

**AKAMAI: ACTIVE INDUCEMENT TO INFRINGE
SANS DIRECT INFRINGEMENT***

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I. OVERVIEW

In *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, ___ F.3d ___, 2012 WL 3764695 (Fed. Cir. 2012)(en banc)(per curiam), a fractured *en banc* panel has rescued multiple actor internet method claims which had seemingly become worthless because of claim drafting shortcomings.

The Court expressly overruled *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed.Cir.2007). Per the *Akamai* majority, a multistep process claim without a single direct infringer can nevertheless subject the “inducer” to vicarious liability under a theory of “active inducement” under 35 USC § 271(b). Even though there is no direct infringement by *any* person under the “all elements” rule, where two or more independent parties cumulatively perform all steps of the process this may invoke the liability shifting provision of the active inducement statute, even though there is no direct infringement and hence no liability to shift.

Akamai thus creatively breaks new legal ground in the interpretation of contributory infringement law: A conclusion of infringement can be reached under *Akamai* without a finding that there is a single direct infringer; the Court thus holds that direct infringement is not a *necessary* factual predicate for liability under a theory of § 271(b) active inducement:

“It is not necessary for us to resolve th[e] issue [whether direct infringement can be found when no single entity performs all of the claimed steps of the patent] because we find that the[] cases ... can be resolved through an application of the doctrine of induced infringement. In doing so, we reconsider and overrule [*BMC v. Paymentech*] 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.” *Akamai*, ___ F.3d at ___.

Under the 1952 Patent Act, “active inducement” to infringe is codified as 35USC § 271(b): “Whoever actively induces infringement of a patent shall be liable as an infringer.” *See* § II, *Contributory Infringement and Active Inducement*. Vicarious liability is shifted to a seller who encourages infringement of the patent by its customers. *See* § II-A, *A Special Liability Shifting Statute*. This liability shifting provision pins the infringement target on the seller and removes the often practically impossible task of suing each of the often several hundred (or thousands or more) direct infringer-customers. *See* § II-B, *The Direct Infringer, a Necessary Factual Predicate*. As a liability shifting statute, there is no liability for an active inducer who encourages use of the invention *without* using all elements or steps of the claim: There is no liability for the otherwise direct infringer and hence no liability to shift. *See* § II-C, *Nature of the Liability Shifting Statute*.

The bottom line is that the active inducement statute is a liability shifting mechanism that does not give rise to infringement without an act of direct infringement: Inevitably, either the Federal Circuit or the Supreme Court must focus upon the factual predicate of an act of direct infringement. *See* § III, *The “All Elements” Rule Blocks Infringement*.

The Court boldly sweeps aside its own precedent which it certainly has the authority to do where, as here, it sits as an *en banc* panel. What is more problematic is that the precedent that has been discarded has an underpinning in Supreme Court case law:

Beyond the early cases, modern precedent includes *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176 (1980), *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). the *Grokster* case, *Metro–Goldwyn–Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437 (2007), and *Global–Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060 (2011). The ultimate step is whether *Akamai* is a final answer or whether the Supreme Court will consider the case on *certiorari* review – or whether Congress will become involved. See § IV, *Akamai at the Supreme Court and Congress*.

II. CONTRIBUTORY INFRINGEMENT AND ACTIVE INDUCEMENT

The “active inducement” aspect of contributory infringement is defined as follows: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 USC § 271(b).

A. Vicarious Liability, a Special Liability Shifting Statute

There has been much said about active inducement and other aspects of contributory infringement, both in the patent law as well as in copyright law. Indeed, as seen in *Grokster*, the Supreme Court has found parallels in the evolution of the law of vicarious liability in both bodies of intellectual property law.

Contributory infringement, including active inducement, is a liability shifting statute that makes it possible to sue a seller who induces many parties to directly infringe the patent. The origins of contributory infringement were grounded in the nineteenth century reality that it is impossible as a practical matter to sue numerous customers who directly infringe a patent; the answer was to shift liability to the seller through contributory infringement.

Thus, an essential predicate for liability for contributory infringement is the existence of a direct infringer: Otherwise, there is no liability to shift to anyone.

The Supreme Court in *Dawson v. Rohm and Haas* traces the origins of contributory infringement to the nineteenth century *Oil Lamp Burner Case*, *Wallace v. Holmes*. *Dawson v. Rohm and Haas*, 448 U.S. at 187-89 (1980)(discussing *Wallace v. Holmes*, 29 F.Cas. 74 (No. 17,100) (D. Conn.1871)).

