workman
nydegger

The Federal Circuit Decides Akamai and McKesson Cases, Expanding Liability In Cases of Divided Infringement

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On August 31, 2012, the Federal Circuit issued its long-awaited *en banc* opinion in the companion cases of *Akamai Technologies, Inc. v. Limelight Networks, Inc.* and *McKesson Technologies, Inc. v. Epic Systems Corp.* In both cases, the patent claims at issue were directed to patented methods, but multiple parties carried out the steps required by the claims. A situation in which no one party carries out the steps required by a patented method but in which all of the steps are carried out by multiple parties has heretofore commonly been referred to as a case of "divided infringement." Prior to the *Akamai* and *McKesson* decisions, a finding of divided infringement usually meant a win for the defendant and a loss for the patent owner on the issue of infringement.

In *Akamai*, the defendant (Limelight) allegedly performed all of the steps of the patented method except for one, which step was allegedly performed by Limelight's customers. Despite the fact that Limelight admittedly did not perform one of the steps of the patented method, Akamai alleged that Limelight was nonetheless liable for direct infringement under 35 U.S.C. § 271(a) or at least for inducing infringement under 35 U.S.C. § 271(b). In*McKesson*, the defendant (Epic) admittedly did not perform any of the steps of the patented method, but some of the steps were allegedly performed by health care providers who were Epic's customers and other steps were allegedly performed, in turn, by the health care provider's customers. McKesson alleged that Epic was liable for inducing infringement under 35 U.S.C. § 271(b).

In each case, a Federal Circuit panel ruled that there could be no infringement because (1) liability for direct infringement under 35 U.S.C. § 271(a) requires a single entity to perform all of the steps of the patented method and (2) liability for inducing infringement under 35 U.S.C. § 271(a) requires identification of a single entity who is liable for direct infringement under 35 U.S.C. § 271(a). In neither case was there a single entity that performed all of the steps of the patented method, nor could the acts be imputed under principles of vicarious liability to a single entity. Therefore, there was no liability for

direct infringement under § 271(a) and therefore no infringement for inducement under § 271(b). The Federal Circuit took both cases *en banc* to address the viability and scope of the single entity rule for direct infringement and to address the predicate-liability issue for inducement.

In a fractured decision, the *en banc* court ruled 6-5 that liability for inducing infringement under 35 U.S.C. § 271(b) does not require that a single entity be liable for direct infringement under 35 U.S.C. § 271(a). In a summary of its holding, the majority stated: "[W]e hold that all the steps of a claimed method must be performed in order to find induced infringement, but that it is not necessary to prove that all the steps were committed by a single entity," overruling its previous decision to the contrary in *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007). The majority declined to comment on the circumstances, if any, under which direct infringement can be found when no single entity performs all of the steps of a patented method, concluding that it was "not necessary" to resolve that issue. Nevertheless, the court did state that the district court had "correctly held" as a matter of law that Akamai could not prevail on a theory of direct infringement under the court's current case law on direct infringement.

Judge Newman dissented, arguing that there can be liability for direct infringement under 35 U.S.C. § 271(a) even where a single entity does not perform all of the steps of the patented method, and that in such a case, liability should be apportioned among the entities that perform those steps. She stated: "The court should simply acknowledge that a broad, all-purpose single-entity requirement is flawed, and restore infringement to its status as occurring when all of the claimed steps are performed, whether by a single entity or more than one entity, whether by direction or control, or jointly, or in collaboration or interaction." "Remedy is then allocated as appropriate to the particular case…." Judge Newman also argued that there must be liability for direct infringement in order for there to be liability for inducement. She characterized the majority's decision as giving rise to an "inducement-only rule," and criticized the majority on grounds that "[p]recedent routinely reflects that liability for inducement depends on liability for direct infringement."

Judge Linn also dissented, joined by three other judges. Judge Linn agreed with Judge Newman that there must be liability for direct infringement in order for there to be liability for inducement, but argued that direct infringement requires all of the steps of a patented method to be performed by a single entity. According to Judge Linn, the legislative history and the language of the Supreme Court's decisions make liability for direct infringement under 35 U.S.C. § 271(a) a prerequisite to liability for inducement under 35 U.S.C. § 271(b), and make it equally clear that there can be no liability for direct infringement unless all steps of a patented method are vicariously imputed to a single entity.

Now that the Federal Circuit majority has declared that Limelight and Epic may be liable for inducement under 35 U.S.C. § 271(b), the next question is whether one or both of them will seek review by the Supreme Court on these very fundamental issues of infringement and, if so, whether the Supreme Court will decide to wade into the fray.