

Patent Infringers May No Longer Divide and Conquer Under an Induced Infringement Theory Following *Akamai* and *Epic Systems*

Until recently, any claim of patent infringement—whether direct or indirect—has required proof that a single actor practices each and every element of an asserted patent’s claims. This rule changed, however, in the *en banc* Federal Circuit Court of Appeals ruling in the parallel cases of *Akamai Technologies, Inc. v. Limelight Networks, Inc.* and *McKesson Technologies, Inc. v. Epic Systems, Corp.*¹ In those cases, the Federal Circuit held that a claim of patent infringement under an induced infringement theory could be predicated on acts of more than one party that combine to infringe the asserted patents. This is a significant change in the law of induced infringement that may be considered by the U.S. Supreme Court next term.² This article summarizes the law as it stood prior to the decision and the facts and holdings of *Akamai* and *Epic Systems*. It also looks to recent Federal Circuit law as to the impact of *Akamai* and *Epic Systems* on the law of induced infringement.

Induced Infringement and the Multiple Actor Issue

Two basic principles of patent law have protected infringers from liability when a patentee has had to point to multiple actors to prove infringement, commonly referred to as divided infringement. First, to show direct infringement under 35 U.S.C. § 271(a), a patentee must prove that a single actor practices each element of an asserted patent claim. This rule derives from the statute itself, which states, “whoever without authority makes, uses, offers to sell, or sells any patented invention within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” Thus, liability for direct patent infringement requires a party to make, use, sell, or offer to sell the patented invention, meaning the *entire* invention.

Even when there is no direct infringement, the patent law provides remedies under principles of indirect infringement. Indirect infringement may be asserted under theories of induced infringement or contributory infringement, but the focus of this article is on induced infringement.³

The statutory authority for induced infringement is found in 35 U.S.C. § 271(b), which states, “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” Until last year, the Federal Circuit interpreted that statute as requiring a predicate finding of direct infringement by one party to maintain a claim for induced infringement.⁴

The “Mastermind” Rule

The Federal Circuit addressed divided infringement in 2007 in *BMC Resources, Inc. v. Paymentech, L.P.*⁵ There, the court considered infringement by multiple parties of a single patent claim and concluded that a claim for induced infringement could not be sustained.

Starting with the principle that direct infringement requires a party to perform or use each and every step or element of a patented method, the court went on to discuss the circumstance when a defendant “participates in or encourages infringement but does not directly infringe a patent.” The court stated that the “normal recourse under the law is for the court to apply the standards for liability under indirect infringement.”⁶

But, the Federal Circuit explained, “[i]ndirect infringement requires as a predicate, a finding that some party amongst the accused actors has committed the entire act of direct infringement.”⁷ Because no single actor practiced each element of the asserted patent claim, the patentee could not prevail on its claim of induced infringement.

Recognizing that these rules “might seem to provide a loophole for a party to escape infringement by having a third party carry out one or more of the claimed steps on its behalf,” the Federal Circuit instead turned to the general law of vicarious liability. “[T]he law imposes vicarious liability on a party for the acts of another in circumstances showing that the liable party controlled the conduct of the acting party.”⁸ Thus, the court concluded, “[a] party cannot avoid infringement ... simply by contracting out steps of a patented process to another entity. In those cases, the party in control would be liable for direct infringement. It would be unfair indeed for the mastermind in such situations to escape liability.”⁹ At the same time,

though, following *BMC Resources* there could be no claim for indirect (induced) infringement under a divided infringement theory.

Divided Infringement Under an Induced Infringement Theory

That rule of patent law changed late last year in *Akamai* and *Epic Systems*.¹⁰ There, the Federal Circuit addressed the specific questions of whether a defendant may be held liable for induced infringement where either (1) “the defendant has performed some of the steps of a claimed method and has induced other parties to perform the remaining steps (the *Akamai* case)” or (2) “the defendant has induced other parties to collectively perform all the steps of the claimed method, but no single parties has performed all of the steps itself (the *Epic Systems* case).”¹¹

The Federal Circuit answered both of these questions affirmatively, holding that a patentee may assert a claim for induced

as no one party performed all the steps of the method patent.

