



INDUCED INFRINGEMENT

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Agenda

1. Introduction to Method Patent Claims and Definitions
2. Induced Infringement **Before** *Akamai*
3. Induced Infringement **After** *Akamai*
4. Other Considerations
5. Conclusion



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Definitions



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Method Patent Claims

A method, or process, is a series of steps for performing a function.

Example: Amazon's '1-click shopping' method patent claims:

1. On the customer's computer:
 - a. Displaying information identifying the item; and
 - b. In response to a single action being performed, sending a request to order the item along with an identifier of the purchaser of the item to a server.

2. On Amazon's server:
 - a. Receiving the request;
 - b. Retrieving additional information previously stored for the purchaser identified by the identifier in the received request; and
 - c. Generating an order to purchase the requested item for the purchaser identified by the identifier in the received request using the retrieved additional information...



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

- When a single actor commits all the elements of infringement, that actor is liable for direct infringement under 35 U.S.C. § 271(a).
- Direct infringement has not been extended to cases in which multiple independent parties perform the steps of a method claim.
- Direct infringement is a strict liability tort.
- Courts have found *vicarious liability* for direct infringement when the infringing acts are committed by an agent of the accused infringer or a party acting pursuant to the accused infringer's *direction or control*.



Vicarious Liability – Direct Infringement

Where multiple parties combine to perform every step of a claimed method and one party exercises *control or direction* over the entire process.

- The determination of vicarious liability is fact-specific.

Courts will consider:

- Whether the accused provides direction to another entity for performance or simply contracts out the steps to a third party.
- The nature of the contract if one exists; the mere fact that one exists is often not sufficient.
- The nature of the relationship; making information available, prompting, instructing, or facilitating the third party, without more, is often not sufficient.



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

- Whoever actively *induces* infringement of a patent shall be liable as an infringer.
- Not a strict liability tort.
- Requires the alleged infringer to **knowingly induce** infringement and **possess specific intent** to encourage another's infringement.
- Does not require proof of agency or control.
- Requires a finding of direct infringement first (*pre Akamai*).



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Induced Infringement Before *Akami*



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The “Single-Entity Rule”

- *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).
- Liability for induced infringement required findings of both:
 1. Inducement of direct infringement and
 2. Direct infringement was committed by a single actor.
- Made imposing liability for infringement of method patents extraordinarily difficult where no single entity practiced each of the steps of the claimed method.



LIABILITY FOR INDUCED INFRINGEMENT - Before *Akamai*

One party induces another party to perform all of the steps of a method claim	YES (inducer) (requires proof of knowledge and intent)
One party performs some of the steps of a method claim and induces one or more parties to perform the remaining steps of a method claim	NO
Multiple parties are required to perform all of the steps of a method claim and one party induces such parties to perform those steps	NO



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Induced Infringement After Akamai



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The New Standard for Induced Infringement

- In August 2012, the U.S. Court of Appeals for the Federal Circuit reviewed *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 614 F.Supp.2d 90 (D. Mass. 2009), and *McKesson Info. Solutions LLC v. Epic Sys. Corp.*, CIV 1:06-CV-2965-JTC, 2009 WL 2915778 (N.D. Ga. Sept. 8, 2009)
- The court's analysis focused on induced infringement and dramatically expanded the scope of liability for divided infringement of a method patent.
- The Federal Circuit noted that its reasoning would be predicated on Section 271 (b), not (a), and narrowed its opinion to the issue of whether induced infringement required a single party to commit all the acts necessary to constitute infringement.



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Akamai Technologies, Inc. v. Limelight Networks, Inc.

- Akamai's patent covers a two-step process to deliver web content efficiently.
- Limelight utilized the same two-step process, executing step one itself, and teaching its customers to execute step two.
- Akamai sued Limelight, alleging both direct and induced infringement.
- At trial, the jury found that Limelight infringed because it "directed or controlled" its customers by instructing them on how to perform one of the steps of the asserted claims.
- Limelight moved for a Judgment as a Matter of Law, arguing that there was no substantial evidence that it directed or controlled another party to perform.
- The district court initially denied Limelight's **motion** but ultimately reconsidered and granted it, **holding that Limelight's actions did not rise to the requisite level of direction or control necessary for direct infringement.**



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McKesson Technologies, Inc. v. Epic Systems Corp.

- McKesson's patent covers an automatic method of electronic communication between healthcare providers and their patients.
- McKesson sued Epic Systems alleging that Epic's MyChart software induced infringement by dividing the steps between patients and healthcare providers. Epic itself did not perform any of the steps.
- Epic argued that there was no infringement and moved for summary judgment.
- The district court granted Epic's motion, holding that McKesson failed to demonstrate a genuine issue of fact on whether any *single party* directly infringed the patent.
- The trial court held that McKesson's claims failed to show direct infringement, a requirement before the court can find indirect infringement.
- Moreover, McKesson failed to demonstrate that MyChart providers *direct and control* MyChart users to perform one of the steps of the patented method.



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Akamai Technologies, Inc. v. Limelight Networks, Inc.

The Federal Circuit held an alleged infringer may be liable for induced infringement of a method patent if:

1. The defendant has performed some of the steps of a claimed method and has induced other parties to commit the remaining steps; or
2. The defendant has induced other parties to collectively perform all the steps of the claimed method, even where no single party has performed all of the steps itself.



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Induced Infringement No Longer Requires a Single Entity to Perform Every Step

- Distinguished 'requiring proof of direct infringement' from 'requiring proof that a single party was liable as a direct infringer'.
- Deemed that a party who induces others to collectively practice the steps of the method has same impact as inducing a single direct infringer.
- Addressed the problem where infringers could escape liability by simply dividing infringing conduct among multiple parties.



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The Federal Circuit Reversed and Remanded

Application:

AKAMAI

1. Limelight knew of Akamai's patent;
2. Limelight performed all but one of the steps of the method claimed in the patent;
3. Limelight induced the content providers to perform the final step of the claimed method; and
4. The content providers in fact performed that final step.

MCKESSON

1. Epic knew of McKesson's patent;
2. Epic induced the performance of the steps of the method claimed in the patent; and
3. Those steps were performed.



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LIABILITY FOR INDUCED INFRINGEMENT - After *Akamai*

One party induces another party to perform all of the steps of a method claim	YES (inducer)
One party performs some of the steps of a method claim and induces one or more parties to perform the remaining steps of a method claim	YES (inducer)
Multiple parties are required to perform all of the steps of a method claim and one party induces such parties to perform those steps	YES (inducer)



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Dissenting Opinions May Broaden the Scope of Direct Liability

Both dissenting opinions by Judge Linn and Judge Newman:

- Addressed the majority's failure to consider the conflict in application of the single-entity rule to direct infringement.
- Agreed that the correct analysis was whether the defendants' conduct was sufficient to establish liability under a theory of direct infringement (or vicarious liability for direct infringement).
- Advocated for expanding the scope of liability for direct infringement beyond strict "direction or control" agency analysis.



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Appeal to the Supreme Court

- Parties filing petitions for writ of certiorari to the Supreme Court
- Amicus Curiae briefs filed by Google, Altera, and CTIA



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Conclusion

- The Federal Circuit expanded the scope of liability for induced infringement by allowing for infringement when multiple parties perform the steps of a method claim.
- Since *Akamai*, the Federal Circuit has avoided opportunities to expand the scope of vicarious liability for direct infringement.
- In dicta, however, the court has suggested that the direction or control standard may be broader than traditional principles of vicarious liability.
- Applying the new standard, district courts have resolved fewer cases through dispositive motions such as summary judgment.





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