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INDUCED INFRINGEMENT WOBBLES  
SUPREME COURT REVIVES ‘SINGLE ACTOR’

With a resounding “thump,” the Supreme Court kicked a controversial Federal Circuit method-patent infringement decision to the curb. After observing that “[t]he Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent,”<sup>1</sup> a unanimous Court reversed the Federal Circuit’s *en banc* opinion in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*<sup>2</sup>

In *Akamai*, the Federal Circuit had surprisingly reversed precedent, deciding it is *not* necessary for one entity to commit every step of the direct infringement underlying a claim of induced infringement of a method patent.<sup>3</sup> The Supreme Court said, unequivocally, there’s much more to this story.

Statutory Basis

The *Akamai* opinions revolve around statutory provisions and related case law regarding direct and induced infringement of method claims.

Direct Patent Infringement – 35 U.S.C. § 271(a)

“[W]hoever without authority makes, uses, offers to sell, or sells any patented invention . . . infringes the patent.”<sup>4</sup> Direct infringement under 35 U.S.C. § 271(a) requires that every element of the patent-in-suit or its equivalent be found in the accused device.<sup>5</sup> To be liable for direct infringement, therefore, a party must commit *all* of the acts necessary to infringe the patent, either personally or vicariously.<sup>6</sup>

Joint direct infringement of a method patent by multiple parties becomes impossible, per this statute, because direct infringement under 35 U.S.C. § 271(a) requires a *single party* to perform every step of a claimed method.<sup>7</sup> Thus, absent an agency relationship, there can be no direct infringement of method claims where (1) no single party has committed all of the acts necessary to constitute direct infringement, and (2) only the joint acts of several parties collectively constitute infringement.<sup>8</sup>

Here’s the rub, however: When one party acts as a mastermind in *directing and controlling* the acts of multiple parties jointly alleged to infringe a patent, direct infringement occurs even though no *single party* performs every step of the patent. In *Muniauction*, the Federal Circuit ruled, “[T]he control or direction standard is satisfied in situations where the law would tradi-

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1 *Akamai Techs., Inc. v. Limelight Networks, Inc.*, \_\_\_ U.S. \_\_\_, 134 S. Ct. 2111, 2117 (2014).

2 692 F.3d 1301 (Fed. Cir. 2012).

3 *Id.* at 1306.

4 35 U.S.C. § 271(a).

5 *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1301 (Fed. Cir. 2011).

6 *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1311 (Fed. Cir. 2005); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1568 (Fed. Cir. 1983).

7 *Warner-Jenkinson Co., Inc. v. Hilton Davis Corp.*, 520 U.S. 17, 40 (1997); *Cross Med. Prods., Inc.* 424 F.3d at 1311.

8 *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2007); see *Cross Med. Prods., Inc.*, 424 F.3d at 1311.

“[T]he control or direction standard is satisfied in situations where the law would traditionally hold the accused direct infringer *vicariously liable* for the acts committed by another party that are required to complete performance of a claimed method.”

The *BMC* court said, “Indirect infringement requires, as a predicate, a finding that some party amongst the accused actors has committed the entire act of direct infringement.”

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tionally hold the accused direct infringer *vicariously liable* for the acts committed by another party that are required to complete performance of a claimed method.”<sup>9</sup>

It is important to note that mere “arms-length cooperation” does not constitute the requisite control or direction, and it will not give rise to direct infringement by any party.<sup>10</sup>

#### Induced Patent Infringement – 35 U.S.C. § 271(b)

“Whoever actively *induces* infringement of a patent shall be liable as an infringer.”<sup>11</sup> Proof of induced infringement under 35 U.S.C. § 271(a) requires that (1) the patent is directly infringed, and (2) the accused infringer knowingly induced the infringement with the specific intent to encourage that infringement.<sup>12</sup> There can be no induced infringement without underlying direct infringement.<sup>13</sup>

Induced infringement requires intent.<sup>14</sup> The accused infringer must know that the induced acts constitute patent infringement (and, logically, that the infringed patent exists).<sup>15</sup> Knowledge that the induced acts constitute patent infringement may result either from (1) actual knowledge of the infringement, or (2) under the doctrine of “willful blindness.”<sup>16</sup>

Before the *en banc* decision in *Akamai*, a Federal Circuit panel in *BMC Resources, Inc. v. Paymentech, L.P.* ruled that to find induced infringement (1) the inducement must trigger direct infringement, and (2) the direct infringement must be committed by a *single actor*.<sup>17</sup> The *BMC* court said, “Indirect infringement requires, as a predicate, a finding that some party amongst the accused actors has committed the entire act of direct infringement.”<sup>18</sup>

