14TH ANNUAL
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INDUCED AND DIVIDED INFRINGEMENT: UPDATES AND STRATEGIC VIEWS

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Induced Infringement

Global Tech v. SEB

Commil v. Cisco

True or False?

You cannot infringe an invalid patent.

GlobalTech v. SEB
(S. Ct. 2011)

- Patent validity was not at issue;
- Focus was whether alleged infringer was willfully blind to the existence of a patent, not whether or not the patent was valid.
- The Court concluded that in order to satisfy the intent element of induced infringement under § 271(b), an accused infringer must posses "knowledge that the induced acts constitute patent infringement."

Commil v. Cisco
(CAFC June 2013)

- Trial: Plaintiff won on validity, retrial on induced infringement
- 2nd Trial: Cisco barred from rebutting inducement by evidence of invalidity

Commil v. Cisco
(CAFC June 2013)

- CAFC: Vacate and remand, because "evidence of an accused inducer's good-faith belief of invalidity may negate the requisite intent for induced infringement."
- "no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringment for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent."

Commil v. Cisco
(CAFC June 2013)

- Rehearing Denied October 2013
- Judges Rader, Reyna, Newman, Lourie, Wallach voted to rehear en banc, because:
  - Improper to create new non-infringement defense based on belief of invalidity
  - Wrong to conflate infringement and validity
  - Presumption of validity weakened
  - Uncertainty on how to try "belief" of invalidity – is this a factual or legal question?

Divided Infringement

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

True or False?

There is no induced infringement if no entity directly infringes

Direct Infringement (Methods)

- Liable for direct infringement only if one performs all steps – personally or vicariously
- Requires principal-agent relationship, direction or control" (*Cross Medical Prod.*, 2005)
  - Not instructions for on-line system (*Muniauction*, 2008)
  - Not joint enterprise (*Golden Hour Data Systems*, 2010)
- System claims: requires one to "control the system as a whole and obtain benefit from it" (*Centillion Data Systems*, 2011)

Induced Infringement (Methods)

- ***BMC*** (2007): No liability unless single actor is liable for direct infringement

- ***Akamai*/*McKesson*** (2012): Liability even with multiple actors
  - 6-5 vote
  - Cert. petition pending (*Akamai*)

Akamai's Patent

A content delivery service to alleviate internet congestion, requiring steps from:

Content Provider

Content Delivery Network

Akamai
The Trusted Choice For Online Business™

Limelight Networks

McKesson's Patent

Method of electronically communicating between healthcare provider and patient, requiring:

- Initiating a communication from patient to provider

- Transporting the communication to the provider's website

- Formulating a response to the communication

- Returning the response to the patient's computer

Akamai/McKesson En Banc

- **Per curiam**
  - Indirect infringement when steps performed by more than one entity
- **Newman's dissent**
  - Direct **and** indirect infringement when steps performed by more than one entity
- **Linn's dissent (Dyk, Prost, O'Malley join)**
  - No indirect infringement without direct infringement
  - No direct infringement without one entity performing (at least vicariously) all elements

Procedural Quirk

- ***Akamai***
  - Direct infringement verdict ("direction or control")
  - JMOL of no direct infringement affirmed
  - Remanded for new trial on induced infringement
- ***McKesson***
  - Summary judgment no induced infringement
  - Remanded, then settled

Certiorari

- Views of the Solicitor General
  - Limelight's petition on indirect infringement: GRANT
  - Akamai's petition on direct infringement: DENY
  - *Certiorari* grant possible at Jan. 10 conference
- Why?
  - Not patent policy; the "statutory gap is unfortunate"
  - No indirect infringement without direct infringement
    - Statutory language
    - *Aro Manufacturing* (1961, 1964), *Deepsouth Packing* (1972)
    - Tort and criminal liability
    - No concern about interlocutory posture, legislative history, …
  - Direct infringement: Fed. Cir. can refine vicarious liability

Strategic Views: Plaintiff and Defense

Strategic Considerations

For Plaintiff

For Plaintiff: Inducement

- Look for claims and defendants where direct infringement works
- Plead knowledge as of at least filing date
- Ask for opinions of counsel; depose executives (*Bettcher Indus.*, 2011)
- *Commil* "do[es] not hold 'that if the inducer of infringement believes in good faith that the patent is invalid, there can be no liability for infringement,'" only that it "may negate" intent (n. 1 (quoting dissent))

For Plaintiff: Divided Infringement

- Direct infringement claims remain viable, at least with “direction and control”
  - *Akamai* en banc court did not change this law, nor endorse it
  - 5 dissenters would overrule *Golden Hour* to recognize “joint enterprise” liability
  - Another *en banc* coming?
- Induced infringement claims may get to trial now in divided infringement cases

Strategic Considerations

For Defendant

For Defendant: Inducement

- How present evidence of good faith belief of invalidity?
  - Who is the witness?
  - Privilege waiver?
  - Revival of the opinion letter?
  - Point to IPR / Re-exam petition
  - Temporal considerations: when did good faith belief arise?
  - Is this a purely subjective question, such that the objective prong for willfullness is irrelevant?

For Defendant: Divided Infringement

- Greater exposure to patents where you practice some, but not all, limitations.
- Inducement standard governs, so consider evidence of good faith basis of non-infringement or invalidity
- Indemnity issues:
  - Only "inducer" is liable
  - Cloud computing, server/client relationships problematic

Thank you