Similarly in the *Epic Systems* case, the patent at issue covered a method for electronic communications between health care providers and their patients.¹⁷ McKesson filed suit against Epic Systems, which licenses software to health care organizations, for inducing patent infringement.¹⁸ Unlike in *Akamai*, Epic Systems itself did not perform any of the patented steps. Rather, the steps were divided between the initiator of the conversation (i.e., the patients) and the health care provider, who would perform the remainder of the steps.¹⁹

Again, under *BMC Resources*, the patentee would not have been able to establish induced infringement, as no single actor performed or controlled all of the steps of the patent claim. Accordingly, both Limelight and Epic Systems were held to have not infringed the patents asserted against them at the district court level.²⁰



infringement under § 271(b) based on the combined acts of more than one party.

In *Akamai*, the patent at issue involved a method for the efficient delivery of web content.¹² The claimed method had two elements 1) “placing some of a provider’s content elements on a set of replicated servers” and 2) “modifying the content provider’s web page to instruct web browsers to retrieve that content from those servers.”¹³ *Akamai* filed suit against defendant Limelight under theories of both direct and induced infringement.¹⁴ However, while Limelight maintained a network of servers and performed the first step of the patented method by allowing for efficient content delivery via its servers, it did not modify the content providers’ website itself.¹⁵ Limelight did, however, instruct its customers on how to accomplish this modification, and thus on how to perform the second claim element.¹⁶ Under the law as established in *BMC Resources*, though, this was not sufficient control and direction, and *Akamai* was unable to prove either direct or induced infringement,

In its *en banc* decision in *Akamai* and *Epic Systems*, the Federal Circuit reasoned:

A party who knowingly induces others to engage in acts that collectively practice the steps of the patented method—and those others perform those acts—has had precisely the same impact on the patentee as a party who induces the same infringement by a single direct infringer; there is no reason, either in the text of the statute or in the policy underlying it, to treat the two inducers differently. In particular there is no reason to hold that the second inducer is liable but not the first.

Likewise, a party who performs some of the steps itself and induces another to perform the remaining steps that constitute infringement has precisely the same impact on the patentee as a party who induces a single person to carry out all

the steps. It would be a bizarre result to hold someone liable for inducing another to perform all of the steps of a method claim but to hold harmless one who goes further by actually preperforming some of the steps himself.²¹

Thus, now, liability for induced infringement exists where the accused infringer:

1. Knew of the patent; and
2. Induced performance of the steps of the method or performed some steps and induced the others; and
3. All steps of the patented method were actually performed.²²

Following *Akamai/Epic Systems*, when asserting infringement under an induced infringement theory, it is no longer necessary to prove that all the steps of a patent claim were committed by a single entity.²³ Instead, a party may now be liable for induced infringement even where it neither practices all of the steps of the asserted patent claim nor controls or directs another party or parties to perform all or some of those steps.

While all of the steps of a patent claim must still be performed to find infringement, more than one actor may perform them and such divided infringement may support an inducement claim under § 271(b). This is a significant change in the patent law.

Innocent Actors—Application of *Akamai* and *Epic Systems* in *Move, Inc. v. Real Estate Alliance Ltd. (REAL)*

One of the fears expressed following the Federal Circuit's reversal of *BMC Resources* in *Akamai/Epic Systems* was that innocent actors who unknowingly practiced some but not all steps of a patented process or method could now be held liable under an induced infringement theory. The Federal Circuit addressed this issue when it applied the new rules governing infringement by multiple actors in *Move, Inc. v. Real Estate Alliance Ltd. (REAL)*.²⁴

The patent at issue in *Move, Inc.* was directed to methods for locating available real estate properties using a zoom-enabled map on a computer.²⁵ The asserted patent claim covered "a method using a computer for locating available real estate properties," comprising the steps of, *inter alia*, "selecting a first area having boundaries within the geographic area" and "selecting a second area having boundaries within the zoomed area." On an initial appeal, the Federal Circuit determined that "selecting an area" as recited in these steps means that "the user or a computer chooses an area having boundaries, not when the computer updates certain display variables to reflect the selected areas."²⁶

