Intellectual Property @ MINTZ LEVIN
Mintz Levin Cohn Ferris Glovsky and Popeo PC

Intellectual Property Alert

SEPTEMBER 4, 2012

Liability for Inducing Infringement Does Not Require a Single Entity Direct Infringer

BY JOHN A. BAUER AND JOHN GIUST

On August 31, 2012, a sharply split Federal Circuit issued a *per curiam* opinion in *Akamai Technologies, Inc. v. Limelight Networks, Inc*. 9-1372; *McKesson Technologies, Inc. v. Epic Systems Corp*. 10-1291 holding that liability for inducing patent infringement of a patented method pursuant to 35 U.S.C. §271(b) is satisfied where the inducing party "cause[s], urge[s], encourage[s], or aid[s]" the infringing conduct and the induced conduct is carried out, irrespective of how many entities actually perform the method steps. In addition, induced infringement requires that the accused inducer act with knowledge that the induced acts constitute patent infringement as stated by the Supreme Court in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). The *per curiam* Federal Circuit held that liability for inducing infringement is *not* contingent upon a finding of direct infringement by a single entity under 35 U.S.C. §271(a). Rather, it is sufficient that the inducer merely induced others to practice the claimed method steps and that the steps were performed. This decision represents a significant departure from prior precedent such as *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007) which held that in order for a party to be liable for induced infringement, some other single entity must be liable for direct infringement under U.S.C. §271(a).

From a policy standpoint, the Federal Circuit reasoned that the patentee is harmed to the same extent if a single entity or multiple entities combine to practice the claimed steps.

> 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 of 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 performing some of the steps himself. The party who actually participates in performing the infringing method is, if anything, more culpable than one who does not perform any steps.

Majority at pp. 16-17.

The majority also reasoned that the statutory language of 35 U.S.C. §§271(a) and (b) fully supports its holding because the language of §§271(a) and (b) differ in that §271(b) does not require a single entity direct infringer.

> While the direct infringement statute, section 271(a), states that a person who performs the acts specified in the statute "infringes the patent," section 271(b) is structured differently. It provides that whoever "actively induces infringement of a patent shall be liable as an infringer." Nothing 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.

Majority at p. 17.

Newman Dissent

Judge Newman wrote a lengthy stinging dissent, arguing that the "majority's newly minted inducement-only rule is [not] in accord with the infringement statute, or with any reasonable infringement policy." Newman dissent at p. 7. Inducement liability *does* require direct infringement under §271(a). Newman also posited, however, that the single entity rule was not supported by the language of §271(a).

> The statute at §271(a) states the fundamental requirements of patent infringement, and is sometimes called the "direct infringement" provision…The word "whoever" in §271(a) does not support the single-entity rule. By statutory canon the word "whoever" embraces the singular and plural.

Newman dissent at p. 9.

Judge Newman's dissent also pointed out some practical concerns raised by the majority's holding such as enforcement issues. To wit:

> According to the court's new ruling, it appears that the patentee cannot sue the direct infringers of the patent, when more than one entity participates in the infringement. The only remedial path is by way of "inducement." We are not told how compensation is measured…. Since the direct infringers cannot be liable for infringement, they do not appear to be subject to the court's jurisdiction. Perhaps the inducer can be enjoined—but will that affect the direct infringers?

Newman Dissent at p. 25.

Linn Dissent

Judge Linn also wrote a lengthy dissent (joined by judges Dyk, Prost and O'Malley) arguing that statutory construction and Supreme Court authority required that a single actor perform each infringing method step (or control another party who performed a step or steps). Judge Linn cited the Supreme Court's decision in *Aro Mfg. Co. v. Covertible Top Replacement Co.*, 35 US 336, 341 (1961) for the proposition that liability for direct infringement was required for indirect infringement:

> [T]he Court held that without "direct infringement *under § 271(a)*," i.e., *liability*, there can be no indirect infringement. 365 U.S. at 341 ("[Defendant's] manufacture and sale [of a component part] with . . . knowledge might well constitute contributory infringement under § 271(c), *if, but only if, such a replacement by the purchaser himself would in itself constitute a direct infringement under § 271(a)*." (emphasis added)).

Linn Dissent at p. 9.

Judge Linn also noted that patent applicants have the opportunity to draft claims in a manner to cover a single entity or multiple entities and with proper claim drafting the problems associated with joint infringement would not be present.

> As many *amici* have pointed out, the claim drafter is the least cost avoider of the problem of unenforceable patents due to joint infringement, and this court is unwise to overrule decades of precedent in an attempt to enforce poorly-drafted patents.

Linn Dissent at p. 27.

Impact

This case was of great interest to companies involved with technology that coordinates actions from multiple entities. For example, computer networking and social media technology require servers, network infrastructure and clients, all usually provided by different entities. Cellular communications technology requires handsets running an operating system, in communication with infrastructure and other handsets; each element typically provided by different entities. Cable television systems consist of third party media content; cable headends, infrastructure, set top boxes running software, and users. Many of these elements could have been provided by different entities. Companies involved in these and similar technology areas will have to carefully consider inducement issues in the wake of *Akamai*. Luckily for them, inducement still requires knowledge of the patent, providing a starting point at which to begin the analysis.

It remains to be seen whether the dissent is persuasive enough to cause the Supreme Court to take notice of this case and grant *certiorari*.

* * *

View Mintz Levin's Intellectual Property attorneys.

Read and subscribe to *Copyright & Trademark Matters* blog.

Boston · London · Los Angeles · New York · San Diego · San Francisco · Stamford · Washington www.mintz.com

Follow Us

2215-0912-NAT-IP