#### Lower Court Opinions in *Akamai Techs., Inc.*

After a jury awarded damages for direct infringement, the district court granted Limelight’s motion for judgment as a matter of law. The court concluded that *Muniauction* precluded a finding of direct infringement under § 271(a) because Limelight did not direct or control customers when they completed at least one step of the method patent-in-suit.<sup>19</sup>

A Federal Circuit panel affirmed the district court.<sup>20</sup> The Federal Circuit then granted *en banc* review and reversed.<sup>21</sup>

Instead of analyzing whether the underlying issue was direct infringement under § 271(a), as the district court and Federal Circuit panel had done, the Federal Circuit *en banc* used a theory of induced infringement under § 271(b).<sup>22</sup> In doing so, the *per curiam* opinion eliminated the *single actor* requirement and overruled *BMC*.<sup>23</sup>

Crucially, the Federal Circuit concluded that, while all steps of a claimed method must be

9 *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1330 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 1585 (2009) (citing *BMC Res., Inc.*, 498 F.3d at 1379)) (emphasis added).

10 *Id.* at 1328.

11 35 U.S.C. § 271(b) (emphasis added).

12 *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1312 (Fed. Cir. 2005).

13 *Akamai Techs., Inc. v. Limelight Networks, Inc.*, \_\_\_ U.S. \_\_\_, 134 S. Ct. 2111, 2117 (2014); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961); *Henry v. A.B. Dick Co.*, 224 U.S. 1, 12 (1912).

14 *Global-Tech Appliances, Inc. v. SEB S.A.*, \_\_\_ U.S. \_\_\_, 131 S. Ct. 2060, 2065 (2011).

15 *Id.* at 2068.

16 *Id.* at 2070 (A “willfully blind” infringer takes deliberate actions to avoid confirming a high probability of wrongdoing (the underlying direct infringement) and can almost be said to have known of the critical facts.).

17 *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2008) (rehearing *en banc* denied).

18 *Id.* at 1379.

19 *Akamai Techs., Inc. v. Limelight Networks, Inc.*, \_\_\_ U.S. \_\_\_, 134 S. Ct. 2111, 2116 (2014).

20 *Id.*

21 *Id.*

22 *Id.*; *Akamai Techs., Inc.*, 692 F.3d at 1306, 1307.

23 *Akamai Techs., Inc.*, 692 F.3d at 1306.

Crucially, the Federal Circuit concluded that, while all steps of a claimed method must be performed to find the infringement underlying a § 271(b) inducement claim, *it was not necessary that all of the steps be committed by a single entity.*

After criticizing the Federal Circuit's analysis that "fundamentally misunderstands what it means to infringe a method patent," the Court said, "Assuming without deciding that the Federal Circuit's holding in *Muniauction* is correct, there has simply been no infringement of the method [patent-in-suit], because the performance of all the patent's steps is not attributable to any one person."

performed to find the infringement underlying a § 271(b) inducement claim, *it was not necessary that all of the steps be committed by a single entity.*<sup>24</sup> Given that the accused infringer did not direct or control all steps of the alleged infringement, the opinion garnered two vigorous dissents.<sup>25</sup>

Limelight sought certiorari, which the Supreme Court granted.<sup>26</sup>

### Supreme Court Opinion in *Akamai Techs., Inc.*

The Supreme Court faced "the question whether a defendant may be liable for inducing infringement of a patent under 35 U.S.C. § 271(b) when no one has directly infringed the patent under § 271(a) or any other statutory provision."<sup>27</sup>

The Court first cited *Aro Mfg. Co. v. Convertible Top Replacement Co.*, for its proposition that induced infringement liability may arise if, but only if, there is direct infringement.<sup>28</sup> The Court then dryly observed, "One might think that this simple truth is enough to dispose of this appeal."<sup>29</sup>

After criticizing the Federal Circuit's analysis that "fundamentally misunderstands what it means to infringe a method patent," the Court said, "Assuming without deciding that the Federal Circuit's holding in *Muniauction* is correct, there has simply been no infringement of the method [patent-in-suit], because the performance of all the patent's steps is not attributable to any one person."<sup>30</sup>

The Court made three further observations regarding the Federal Circuit opinion:

- Adoption of the Federal Circuit's view would deprive § 271(b) of ascertainable standards. An infringer could engage in conduct not rising to encouragement to infringe, yet still be liable for inducing infringement.<sup>31</sup>
- Section 271(f) amply demonstrates that when Congress wishes to impose liability for inducing activity that does not itself constitute direct infringement, "it knows precisely how to do so."<sup>32</sup>
- The Federal Circuit adopts the view that conduct which would be infringing in altered circumstances is sufficient to give rise to induced infringement. But a defendant "cannot be liable for inducing infringement that never came to pass."<sup>33</sup>

