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Akamai and McKesson: Federal Circuit Expands the Law of Induced Infringement

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On August 31, 2012, the Federal Circuit overturned its own precedent and expanded the ability of patentees to protect their intellectual property against induced infringement. In a 6-5 *en banc* decision in *Akamai Technologies, Inc. v. Limelight Networks, Inc.* (Fed. Cir. 2012) and *McKesson Technologies, Inc. v. Epic Systems Corp.* (Fed. Cir. 2012), the court held that “it is not necessary to prove that all the steps [of a claimed method] were committed by a single entity” to find induced infringement. *Akamai* overruled *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007), which held that liability for inducement requires proof that a single entity either performed every step of a claimed method or “direct[ed] or control[led]” the performance of every step of a claimed method, thus directly infringing the patent.

In *Akamai*, plaintiff Akamai Technologies, Inc. (“Akamai”) owned a patent claiming a method of placing some of a content provider’s content on a set of replicated servers and modifying the content provider’s web page to instruct web browsers to retrieve that content from those servers. Akamai sued Limelight Networks, Inc. (“Limelight”), alleging both direct and induced infringement. While Limelight maintains a network of servers and allows for efficient content delivery by placing some content on its servers, it does not modify the content provider’s web pages itself. Rather, Limelight instructs its customers on how to perform the modification step. Because no single entity performed all the steps of the claimed method, the district court granted Limelight’s motion for judgment as a matter of law of noninfringement, citing *BMC* and *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008).

McKesson also relied on *BMC* and *Muniauction*, but on slightly different facts. There, plaintiff McKesson Information Solutions LLC (“McKesson”) owned a patent covering a method of electronic communication between healthcare providers and their patients. McKesson sued Epic Systems Corp. (“Epic”) alleging that Epic induced infringement of McKesson’s patent. Epic licenses software to healthcare organizations including an application called “MyChart,” which permits healthcare providers to communicate electronically with patients. Unlike in *Akamai*, Epic does not perform any steps of the patent. Instead, the steps are performed by the patients, who initiate communications, and healthcare providers, who perform the remainder of the steps. Because the patients (rather than Epic’s direct customers) performed the step of initiating the communication, the district court granted summary judgment of noninfringement.

Induced infringement requires that a party “actively induces infringement of a patent.” 35 U.S.C. § 271(b). In particular, inducement requires that the alleged infringer (1) knowingly induced infringement; and (2) possessed specific intent to encourage another’s infringement. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (*en banc*). Induced infringement also requires that the inducement has given rise to an underlying act of direct infringement. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972). In *Akamai*, the court held that, like in *BMC*, the underlying act of direct infringement is found where “all the steps of a claimed method [were] performed.” But, unlike in *BMC*, the court held that it is no longer “necessary to prove

***Akamai* and *McKesson*: Federal Circuit Expands the Law of Induced Infringement**

that all the steps were committed by a single entity.” The court limited its holding to “direct” infringement in the context of induced infringement.

In concluding that *BMC* was wrongly decided and that both *Akamai* and *McKesson* could maintain their suits for induced infringement, the Federal Circuit relied on the Patent Act’s plain meaning and legislative history. The court further looked to other areas of law to confirm its holding.

First, the Federal Circuit found that while the direct infringement statute states that a person who performs the acts specified “infringes the patent,” the induced infringement statute is structured differently. It provides that whoever “actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). The court determined that nothing in the text indicates that the term “infringement” in Section 271(b) is limited to “infringement” by a single actor. Rather, “infringement” refers to the acts necessary to infringe a patent, not to whether one actor or several performs them. Accordingly, the court determined that a patentee can maintain a claim of induced infringement even where the infringing acts are performed jointly by more than one actor.

Second, the court found support in the legislative history of the Patent Act of 1952. In particular, the House Report on the 1952 Act explained that the new subsection (b) “recites in broad terms that one who aids and abets infringement is likewise an infringer.” H.R. Rep. No. 82-1923, at 9. Further, the court relied on Giles Rich’s testimony before the House that the revised provisions on indirect infringement were intended to reach cases of divided infringement, even when no single entity would be liable for direct infringement.

Third, the court examined other areas of the law for additional support. For example, the court noted that the aiding and abetting provision in the Federal Criminal Code states, in language similar to the language of section 271(b) of the Patent Act, that “[w]hoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission is punishable as a principal,” 118 U.S.C. § 2(a), and “[w]hoever willfully causes an act to be done which if directly performed by him or another would be an offense against the United States, is punishable as a principal.” *Id.* § 2(b). Likewise, tort law imposes liability for inducing innocent actors to commit tortious acts. *See* Restatement (Second) of Torts Sec. 877(a) (1979).

Circuit Judge Linn, joined by Circuit Judges Dyk, Prost, and O’Malley, dissented from the majority’s opinion. In short, the Linn dissent disagreed with the majority acting as a policy maker:

The majority opinion is rooted in its conception of what Congress ought to have done rather than what it did. It is also an abdication of this court’s obligation to interpret Congressional policy rather than alter it. When this court convenes *en banc*, it frees itself of the obligation to follow its own prior precedential decisions. But it is beyond our power to rewrite Congress’ laws. Similarly, we are obliged to follow the pronouncements of the Supreme Court concerning the proper interpretation of those acts.

Circuit Judge Newman separately dissented from the majority’s opinion, reasoning that it avoids the *en banc* issue and creates liability for induced infringement where none exists under the law. Judge Newman found that the issues of liability and remedy arising from interactive methods and collaborative performance are readily resolved by existing law and that the majority’s interpretation of the inducement statute lacks support in theory or practice. According to Judge Newman, this new rule “simply imposes disruption, uncertainty, and disincentive upon the innovation communities.”

The Federal Circuit remanded the *Akamai* and the *McKesson* cases to the district courts for further proceedings. In order for *Akamai* and *McKesson* (and other future patentees) to prevail on their

***Akamai* and *McKesson*: Federal Circuit Expands the Law of Induced Infringement**

claims of induced infringement, they must show that (1) the defendants were aware of the patentee's patent; (2) the defendants induced the performance of the steps of the method claimed in the patent (either by performing some of the steps itself and inducing one or more other entities to perform the remaining steps or by inducing one or more entities to perform all of the steps claimed); and (3) the steps were actually performed.

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