated and consolidated for *en banc* review.

Analysis

The Federal Circuit sought full briefing on the following questions:

1. If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?
2. If separate entities each perform separate steps of a method claim, under what circumstances, if any, would either entity or any third party be liable for inducing infringement or for contributory infringement?
3. Does the nature of the relationship between the relevant actors—eg service provider/user; doctor/patient— affect the question of direct or indirect infringement liability?

Akamai Techs, Inc v Limelight Networks, Inc, 419 Fed App'x 989 (Fed Cir 2011) (*en banc*); *McKesson Techs Inc v Epic Sys Corp*, 463 Fed App'x 906, 907 (Fed Cir 2011) (*en banc*).

In a split decision (6-1-4) that demonstrates a sharp divide among the court on this issue, the *en banc* panel of the Federal Circuit rejected the current trend in the law and held that there can be induced infringement of a method claim when multiple entities perform all the steps of the method. While reiterating that there can be no induced infringement without each step of the claim being performed, the majority of the Federal Circuit overruled its precedent in *BMC*.

The majority limited its holding to finding that it is possible to induce infringement of a method claim in circumstances where separate entities perform all the steps of the method. In reaching its decision, *Akamai/McKesson* did not reach the first or third questions above, nor did it address the issue of whether and under what circumstances multiple parties can be liable for direct infringement under § 271(a).

Judge Newman authored a dissenting opinion criticizing the majority for finding that there could be induced infringement without resolving the circumstances under which method steps of a claim performed by multiple parties could result in direct infringement. Judge Linn, in a separate dissenting opinion joined by three other judges, argued that neither direct nor indirect infringement can occur when more than one entity performs the steps of a method.

Each of the Federal Circuit's opinions is discussed in turn.



The majority *per curiam* opinion

The majority *per curiam* opinion began by distinguishing the special nature of a patent directed toward a process or method from a patent directed toward a product. The majority explained that with a product, ‘direct infringement is always present, because the entity that installs the final part and thereby completes the claimed invention is a direct infringer’. However, in process patents ‘parties . . . can often arrange to share performance of the claimed steps . . .’. The majority found that this presents a complication for proving direct infringement by a single party. Nonetheless, the majority declined to reach the question of whether a single entity must perform all the steps in a claimed method for direct infringement because the cases were resolved under the doctrine of induced infringement.

Next, the majority criticized the single actor rule of *BMC* for improperly concluding that ‘not only must the inducement give rise to direct infringement, but in addition the direct infringement must be committed by a single actor’. The majority reasoned that: Requiring 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. If a party has knowingly induced others to commit the acts necessary to infringe the plaintiff’s patent and those others commit those acts, there is no reason to immunize the inducer from liability for indirect infringement simply because the parties have structured their conduct so that no single defendant has committed all the acts necessary to give rise to liability for direct infringement.

Moreover, since the impact on the patent owner is identical, the majority found it ‘bizarre’ that the law would treat differently a party who knowingly induced others to engage in acts that collectively practise a claimed method and a party who knowingly induced a single party to practise the same process.

The majority, relying upon the statutory text, explained that: [n]othing in the text indicates that the term ‘infringement’ in Section 271(b) is limited to ‘infringement’ by a single entity. Rather, ‘infringement’ in this context appears to refer most naturally to the acts necessary to infringe a patent, not to whether those acts are performed by one entity or several.

Likewise, the majority found that neither §§ 271(e)(2) nor (f) limit the term ‘infringement’ to occur by a single entity.

The majority also found support in the legislative history of the 1952 Patent Act. Specifically, the majority relied on statements made by Judge Giles Rich, one of the principal drafters of the statute, who said that ‘he saw no anomaly in finding liability for indirect infringement when there was “obvious infringement of the patent” even though there was “no direct infringer of the patent”’.

