

IP Update: Recent Change in U.S. Patent Law Regarding Inducement to Infringe

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On 31 August, 2012, the United States Court of Appeals for the Federal Circuit released its highly anticipated en banc decision in the case of *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012). At issue was whether inducement to infringe a method patent claim under 35 U.S.C. § 271(b) required a single entity to perform all of the steps or whether liability could still be found where multiple actors performed the steps collectively.

The Federal Circuit overturned previous case law which required a plaintiff alleging induced infringement to show that the defendant induced a single entity to perform all of the steps of the claimed method. Under *Akamai*, inducement now includes those who induce multiple parties to infringe different steps of the claimed method so that the infringing conduct is split among more than one entity. However, this issue may not yet be settled, as it is likely the parties may seek a writ certiorari to the United States Supreme Court.

Background and Judicial History

The Federal Circuit's decision arose from its en banc rehearing of two cases, *Akamai Technologies, Inc. v. Limelight Networks, Inc.* and *McKesson Technologies, Inc. v. Epic Systems Corp.*

In *Akamai*, the owner of a patent claiming a method for delivering web content alleged that a network service provider performed all but one step of the method, and induced content providers to perform the final step.

In *McKesson*, the owner of a patent claiming a method of electronic communication between healthcare providers and their patients alleged that a software company induced healthcare providers to perform some steps of the method, and induced patients to perform other steps.

In each case, a Federal Circuit panel affirmed judgment of non-infringement because the plaintiff failed to show that a single actor performed all of the steps of the claimed method. The en banc court reheard the cases jointly.

Decision and Reasons Provided by the Federal Circuit

In reversing judgment of non-infringement in both the *Akamai* and *McKesson* cases, the Court held that liability for induced infringement does not require that a single entity perform all the steps of a claimed method.



The Court explained that infringement by multiple actors causes the same harm to a patentee as infringement by a single actor, and noted that “[i]t 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 Court explained that its holding did not substantially broaden the scope of liability because inducement is narrower than direct infringement in that it requires that the accused inducer act with knowledge that the induced acts constitute patent infringement and that the accused infringer also specifically intended to encourage another's infringement.

Contrast With Indirect Infringement in Europe

In Europe, multiple actors may be held liable for patent infringement under a contributory infringement theory. Many European states model their patent infringement laws on the provisions in the European Community Patent Convention (“CPC”). Article 26 of the CPC appears to correspond to the law of induced infringement in the United States. In particular, Article 26(2) provides that a party will be liable, even if the means are staple commercial products, if “the third party induces the person supplied to [directly infringe the patent].” Because this provision relates to the contributory-infringement provision (i.e., Article 26(1)), the law is not exactly the same as the U.S. law on inducement. For example, because of Article 26(2)'s dependency, it requires the product supplied to be an “essential element” of the invention. Because the U.S. law contains no such explicit requirement, it may be broader than the law in Europe.

Impact for Businesses and Patent Owners

The Federal Circuit's decision clarified the U.S. law for induced infringement, but left untouched the law governing direct infringement of method claims by multiple actors.

Direct infringement of method claims by multiple actors requires that a party must commit all the acts necessary to infringe the patent, either personally or vicariously. That means that the accused infringer must perform all the steps of the claimed method, either personally or through another acting under his direction or control.

So, for patentees, the primary way to deal with the different and changing requirements for proving infringement is still proper claim drafting. Ideally, one should draft claims that will be performed by a single party so that a claim for direct infringement can be asserted.

However, in situations where this is not feasible, the Federal Circuit has now clarified that liability can still be found for inducement to infringe (if the other more stringent requirements of knowledge and intent are proven) where the steps of the claimed method are performed by more than one entity.

Businesses should structure their relationships carefully, to ensure that neither party is under the “direction and control” of the other so as to avoid allegations of direct infringement.

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However, business owners should be mindful that having multiple entities perform the different steps of a method patent may not prevent liability if the business has knowledge of the patent and structures the relationship with the intent to encourage another's performance of the patented method steps.

Also, because the law regarding infringement in the U.S. and Europe are different, both businesses and patentees should evaluate the differences between U.S. and European law so as to ensure that their patents provide protection in both markets.

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