On remand, the district court granted summary judgment to REAL, holding that the functions of Move's website precluded a finding of direct infringement because Move did not perform the "selecting" steps required by the claim; rather, a user, not the computer, performs the claim element. Therefore, the district court concluded that there was neither direct infringement by Move's systems, because those systems did not practice each element of the claim, nor indirect (induced) infringement, because Move did not exert direction or control over users who may have performed the selecting steps under the "mastermind" approach in *BMC Resources*.²⁷

On appeal of the district court's grant of summary judgment of non-infringement, the Federal Circuit agreed that there was no

direct infringement because no single actor practiced each step or element of the asserted patent claim.²⁸ The Federal Circuit reversed the district court's finding of no infringement, noting that the district court did not have the benefit of its decision in *Akamai/Epic Systems* at the time of its ruling. Thus, the Federal Circuit found that the district court had erred in not considering the possibility of inducement under 35 U.S.C. 271(b), stating that "if the patentee is able to prove that all actors were induced to act in a way that completed all of the claimed steps, and that the accused inducer had knowledge of the patent, then inducement liability will exist."²⁹

In *Move, Inc.* the Federal Circuit again emphasized that under the holding of *Akamai/Epic Systems*, a claim of induced infringement by multiple actors "requires that the accused inducer ... knew of the asserted patent and performed or knowingly induced the performance of the steps of the claimed methods, and that all of those steps were in fact performed."³⁰ In so holding, the Federal Circuit laid to rest lingering concerns that innocent actors (such as the end user in *Move, Inc.*) could be held liable under an induced infringement theory.

Conclusion

The Federal Circuit's decision in *Akamai/Epic Systems* reflected a significant change in the law of divided infringement that will have wide ranging implications. The solicitor general's briefing and any ultimate Supreme Court decision in the *Akamai* matter will be particularly instructive. In the meantime, patent infringers may no longer divide and conquer under an induced infringement theory following the Federal Circuit's decision. ☉

Endnotes

¹692 F.3d 1301 (Fed. Cir. 2012).

²Plaintiff in the *Akamai* case has filed a petition for writ of certiorari and the Supreme Court has invited the solicitor general to provide briefing on the issue. *Limelight Networks, Inc. v. Akamai Tech. Inc., et al.*, 133 S. Ct. 2879 (2013).

³35 U.S.C. §§ 271(b) and 271(c), respectively.

⁴*BMC Resources, Inc. v. Paymentech L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).

⁵*Id.* at 1379.

⁶*Id.*

⁷*Id.*

⁸*Id.* (citations omitted).

⁹*Id.* at 1381; see also *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1301, 1307 (Fed. Cir. 2012). ("Where the combined actions of multiple parties are alleged to infringe process claims, the patent holder must prove that one party exercised control or direction over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the mastermind.")

¹⁰692 F.3d 1301.

¹¹*Id.* at 1305.

¹²*Id.* at 1306.

¹³*Id.*

¹⁴*Id.*

¹⁵*Id.*

¹⁶*Id.*

¹⁷*Id.*

¹⁸*Id.*

¹⁹*Id.*

²⁰*Id.*

²¹*Id.* at 1309.

²²*Id.* at 1318.

²³*Id.* at 1306.

²⁴709 F.3d 1117 (Fed. Cir. 2013).

²⁵*Id.* at 1119-20.

²⁶*Id.* at 1120 (citing *Move, Inc. v. Real Estate Alliance Ltd.*, 413

F. App'x 280, 296 (Fed. Cir. 2011)).

²⁷*Id.*

²⁸*Id.* at 1122.

²⁹*Id.*

³⁰*Id.* at 1123.

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⁴³*Id.*

⁴⁴*Id.* § 1001 *et seq.*

⁴⁵*Id.* § 1003.

⁴⁶*Id.* § 1004.

⁴⁷*Id.* § 1005.

⁴⁸*Id.* § 1004 (a).

⁴⁹*Id.* § 1004 (b).

⁵⁰The motto of Guam is "Where America's Day Begins."

⁵¹Guam has no sand whatsoever. Its beaches are, in reality, covered with ground coral.

⁵²GUAM CODE ANN. Title 5, ch. 20, art 4, § 20405(b).

⁵³*Id.* § 20405(a).

⁵⁴*Id.* § 20406.

⁵⁵*Id.* § 20402.

⁵⁶*Id.* § 20403.

⁵⁷*Id.* § 20414.

⁵⁸*Id.* § 20408.

