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The Federal Circuit's *Akamai/McKesson* Decision Abolishes the "Single-Entity Rule" for Inducement

By Nicole M. Smith and Ryan J. Malloy

A recent en banc Federal Circuit decision makes it easier for patentees to prove induced infringement in cases in which multiple actors perform the steps of a claimed method collectively.¹ In the 6-5 decision, the court overturned its caselaw holding that a plaintiff alleging induced infringement must show that the defendant induced a single entity to perform all of the steps of the claimed method. The court held instead that the plaintiff must show only that the defendant induced one or more entities to perform all of the steps not performed by the defendant itself. Notably, the court reached its decision without altering the principles of liability for direct infringement.

BACKGROUND

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 the 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

The Federal Circuit issued a per curiam opinion² on August 31, 2012, reversing judgment of non-infringement in both the *Akamai* and *McKesson* cases, and remanding them for further proceedings.³ The court held that liability for induced infringement does not require that a single entity perform all the steps of a claimed method. Rather, liability for induced infringement arises when a party having the requisite specific intent either (1) induces one or more actors to perform all the steps of the claimed method; or (2) performs some steps of the claimed method itself and induces one or more actors to perform the remaining steps. The court reasoned 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."

¹ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 2012 WL 3764695 (Fed. Cir. Aug. 31, 2012).

² Chief Judge Rader and Judges Lourie, Bryson, Moore, Reyna, and Wallach formed the majority. Judges Newman and Linn filed dissenting opinions, the latter of which was joined by Judges Dyk, Prost, and O'Malley.

³ Interestingly, the plaintiff in *Akamai* did not pursue a theory of induced infringement at trial. (It pursued a theory of direct infringement based on Limelight's alleged direction and control over the actions of its customers.) The Federal Circuit nonetheless reversed and remanded because it felt that the plaintiff should be given the benefit of its decision, which could support a finding of induced infringement.

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In reaching its decision, the court did not reconsider the “single-entity rule” governing liability for *direct infringement*, which still requires that a single entity (or its agents) perform all the steps of a claimed method.⁴ The court also reaffirmed the “well settled” rule that there can be no indirect infringement without direct infringement. To reconcile these two rules with its decision, the court distinguished between direct infringement—that is, the fact that each step of a method claim was performed—and direct infringement *liability*, which currently requires that those steps be performed by a single actor. The court found that panels in a prior line of cases, stemming from *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007), erroneously extended the single-entity rule to induced infringement as a result of their failure to distinguish between direct infringement and direct infringement liability.⁵

The majority argued that its decision was supported by relevant legislative history, general tort principles, and prior caselaw. Conversely, the dissenting judges argued that the decision conflicts with Supreme Court precedent and basic principles of statutory interpretation.

IMPACT

The Federal Circuit’s decision simplifies the law of induced infringement, and significantly strengthens it for patentees. Plaintiffs in patent litigation should consider whether the change in law provides a good-faith basis for amending their complaints and infringement contentions to assert new theories of induced infringement. Holders of patent portfolios should consider reassessing the strength of their method patents, especially those drafted prior to the Federal Circuit’s 2007 decision in *BMC Resources*. On the other hand, defendants accused of inducing infringement of method claims will have one fewer defense when multiple actors perform the claimed method.

The *Akamai/McKesson* decision, however, leaves untouched (for now) the law governing direct infringement of method claims by multiple actors. There is also a possibility that the decision will not stand for long.

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⁴ The court offered one possible justification for applying the single-entity rule in direct-infringement cases but not indirect-infringement cases. The court observed that the concern that a party might be found liable for unknowingly aiding the infringing acts of third parties is alleviated by the specific-intent element of induced infringement, which is not an element of direct infringement.

⁵ The dissenting judges disagreed with the majority’s fine distinction between direct infringement and direct infringement liability. In a dissent joined by Judges Dyk, Prost, and O’Malley, Judge Linn expressed his belief that “direct infringement liability is a *sine qua non* of indirect infringement liability.” (Capitalizations omitted.)

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