Looking outside of patent law, one who induces, aids or abets criminal activity is liable regardless of whether the intermediary is criminally responsible for its own conduct. Likewise,



the Second Restatement of Torts provides that ‘a person is liable for tortious conduct if he “orders or induces the conduct, if he knows or should know of circumstances that would make the conduct tortious if it were his own.” That basis for liability is “independent of the existence of liability” based “on the ground that [the defendant] was principal or master”.’

The majority further surveyed the Supreme Court case law and found that, although a finding of direct infringement was a prerequisite for a finding of induced infringement, none of those cases held that all the steps in the patented process had to be performed by the same entity. Instead, the majority found that the case law emphasized ‘that what was induced was the fact of infringement, not liability for direct infringement by a single actor’ (emphasis added).

Finally, the majority took issue with Judge Linn’s charge, in his dissent, that the majority decision made a ‘sweeping change to the nation’s patent policy’: it was the *BMC* case that changed the pre-existing regime. The majority’s position did not change the law because it was rooted in the text of § 271, criminal and tort principals and legislative history.

Judge Linn’s dissent

Judge Linn, joined by three other judges, argued in favour of the single actor rule, ie that if there is no direct infringement of a patent by a single entity, there should be no indirect infringement. Direct infringement under § 271(a) defines ‘infringement’ and induced infringement under § 271(b) used that same definition of ‘infringement’. Judge Linn also disagreed with the majority’s reasoning that § 271(a) did not define ‘infringement’ because of how that term was used in §§ 271 (e)(2), (f) and (g). In contrast, he found those sections of the statute undercut the majority’s position: ‘[W]hen Congress intended to cover acts not encompassed within the traditional definition of infringement, it knew how to create an alternate definition thereof’. ‘[I]f there is no direct infringement of a patent, there can be no contributory infringement.’

Judge Linn added that, due to the strict liability nature of direct infringement, ‘this court has limited direct infringement liability “to those who practise each and every element of the claimed invention,” i.e., the “single entity rule”’. He then cited the *BMC* line of cases for the proposition that ‘where the actions of one party can be legally imputed to another such that a single entity can be said to have performed each and every element of the claim, that single entity is liable as a direct infringer’.

Judge Newman’s dissent

Judge Newman opened her dissent by taking issue with the ‘single-entity rule’ supported by Judge Linn and *BMC*, expressing concern over the situation where two entities enter into an arm’s length transaction to split the performance of the steps in a claimed method. Since this may be done for the purpose of avoiding direct infringement, she criticized this rule because it ‘leaves a meritorious patentee without redress’.

To address that problem, Judge Newman proposed a rule that ‘[d]irect infringement



may be by more than one entity.’ In support of this conclusion, she analysed § 271(a) which states ‘*whoever . . . uses . . . any patented invention . . . infringes the patent*’: 35 USC §271(a) (emphasis added) and found that, since the word ‘whoever’ can embrace both the singular and the plural, the statute by its terms did not limit direct infringement to a single actor.

Judge Newman took issue with the majority for not recognizing that multiple actors could directly infringe a claim, and instead adopting an ‘Inducement-Only Rule’. Finally, she questioned the impact of the majority’s decision on remedies. For instance, would an injunction against an inducer extend to enjoin the direct infringers? Judge Newman also argued that the allocation of remedies is a case specific determination and that damages ought to be determined in relation to a party’s culpability, asserting that allocating remedies under the majority’s approach would be problematic because only the inducer would be liable, not the direct infringers.

Practical significance

For the past decade, a trend in the patent law had developed making it more difficult to prove that someone induced multiple actors to infringe a method claim. In *Akamai/McKesson* that trend was reversed, and the majority recognized that someone could be liable for inducing patent infringement of a method claim, even when more than one actor is involved, as long as each of the steps of the claim are performed. It remains to be seen how courts will apply the new tests for inducing infringement, and if similar changes will be applied in the future with respect to direct infringement and contributory infringement involving multiple actors.

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