



## Federal Circuit Expands Indirect Infringement

'Akamai' and 'McKesson' extend doctrine to cover multiple actors.

In the most straightforward case of infringement of a method patent, all of the required steps of the claim are performed by the same actor. For example, a patent directed to a semiconductor fabrication process might require the separate steps of forming several layers, and each of those steps might be performed by a foundry that is manufacturing semiconductors. In that case, the foundry would be a direct infringer under 35 U.S.C. §271(a). In another example, a patent might be directed to a method of performing a certain surgical procedure, and each of the steps might be performed by physicians who conducted the procedure on their patients. Once again, each of the individual physicians would be a direct infringer.

Because it is not always practicable or desirable to enforce a patent against direct infringers, however, U.S. patent law also allows a patent owner to sue indirect infringers in certain circumstances. In the second situation given above, for example, the patent might be owned by the manufacturer of a piece of high-tech equipment that can be used to conduct the surgical procedure. As a practical matter, it would not be possible for the manufacturer to individually sue all of the physicians conducting the procedure, and even if it were possible, the manufacturer understandably might not wish to do so, given that the physicians are probably

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customers or potential customers. More likely, the manufacturer would want to enforce its patent against another manufacturer who makes competing equipment. Depending on a number of factors, including, among other things, the specifics of the patent and the structure and operation of the accused equipment, the patent owner might be able to succeed in doing so. Specifically, if the competitor encourages its customer physicians to use its equipment in an infringing manner and possesses a requisite level of intent that their customer physicians infringe, it would be liable for induced infringement under 35 U.S.C. §271(b).

### Federal Circuit's En Banc Hearing

The situation becomes considerably more complicated, however, when the individual steps that are required by the patent are not performed by a single actor, but rather by multiple actors. This was precisely the situation in *Akamai Technologies v. Limelight Networks* and *McKesson Technologies v. Epic Systems*, two patent infringement suits that made their way to a combined en banc hearing before the Court of Appeals for the Federal Circuit. *Akamai Techs. v. Limelight Networks*, 692 F.3d 1301, 1305 (Fed. Cir. 2012) (en banc). *Akamai* involved a patent covering a method of delivering Web content, and a situation in

which some of the steps were performed by the defendant Limelight and others were performed by Limelight's customers (who were not parties to the lawsuit) at Limelight's instructions. *McKesson* involved a patent covering a method of communicating between healthcare providers and their patients, in which defendant Epic provided software to healthcare providers. In that case, the required steps of the patent were divided between the healthcare providers and their patients (who, once again, were not parties to the lawsuit), and Epic did not perform any of the steps.

In both cases, the district court found no liability for infringement, and the Federal Circuit panels affirmed. The panel decisions started by applying the principle of *BMC Resources v. Paymentech*, 498 F.3d 1373 (Fed. Cir. 2007) that "direct infringement requires a single party to perform every step of a claimed method" (emphasis added). The courts further noted that this single-entity rule may be satisfied under a theory of joint or vicarious liability, but only if one actor sufficiently "directs or controls" the actions of the other. From there, in *Akamai*, the panel found that Limelight did not direct or control its customers, and therefore, could not be liable as a direct infringer. And in *McKesson*, the panel found that the healthcare providers did not direct or control the patients. Because there was no such direction or control, the healthcare providers were not direct infringers and because there were no direct infringers, Epic could not be liable for indirect infringement. See *Akamai*, 692 F.3d 1319, 1333-36 (Newman J., dissenting)

In the combined rehearing, in a per

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curium opinion, a bare majority of the en banc court reversed and remanded both panel decisions. In doing so, the court expressly overruled *BMC Resources*, and held that a party may be liable for inducing infringement even if no single entity carries-out each of the steps of the patented method, so long as all of the steps have been carried out. In doing away with the single-entity rule, the court drew a distinction between "proof that there has been direct infringement as a predicate for induced infringement" and proof "that a single party would be liable as a direct infringer," and found that only the former was necessary as a predicate for inducement. *Akamai*, 692 F.3d at 1308-09.