The patent was directed to a new oil lamp burner which was claimed as a combination of the burner with a chimney and other conventional elements. As a practical matter, the patentee could not sue each of the direct infringers who purchased the burners and completed the combination by attaching the chimney. As explained by the Supreme Court in *Dawson v. Rohm and Haas*:

[The accused infringer's sale of the burners] did not amount to **direct infringement**, because the [accused infringer] had not replicated every single element of the patentee's claimed combination. Cf., e. g., *Prouty v. Ruggles*, 16 Pet. 336, 341 (1842). Yet the court held that there had been "palpable interference" with the patentee's legal rights, because purchasers would be certain to complete the combination, and hence the infringement, by adding the glass chimney.

Dawson v. Rohm and Haas, 448 U.S. at 187-89(emphasis added)(citations omitted). With a remedy only against direct infringers, the patent would have been next to worthless. On the one hand, with only liability under direct infringement, the claim had no value against the accused infringer who sold only a component of the patented combination. On the other hand, there was effectively no way to sue the many direct infringers – the individual customers who would purchase the burner and create the patented combination by using the burner with a conventional glass chimney. Out of this dilemma was born the doctrine of contributory infringement as a liability shifting measure. As explained by the Court in *Dawson v. Rohm & Haas*:

The court [in the *Oil Lamp Burner Case*] permitted the patentee to enforce his rights against the competitor who brought about the infringement, ***rather than requiring the patentee to undertake the almost insuperable task of finding and suing all the innocent purchasers who technically were responsible for completing the infringement.***

The [*Oil Lamp Burner*] case demonstrates... the reason for the contributory infringement doctrine. It exists to protect patent rights from subversion by those who, without ***directly infringing*** the patent themselves, engage in acts ***designed to facilitate infringement by others***. This protection is of particular importance in situations, like the oil lamp case itself, where enforcement against ***direct infringers*** would be difficult, and where the technicalities of patent law make it relatively easy to profit from another's invention without risking a charge of direct infringement.

Id. In the context of copyright law, the Supreme Court has adopted the same rationale for liability shifting in both *Sony* and *Grokster*. As stated in the former case:

“For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”

Sony, 464 U.S. at 417.

Patent law contributory infringement continued as a matter of case law until the 1952 Patent Act, more than eighty years after the *Oil Lamp Burner Case*. Then, the law was divided into “active inducement” under 35 USC § 271(b) and “contributory infringement” under 35 USC § 271(c). Both branches of the law continued as liability shifting measures; in the case of active inducement a party could be liable for infringement under such liability shifting even without selling a component of the patented invention: Liability could attach merely for encouraging infringement provided, of course, that the encouraged party is a direct infringer.

Deepsouth confirmed that under the 1952 Patent Act an inducer’s conduct that did not lead to a direct infringement could not shift liability to the inducer: “The Court held that [the combination] would not have constituted **direct infringement** prior to the enactment of § 271(a), and it concluded that enactment of the statute effected no change in that regard. The Court cited *Mercoide I* [, *Mercoide Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944),] for the well-established proposition that unless there has been direct infringement there can be no contributory infringement.” *Dawson v. Rohm and Haas*, 448 U.S. at 216, citing *Deepsouth*, 406 U.S. 526 (emphasis added).

As explained in *Microsoft v. AT & T*, the overseas assembly of the patented combination thus resulted in the situation that Deepsouth “could not be charged with inducing or contributing to an infringement” *Microsoft v. AT & T*, 550 U.S. at 443 (quoting *Deepsouth*, 406 U.S. at 526-27). Additionally, “[neither] could Deepsouth be held liable as a direct infringer, for it did not make, sell, or use the patented invention—the fully assembled deveining machine—within the United States. The parts of the machine were not themselves patented, we noted, hence export of those parts, unassembled, did not rank as an infringement of Laitram's patent. *Id.* (citing *Deepsouth*, 406 U.S. at 527-29).

Deepsouth is not an isolated example where inducement has been denied because “all elements” were not performed by the same direct infringer-actor in an infringing manner. In *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed.Cir.2005), one element of a method claim was performed in Canada so there could be no direct infringement of all steps *in this country*, thus denying the existence of a direct infringer, and thus denying any infringement liability to shift to an otherwise active inducer.