⁵⁹*Id.* § 20410(a).

⁶⁰*Id.* § 20410(b).

⁶¹*See, generally*, GUAM CODE ANN. Title 9, ch. 47, §§ 47.10 *et seq.* (Trademark Counterfeiting Act).

⁶²*Id.* § 47.10(a).

⁶³*Id.* § 47.20.

⁶⁴*Id.* § 47.30.

⁶⁵*Id.* § 47.40.

⁶⁶*Id.* § 47.60(a).

⁶⁷*Id.* § 47.60(b).

⁶⁸*Id.* § 47.70.

⁶⁹27 AM. SAMOA CODE ANN. § 27.0302.

⁷⁰*Id.* § 27.0303.

⁷¹*Id.* § 27.0304.

⁷²*Id.* § 27.0306.

⁷³*Id.* §§ 43.1301 *et seq.*

⁷⁴*Id.* § 43.1309.

⁷⁵*Id.* § 43.1311.

⁷⁶*Id.* § 43.1313.

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(D. Del. Aug. 12, 2010).

¹⁸*Clouding IP, LLC v. Amazon.com, Inc.*, 2013 WL 2293452 (D. Del. May 24, 2013) (dismissing indirect infringement but not willfulness); *Eon Corp. IP Holdings LLC v. Flo TV, Inc.*, 802 F. Supp. 2d 527 (D. Del. 2011); *Xpoint Tech., Inc. v. Microsoft Corp.*, 730 F. Supp. 2d 349 (D. Del. 2010) (dismissing indirect infringement but not willfulness); *Chalumeau Power Sys. LLC v. Alcatel-Lucent*, 2012 WL 6968938, at *2 (D. Del. July 18, 2012) (dismissing willfulness and indirect infringement); *see Execuware, LLC v Staples, Inc.*, 2012 WL 6138340, at *7 (D. Del. Dec. 10, 2012) (recommending dismissal of claims of indirect infringement and willfulness without prejudice).

¹⁹*See* www.ded.uscourts.gov/court-info/local-rules-and-orders/guidelines.

²⁰*Compare CyberFone Sys. LLC v. Amazon.com, Inc., et al.*, No 11-831 (D.I. 91) (D. Del. Mar. 8, 2012) *with Platte Chem. Co. v. Fuzion AG, Inc. et al.*, No. 11-1159 (D.I. 41) (D. Del. Apr. 10, 2012).

²¹Judge Stark, Standing Order Regarding Case Dispositive Motions in Patent Cases, www.ded.uscourts.gov/sites/default/files/Chambers/LPS/StandingOrders/Standing_Order_Case_Dispositive_Motions-Patent.pdf.

²²Judge Sleet, Important Note to Counsel About Contacting Chambers and Page Limigs for Briefing, www.ded.uscourts.gov/judge/chief-judge-gregory-m-sleet.

²³*See* Nos. 11-827-SLR, 11-829-SLR, 11-831-SLR, 12-113-SLR, 12-116-SLR.

²⁴*Cyberfone Systems, LLC v. Cellco Partnership*, 885 F. Supp. 2d 710 (D. Del. 2012).

²⁵*See, generally*, No. 11-833-SLR (D.I. 182).

²⁶*See Finjan, Inc. v. Symantec Corp. et al.*, C.A. No. 10-593-GMS.

²⁷Briefing in the case noted that Finjan had divested itself of all operations in November 2009. No. 10-593 (D.I. 18).

²⁸Press Release, The White House, Fact Sheet: White House Task Force on High-Tech Patent Issues (June 4, 2013) www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues.

²⁹Vermont H.299; *see also* Parija Kavilanz, Vermont fights back against 'patent trolls', CNN MONEY (May 24, 2013) money.cnn.com/2013/05/24/smallbusiness/patent-trolls/index.html (explaining Vermont bill).

³⁰Paul Shakovsky, Key Players Update AIPLA on Growing Momentum for Patent Small Claims Court, BLOOMBERG BNA, www.bna.com/key-players-update-n17179873839/; Gene Quinn, PTO Considering Patent Small Claims Proceedings, IPWATCHDOG (Feb. 10, 2013) www.ipwatchdog.com/2013/02/10/pto-considering-patent-small-claims-proceedings/id=35154.