The Court also rejected various other arguments the respondent made in support of the Federal Circuit's reading of the statute.<sup>34</sup>

While acknowledging concerns that a would-be infringer could evade liability by dividing performance of method patents with another party that the defendant neither directs nor controls, the Court said that such an anomaly would result from the rule in *Muniauction*.<sup>35</sup> That case precluded a finding of direct infringement under § 271(a) absent one-party control and direction of multiple parties engaged in a single act of infringement.<sup>36</sup>

Still, the Court declined to review the merits of that opinion because it was not included in the

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 1319-36 (Newman, J. dissenting); *id.* at 1337-51 (Linn, J. dissenting, joined by Dyk, J., Prost, J., and O'Malley, J.).

<sup>26</sup> *Akamai Techs., Inc. v. Limelight Networks, Inc.*, \_\_\_ U.S. \_\_\_, 134 S. Ct. 2111, 2117 (2014).

<sup>27</sup> *Id.* at 2115.

<sup>28</sup> *Id.* at 2117 (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961)).

<sup>29</sup> *Id.* at 2117.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 2117-18.

<sup>32</sup> *Id.* at 2118.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 2118-19.

<sup>35</sup> *Id.* at 2120.

<sup>36</sup> *Id.* at 2116.

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question presented and was not briefed by the parties.<sup>37</sup> The Court did say that the Federal Circuit could review the § 271(a) issue on remand.<sup>38</sup>

On July 24, the Federal Circuit issued a *per curiam* order dissolving the *en banc* status of the appeal and referring it to the two remaining panel members (Judges Richard Linn and Sharon Prost) and a newly-selected judge (to replace former Chief Judge Randall Rader).<sup>39</sup>

Consequences of the Akamai Opinion

*Akamai* presents interesting questions. First, in a case where no single entity performs all steps of the patented method, will there ever be liability for induced infringement under § 271(b)? Consider the following:

- If multiple entities engage in one combined act of infringement, each performing one or more (but not all) of the steps of the method, the issue of liability will be decided under § 271(a), not § 271(b).
- If infringing acts of all involved parties are directed and controlled by one entity, § 271(a) joint direct infringement will exist and the controller will be liable. There will be no need to resort to § 271(b) induced-infringement theories.
- Conversely, if no direction or control exists, there will be no § 271(a) direct infringement *per Muniauction*, and thus no possibility of induced infringement under the rule in *Akamai*.

Second, what is *Akamai's* effect on contributory patent infringement under 35 U.S.C. § 271(c)? Under that provision, a party knowingly offering or selling critical components for an infringing device or process may be liable as a contributory infringer.<sup>40</sup> While *Akamai* did not directly address the issue of contributory infringement, the opinion did note that *Aro*, a contributory-infringement case, was indistinguishable from inducement for the purpose of the analysis, and, in any event, the two theories of indirect infringement sprang from "common stock."<sup>41</sup>

Third, what do we make of the effect of *Commil USA, LLC v. Cisco Systems, Inc.*? Recall that, in *Commil*, the two-judge majority created a new defense to induced infringement based solely on the accused infringers' belief of invalidity.<sup>42</sup> After a deeply divided Federal Circuit denied a petition for rehearing *en banc*, the law now says that a good-faith belief of invalidity by an accused infringer may negate the intent necessary to prove induced infringement under 35 U.S.C. § 271(b).<sup>43</sup>

In light of this rule and the analysis set forth above, an induced infringement claim, when there are multiple parties involved in the infringement, may be on its way out—simply too difficult to prove or duplicative of other liability theories.

Finally, what, if anything, will the Federal Circuit do with the *Muniauction* decision on remand? Will we see a roll back of the *single entity* or the "control and direct" requirement? What options are available to the Federal Circuit? If changes are made, how might the Supreme Court react to such developments?

Stay tuned ...

<sup>37</sup> *Id.* at 2120.

<sup>38</sup> *Id.*

<sup>39</sup> *Akamai Techs., Inc. v. Limelight Networks, Inc.*, Nos. 2009-1372, -1380, -1416, -1417, 2014 WL 3640812, at \*1 (Fed. Cir. July 24, 2014).

<sup>40</sup> 35 U.S.C. § 271(c)

<sup>41</sup> *Id.* at 2117 n.3, (citing *Global-Tech Appliances, Inc. v. SEB S.A.*, \_\_\_ U.S. \_\_\_, 131 S. Ct. 2060, 2067-68 (2011)).

<sup>42</sup> *Id.* at \*3.

<sup>43</sup> *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013), *pet. for reh'g denied*, No. 2012-1042, 2013 U.S. App. LEXIS 21713 (Fed. Cir. Oct. 25, 2013).