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Federal Circuit Partially Revises Divided Infringement Law

On Aug. 31, 2012, the Federal Circuit Court of Appeals released its long-awaited en banc decision in two cases: *Akamai Technologies Inc. v. Limelight Networks Inc.* and *McKesson Technologies Inc. v. Epic Systems Corporation*.[1] The court granted a combined en banc rehearing in these cases to address divided infringement of method claims. In its en banc decision, the Federal Circuit changed the law concerning induced infringement when method steps are performed by multiple entities. Specifically, induced infringement may now be found when method steps are performed by separate and independent entities.

Divided infringement of a method claim occurs when steps of the method are performed by multiple entities. Prior to the en banc decision, it could be quite difficult for a patentee to recover under such circumstances. For example, a patentee was required to prove that a sued party performed all steps of a claimed method in order to recover for "direct" infringement of that method under 35 U.S.C. § 271(a). Stated differently, there could be no liability for direct infringement if performance of the method steps was divided among multiple entities. The single entity requirement could only be avoided if a party performing some of the method steps was an agent of, or acting pursuant to direction or control of, a party performing other steps of the method. The original panel decision in the *Akamai* case limited the circumstances under which such agency, direction, or control could be found by holding that "there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps."[2] That panel decision also indicated that there would be no agency unless one party had the right to cause another party to perform one or more claimed steps.[3]

Patentees could also have difficulty establishing "indirect" infringement of a method claim in a divided infringement scenario prior to the recent en banc decision. In particular, U.S. patent law allows a patentee to sue a party who actively induces another party to infringe a patent. Such suits arise under 35 U.S.C. § 271(b) and are a form of indirect infringement because the sued party does not itself infringe the method claim. In order to sue a party for indirect infringement under § 271(b), however, controlling Supreme Court precedent requires that there be an underlying act of direct infringement. Previous Federal Circuit decisions further required that a direct infringement underlying a § 271(b) indirect infringement be a direct infringement under § 271(a). For a method claim, this meant that a patentee relying on § 271(b) had to show that an accused party actively induced a single entity (or a single entity and one or more agents or other directed or controlled parties) to perform all of the method steps.

In the *Akamai* case, the claimed method involved placing web content on a set of replicated servers and modifying a content provider's web page to instruct browsers to retrieve content from those servers.[4] Akamai sued Limelight alleging direct and indirect infringement.[5] Limelight maintained a network of servers, but Limelight did not itself modify the content providers' web pages.[6] In effect, Limelight's customers performed one of the claim steps and Limelight performed other steps. In the *McKesson* case, the patent covered a method of electronic communication between healthcare providers and their patients.[7] McKesson alleged that Epic induced Epic's customers to infringe the patent.[8] Epic did not perform any of the method claim steps, however.[9] Instead, the steps were performed by patients and healthcare providers.[10]

The facts of the *Akamai* and *McKesson* cases provided an opportunity to review divided infringement in the contexts of both direct and indirect infringement. In the en banc decision, however, the Federal Circuit chose not to resolve the issue of whether direct infringement can be found if no single entity performs all of the claimed steps.[11] The Federal Circuit instead focused on induced infringement. Specifically, the Federal Circuit held 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 of the steps were committed by a single entity.[12]

The court acknowledged the principle that there can be no indirect infringement without an underlying direct infringement.[13] The court's change to the law regarding induced infringement in a divided infringement context seems to conflict with this acknowledged principle. To avoid that conflict, the court distinguished between "[r]equiring proof that there has been direct infringement as a predicate for induced infringement" and "requiring proof that a single party would be liable as a direct infringer."[14] According to the court, conduct qualifying as infringing under 35 U.S.C. § 271(a) (i.e., where all steps are performed by a single party) is only one type of infringement.[15] The court reasoned that § 271(b) sets forth another type of conduct that also qualifies as

infringing, but that nothing in § 271(a) or § 271(b) requires an induced "infringement" under § 271(b) to be conduct that also makes an actor liable under § 271(a).

At least with regard to induced infringement based on § 271(b), the Federal Circuit has now expanded circumstances under which a patentee can potentially recover. In cases where steps of a method claim are performed by multiple entities, a patentee can now prevail under an induced infringement theory if method steps are performed by multiple parties and when there is no agency, direction, or control connecting those parties. To succeed in such a suit, the patentee must prove that an accused party knew of the patent, that the accused party induced the performing parties to perform the method steps (or that the accused party performed one or more steps and induced others to perform the remaining steps), and that all claim steps were performed.[16]

With regard to direct infringement based on § 271(a), the Federal Circuit chose not to resolve the issue of whether direct infringement can be found if no single entity performs all method steps. The court further declined to revisit various established principles regarding the law of divided infringement as applicable to liability under § 271(a).[17] Those principles include the requirement that all acts of infringement be committed by a single actor or by an accused infringer and an agent or other party acting pursuant to the accused infringer's direction or control. With the original *Akamai* panel decision now vacated, it can be expected that future decisions will revisit whether and under what circumstances multiple actors who perform different method steps can be liable for direct infringement under § 271(a). **TFL**

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Endnotes

[1]Case Nos. 2009-1272, -1380, -1416 and -1417 and 2010-1291 (2012 WL 3764695).
[2]629 F.3d 1311, 1320 (2010).
[3]*Id.* at 1320-21.
[4]*Akamai*, slip opinion at 11.
[5]*Id.*
[6]*Id.*
[7]*Id.*
[8]*Id.*
[9]*Id.*
[10]*Id.*
[11]*Akamai*, slip opinion at 10-13.
[12]*Akamai*, slip opinion at 12-13.
[13]*Id.* at 15.
[14]*Id.* at 16 (italics in original).
[15]*Id.* at 26.
[16]*Id.* at 35-36.
[17]*Id.* at 13.