B. The Direct Infringer, a Necessary Factual Predicate

Just a year ago in *Global-Tech* the Supreme Court confirmed that “induced infringement ... requires that the accused inducer act with knowledge that the *induced acts constitute patent infringement.*” *Akamai*, __ F.3d at __ (quoting *Global-Tech*, 131 S.Ct. at 2068 (emphasis added).

In terms of Congressional activity, the present situation is quite unlike what happened in the wake of *Deepsouth*. After that case, industry circles sought relief in Congress; industry was successful in legislatively seeing that the holding of *Deepsouth* was overruled when the Congress enacted 35 USC § 271(f). The rationale for *Deepsouth* remained firmly entrenched in the overall case law as the statutory override was very narrowly and fact-specifically crafted.

In contrast, it is now years since *BMC v. Paymentech*. Until last year there was extremely active patent legislative activity in many areas which *could have* resulted in the inclusion of a statutory override of *BMC v. Paymentech*. Unlike the *Deepsouth* situation, here industry has remained essentially silent in the halls of Congress insofar as *BMC v. Paymentech* is concerned. The massive *Leahy Smith America Invents Act* with its numerous sections changing a multitude of patent law provisions is silent on the “single actor” infringement question.

C. Nature of the Liability Shifting Statute

Akamai correctly accepts the proposition that active inducement is predicated on the premise that there is inducement liability *only* if the inducement leads to “actual infringement”. More completely stated:

“[I]nducement gives rise to liability only *if the inducement leads to actual infringement*. That principle, that *there can be no indirect infringement without direct infringement*, is well settled. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961); *Henry v. A.B. Dick Co.*, 224 U.S. 1, 12 (1912). The reason for that rule is simple: There is no such thing as attempted patent infringement, so *if there is no infringement, there can be no indirect liability for infringement.*” *Akamai*, ___ F.3d at ___ (emphasis added).

Akamai merely restates what had recently been explained by Judge O'Malley:

“It is axiomatic that ‘[t]here can be no inducement or contributory infringement without an underlying act of direct infringement.’ *Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1326 (Fed.Cir.2004) (citation omitted); *see also Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1272 (Fed.Cir.2004) (‘Indirect infringement, whether inducement to infringe or contributory infringement, can only arise in the presence of direct infringement....’); *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed.Cir.1993) (‘Liability for either active inducement of infringement or for contributory infringement is dependent upon the existence of direct infringement.’).”

In re Bill of Lading Transmission and Processing System Patent Litigation, 681 F.3d 1323, 1333 (Fed. Cir. 2012)(O'Malley, J.).

Judge Prost explained:

“To prove his case of indirect infringement by [the seller], [the patentee] must show that [the seller]'s customers *directly infringe* the [] patent. *See Novartis Pharms. Corp. v. Eon Labs Mfg., Inc.*, 363 F.3d 1306, 1308 (Fed.Cir.2004) (‘When indirect infringement is at issue, it is well settled that there can be no inducement or contributory infringement absent an underlying direct infringement.’); *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1272 (Fed.Cir.2004) (‘Indirect infringement, whether inducement to infringe or contributory infringement, can only arise in the presence of direct infringement, though the direct infringer is typically someone other than the defendant accused of indirect infringement.’).”

Glenayre Electronics, Inc. v. Jackson, 443 F.3d 851, 858 (Fed. Cir. 2006)(Prost, J.)

III. THE “ALL ELEMENTS” RULE BLOCKS INFRINGEMENT

The very premise of the *Akamai* decision is that no single actor need be a direct infringer because no single actor performs every element or step of the claimed invention: But, only if a single actor performs every step of a process is any such actor a direct infringer. This point is well settled under the “all elements” rule.

Of course, where a “mastermind” has an agency relationship with the several actors who collectively perform “all elements” of the claimed method, that mastermind *is* an infringer *as a direct infringement*. There is no vicarious liability issue nor any liability shifting involved. But, absent a close relationship such as agency, none of the individual actors is a direct infringer and there is hence no vicarious patent infringement liability to shift to anyone.

A. The Strict “All Elements” Rule

The “all elements” rule has been a central feature of the *en banc* precedent of the Federal Circuit since its early years. The leading case is *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931 (Fed.Cir.1987) (*en banc*) (Bissell, J.), that has made the “all elements” rule a central feature of the law of the Circuit.