Applying this new rule to the facts of each case, the en banc court reversed and remanded each of the panel decisions. In *Akamai*, the court found that although Limelight did not direct control the actions of its customers, it could be liable for infringement if it induced its customers to perform the missing step. Similarly, in *McKesson*, the court found that although the healthcare providers did not direct or control the patients, the defendant software provider Epic could be liable for infringement if it induced the healthcare providers and the patients to perform the steps of the patent.

Notably, the en banc opinion did not address the questions related to divided infringement, namely, the question of what type of direction or control should be required to make one vicariously liable for the actions of another. Instead, because it resolved the case by holding that no single-entity liability was necessary for there to be inducement, it found that it had "no occasion" to do so. *Akamai*, 692 F.3d at 1307.

### Analysis

The court's abrogation of the single-entity rule represents a dramatic and controversial change to U.S. patent law. As noted above, the per curium opinion of the court was joined by only the barest of majorities (Chief Judge Randall R. Rader, and Judges Alan D. Lourie, William C. Bryson, Kimberly A. Moore, Jimmie V. Reyna and Evan J. Wallach), with Judges Timothy B. Dyk, Sharon Prost and Kathleen M. O'Malley joining in a dissent authored by Judge

Richard Linn and Judge Pauline Newman authoring a dissent of her own. Linn, who wrote the vacated panel decisions in both *Akamai* and *McKesson*, found the majority's approach to rewrite, in essence, 35 U.S.C. §§271(a) and (b) (the statutes that define direct infringement and inducement) and took the majority to task for "essentially skirt[ing]" the very en banc question that was presented. See *Akamai*, 692 F.3d at 1337, 1338 (Linn, J., dissenting). Newman (who had also written a dissent in the *McKesson* panel hearing) criticized both the majority's approach and the single-entity rule, and also criticized the majority for failing to address the en banc issue. See *Akamai*, 692 F.3d at 1319 (Newman, J., dissenting)

The majority looked to the linguistic structure of §§271(a) and (b) to support its holding that only a direct infringement—and not liability for direct infringement—is the necessary predicate for inducement. The court noted that §§271(a) and (b) are "structured differently," with §271(a) stating that a person who performs certain acts "infringes the patent" and §271(b) referring to "infringement of a patent." While the opinion is not express on the point, it may be that the absence of a word like "another" in §271(b) helped it to reach the conclusion that it did. *Akamai*, 692 F.3d at 1309.

The majority also looked to legislative history of the 1952 Patent Act, and especially to the comments of its principal drafter Judge Giles Rich, who in a 1948 Hearing noted that "[i]mprovements in such arts as radio communications, television, etc., sometimes involve the new combinations of elements which in use are normally owned by different persons." *Akamai*, 692 F.3d at 1310. And the court even drew an analogy between the patent infringement statute and the Federal Criminal Code, observing that the latter statute is "constructed to permit the conviction of an accessory who induces or causes a criminal offense even when the principal is found not liable for the unlawful conduct." *Akamai*, 692 F.3d at 1310.

Many, and most notably those judges joining the Linn dissent, believe that the majority has unduly expanded the doctrine of indirect infringement. While that may well be the case, it

seems evident that the majority was motivated to do so by policy concerns, and in particular by a desire to avoid "a regime in which parties could knowingly sidestep infringement liability simply by arranging to divide the steps of a method claim between them." *Akamai*, 692 F.3d at 1318. The court's reliance on the comments of Rich from the 1948 hearings concerning television and radio suggest that it may believe that the noted problem is particularly acute when high-technology patents are at issue, and may also suggest that it is seeking to keep the law adaptable as patent litigation in the technology space becomes more prevalent. This reading would be consistent with the views of Rader, who has in other contexts noted the importance of keeping the patent laws flexible enough to accommodate newer technologies. For example, in the context of a 35 U.S.C. §101 patent-eligible subject analysis, Rader has commented that, "[b]ecause technology is ever changing and evolves in unforeseen ways," §101 should be viewed as a "dynamic provision designed to encompass new and unforeseen inventions." *Ultramercial v. Hulu*, 657 F.3d 1323, 1327 (Fed. Cir. 2011).

In any case, at least for the time being, establishing infringement in a case that involves multiple unrelated actors has become significantly easier to do.