# NJIPLA - Electronics, Telecom and Software Patent Practice Update

## Indirect Infringement/Divided Infringement

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# Topics

- Indirect/divided infringement background
- Akamai and McKesson cases
  - Technology
  - District Court
  - CAFC
  - Petitions for cert.
- Hoping for more clarity . . . and what to consider doing in the interim

# Background

- 35 U.S.C. Sec. 271(a), the direct infringement statute, states:
  - "[e]xcept as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent."
- Indirect infringement is covered by 35 U.S.C. Sec. 271(b) and (c) which state, respectively, that:
  - "[w]hoever actively induces infringement of a patent shall be liable as an infringer;" and
  - "[w]hoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

# Akamai and McKesson cases – Technology

- Akamai patent covers a method for efficient delivery of web content
  - Claims involved “placing some of a content provider’s content elements on a set of replicated servers and modifying the content provider’s web page to instruct web browsers to retrieve that content from those servers”
  - Limelight maintains a network of servers and places content on its servers
  - Limelight taught customers how to modify the content providers’ web pages; it did not modify content providers’ web pages
- McKesson patent covers method of electronic communication between healthcare provider and patients
  - Epic licensed accused software to healthcare organizations, permitting healthcare providers to communicate electronically with patients
  - Epic performs no method steps; performance of all steps divided between healthcare organizations and patients

# Akamai and McKesson cases – District Court

- Akamai accused Limelight under both 271(a) and 271(b)
  - District Court (D. Mass.) granted Limelight's JMOL motion "because Limelight's customers (and not Limelight itself) performed one of the steps of the claimed method"
  - Motion for JMOL based upon CAFC's *BMC* and *Muniauction* opinions
- McKesson accused Epic under 271(b)
  - District Court (N.D. Ga.) granted Epic's summary judgment of noninfringement motion "on the ground that the patients (and not Epic's direct customers) performed the step of initiating the communication"
  - Also based upon CAFC's *BMC* and *Muniauction* opinions

# Akamai and McKesson cases – CAFC

- On August 31, 2012 the CAFC addressed:
  - whether a defendant may be held liable for induced infringement if the defendant has performed some of the steps of a claimed method and has induced other parties to commit the remaining steps (Akamai); and
  - whether a defendant is liable if the defendant has induced other parties to collectively perform all the steps of the claimed method, but no single party has performed all the steps itself (McKesson)
- Method claims only

# Akamai and McKesson cases – CAFC -- continued

- "To be clear, we 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."
- Both cases reversed and remanded on induced infringement
  - Limelight liable if:
    - Limelight knew of Akamai's patent;
    - it performed all but one of the steps of the method claimed in the patent;
    - it induced content providers to perform final step of claimed method; and
    - content providers performed final step
  - Epic liable if:
    - Epic knew of McKesson's patent;
    - it induced performance of those steps of the method claimed in the patent; and
    - those steps were performed

# Akamai and McKesson cases – CAFC -- continued

- On remand:
  - Akamai must show, *inter alia,* that Limelight "***induced*** the content providers to perform the final step of the claimed method" (emphasis added)
  - McKesson must show, *inter alia*, that Epic "***induced*** the performance of the step***s*** of the method claimed in the patent" (emphasis added)
    - What if the evidence shows Epic communicated only with healthcare organizations and did not communicate with any healthcare providers or patients?
    - What if Epic communicated with both healthcare organizations and healthcare providers but not patients?
- What does "induced" mean?
  - "[S]ection 271(b) extends liability to a party who advises, encourages, or otherwise induces others to engage in infringing conduct"
- Needs clarification

# Akamai and McKesson cases – CAFC -- continued

- "Because the reasoning of our decision today is not predicated on the doctrine of direct infringement, we have no occasion at this time to revisit any of those principles regarding the law of divided infringement as it applies to liability for direct infringement under 35 U.S.C. Sec. 271(a)."
- "Inducement-only" rule
- Wasn't 271(a) the issue?
  - "This unannounced *en banc* ruling is made without briefing by the parties or notice to the *amici curiae."* (Newman, J., dissenting).
  - "The only issue for which these cases were taken *en banc,* the only issue on which briefing was solicited from the parties and *amici curiae*, was the conflict in precedent arising from the single-entity rule of *BMC Resources* and *Muniauction*." Id.

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# Akamai and McKesson cases – CAFC -- continued

- Judge Linn's dissent:
  - "I would hold that direct infringement is required to support infringement under sec. 271(b) or sec. 271(c) and properly exists only where one party performs each and every claim limitation or is vicariously liable for the acts of others in completing any steps of a method claim, such as when one party directs or controls another in a principal-agent relationship or like contractual relationship, or participates in a joint enterprise to practice each and every limitation of the claim."
- Direct infringement defined differently for purposes of establishing liability under 271(a) and (b)
- Majority response:
  - Sec. 271(a) doesn't define infringement. It "simply sets forth a type of conduct that qualifies as infringing" (i.e., making, using, selling, offering to sell)

# Akamai and McKesson cases – CAFC -- continued

- Judge Newman's dissent:
  - The question is "whether a method patent is infringed when more than one entity performs the claimed steps of the method."
    - "My colleagues hedge, and while acknowledging that 'there can be no indirect infringement without direct infringement,' maj. op. 15, the court holds that there need not be direct infringers. I need not belabor the quandary of how there can be direct infringement but no direct infringers."
  - Single entity requirement is flawed
  - Criticizes the "inducement-only" rule allowing patent owner to sue for inducement where patent owner could not sue for direct infringement
- Majority response: None (but Judge Linn's dissent addresses Judge Newman's dissent)

# Akamai and McKesson cases – Petitions for cert.

- Limelight filed a petition for cert. on December 28th, couching the issue as: "[w]hether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under § 271(a)."
- Epic filed a petition for cert. on the same day, couching the issue as "[w]hether a defendant may be held liable for *inducing* infringement of a patent that no one is liable for infringing." (Emphasis in original).

# Hoping for more clarity . . . and what to consider doing in the interim

- Opinions – review and supplement as needed
- Preparation and prosecution
  - Interplay with 35 U.S.C. sec. 101
  - Multiple actors/apparatus claims
- Litigation
  - Did patent owner plead inducement?
  - Settlements and remedies
    - How does a court craft a proper injunction? Jurisdiction over *McKesson*-type parties?
    - In “inducement-only” McKesson-type case, the actors are not parties (on what date does liability end?)
- Indemnification clauses
- M&A activities

# Hoping for more clarity . . . and what to consider doing in the interim -- continued

- Judge Newman stated that the question is "whether a method patent is infringed when more than one entity performs the claimed steps of the method."
- Majority opinion overturns *BMC* (and then cites it multiple times)
- Status of *BMC* and *Muniauction*?
  - Impact of individual CAFC panels?
  - Still good law for 271(a) cases?
    - "[W]e reconsider and overrule the 2007 decision of this court in which we held that in order for a party to be liable for induced infringement, some other single entity must be liable for direct infringement."
    - *Muniauction* is a 2008 case. Is it still good law?
    - "Because the reasoning of our decision today is not predicated on the doctrine of direct infringement, we have no occasion at this time to revisit any of those principles regarding the law of divided infringement as it applies to liability for direct infringement under 35 U.S.C. Sec. 271(a)."

# Questions?

- Contact information

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