While a Court of Appeals is free to erase its own case law through an *en banc* decision, such an *en banc* redrafting of the law of a Court of Appeals does not trump Supreme Court precedent. In *Pennwalt* itself, the late Helen Wilson Nies

explained that “[e]very Supreme Court decision which has addressed the issue of infringement of a patent claim, beginning with *Prouty v. Draper*, 41 U.S. (16 Pet.) 335 (1842)[,] has held that where a part of the claimed invention, that is, a limitation of the claim, is lacking in the accused device ... there is no infringement.” *Pennwalt*, 833 F.2d at 949-50 (Nies, J., Additional Views).

The late Chief Judge then quotes from numerous Supreme Court precedent spanning a period of more than sixty years following *Prouty v. Draper*.¹

B. The Harsh Application of the “All Elements” Rule

As seen from the stinging minority voices in *Pennwalt*, the “all elements” rule that denies the existence of a direct infringer in *Akamai* is a harsh fact of patent life. Many applicants have fallen victim to drafting claims that can be easily circumvented without a direct infringer.

¹ *Id.*, 833 F.3d at 950-51, quoting *Brooks v. Fiske*, 56 U.S. (15 How.) 211, 219 (1853); *Vance v. Campbell*, 66 U.S. (1 Black) 427, 429 (1861); *Eames v. Godfrey*, 68 U.S. (1 Wall.) 78, 79 (1864); *Gould v. Rees*, 82 U.S. (15 Wall.) 187, 194 (1872); *Dunbar v. Myers*, 94 U.S. (4 Otto) 187, 202 (1876); *Water-Meter Co. v. Desper*, 101 U.S. (11 Otto) 332, 335-37 (1879)).

Immediately thereafter she cites further precedent as being in “accord”, *id.*, 833 F.3d at 950-51, citing *Case v. Brown*, 69 U.S. (2 Wall.) 320, 327-28 (1864); *Gill v. Wells*, 89 U.S. (22 Wall.) 1, 26-30 (1874); *Fuller v. Yentzer*, 94 U.S. (4 Otto) 288, 297 (1876); *Gage v. Herring*, 107 U.S. (17 Otto) 640, 648 (1882); *Fay v. Cordesman*, 109 U.S. 408, 420-21 (1883); *Rowell v. Lindsay*, 113 U.S. 97, 102 (1885); *Sargent v. Hall Safe & Lock Co.*, 114 U.S. 63, 86 (1885); *Brown v. Davis*, 116 U.S. 237, 252 (1886); *Yale Lock Mfg. Co. v. Sargent*, 117 U.S. 373, 378 (1886); *McClain v. Ortmayer*, 141 U.S. 419, 425 (1891); *Wright v. Yuengling*, 155 U.S. 47, 52 (1894); *Black Diamond Coal Mining Co. v. Excelsior Coal Co.*, 156 U.S. 611, 617-18 (1895); *Cimiotti Unhairing Co. v. American Fur Ref. Co.*, 198 U.S. 399, 410 (1905).

Examples include Pennwalt's fruit sorter claims which have many elements, including some entirely unnecessary to the success of the invention, as well as Akamai's multistep method claims which lend themselves to (or may require) performance of steps by different actors.

Why is the "all elements" rule maintained when there *is* hardship inflicted on the patentee community when the patent draftsman comes up short by either failing to limit the claims to essential steps or by failing to provide a single actor direct infringer? The other side of the coin – and the very reason for the "all elements" rule – is that the public has a right to have clear boundaries delimiting the lines of protection. Where the line should be drawn between the rights of the patentee community and those seeking to legitimately practice outside the claims is the grist for the mill of more than a century of case law such as noted by Judge Nies in *Pennwalt*.

The reality of the "all elements" rule has been harsh in the internet area: It is unfortunate that apparently many patent applicants have drafted internet method claims without successful understanding and application of the "all elements" rule. Yet, for more than ten years there has been an ever increasing and widespread recognition of the need for single actor internet claims.

This is exemplified by the 2001 SOFTIC conference of several hundred software patent experts from around the world that featured the current Chief Judge of the Federal Circuit and the current Deputy Under Secretary of Commerce where a special session was devoted to this specific topic.²

IV. AKAMAI AT THE SUPREME COURT AND CONGRESS

Akamai is not the final chapter.

The possibility exists for either the Supreme Court to sustain or overrule the Federal Circuit. It is also possible that there could be legislation to codify or otherwise modify *Akamai*.

A. Supreme Court Review of *Akamai*

While an *en banc* Court of Appeals has the authority to disregard its prior precedent, it is more problematic to fly in the face of the underlying Supreme Court cases, whether the century plus history of cases in more traditional technologies or the more modern precedents including *Deepsouth*, *Dawson v. Rohm and Haas*, *Sony*, *Grokster*, *Microsoft v. AT & T* and *Global-Tech*.

² *Softic Symposium 2001: Information Distribution and Legal Protection in Cyberspace – In search of a New System*, § C, *Patent Infringement Suits in Global Network Age*, pp. 82-93, <http://www.softic.or.jp/en/symposium/proceedings.htm> (panel debate featuring the Hon. Randall R. Rader and the Hon. David J. Kappos). The underlying case law and solutions to provide single actor claims was explained in Wegner, *E-Business Patent Infringement: Quest for a Direct Infringement Claim Model*, SOFTIC Symposium (2001), http://www.softic.or.jp/symposium/open_materials/10th/index-en.htm.

There is a current stream of thinking within some patent circles that when Congress created the Federal Circuit in 1982 it did so to make this new Court the essential judicial policymaker for interpretation of the patent laws, encroaching on the general role of the Supreme Court as the ultimate court of last resort. If this thinking is correct, then, indeed, the Federal Circuit occupies a truly unique position within the federal judicial system different from the several sister regional courts of appeal. It would then have the power to judicially legislate solutions in the role occupied in all other areas by the Supreme Court.

If *certiorari* is granted in *Akamai* this current stream of thinking will be put to the test. Whether and to what extent the Federal Circuit has the authority to judicially legislate a new interpretation to the active inducement statute now rests with the Supreme Court if it grants review.

Looking at this case *in vacuo* one may think that *certiorari* will be granted. But, there are many factors that go into the individual review of a case including the workload of the Court in any particular term, the quality of arguments and the phrasing of the *Question Presented* and various other determinants. It may be that the Court would deny *certiorari* in this particular case and yet grant review on the same issue in a future Term.

B. Congressional Action

Whether there should be Congressional action to statutorily overrule the “single actor” rule is premature. There has been no detailed study showing whether the problem, if it *is* important, *continues* to be important, now that the patent community is fully aware of the single actor challenge. Will better claim drafting practices eliminate the need for a legislative solution?

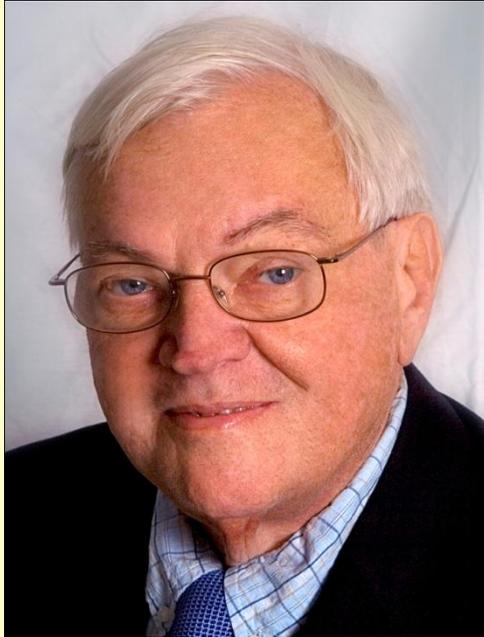
In any event, one must always remember the harsh reality of the “all elements” rule which is at the heart of the apparently widespread internet claim drafting challenge

V. CONCLUSION

More than twenty-six thousand words of the three opinions in *Akamai* provide a complex web of intricate theories that, like the dissent in *Pennwalt*, seeks to provide a remedy for a patentee with a meritorious invention that has fallen short of the “all elements” rule. Lost in the weeds is the message of the very second sentence of the *per curiam* majority opinion which correctly states that “[w]hen a single actor *induces* [a second] actor to commit *all the elements* of infringement, the first actor is liable for induced infringement under 35 U.S.C. § 271(b).” (emphasis added)

The wisdom of the quoted sentence is that the second actor is a *direct* infringer: It is axiomatic that to *shift* infringement liability from the direct infringer-second actor there must be some liability to shift in the first place; that second actor must meet the “all elements” rule and thus be a direct infringer. If it takes yet a third independent actor to perform some of the elements to cumulatively meet the “all elements” rule, *neither* the second nor third actor has direct infringement liability under the “all elements” rule. Neither the second nor third actor has any infringement liability at all. There is thus no direct infringement liability of *anyone* to shift to the first actor; there is thus no shifted liability to define the first actor as an active inducer.

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