Akamai: Is the Answer in the Common Law?

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Quick View

In its recent decision in *Limelight Networks Inc. v. Akamai Techs., Inc.*,[2] the U.S. Supreme Court decided the easy question—whether inducement must be supported by direct infringement—on precedent grounds, yet avoided the much more difficult question of how the courts should deal with multi-actor infringement of a method or process patent.

Precedent is indeed clear that direct infringement is a predicate to indirect infringement, and the Court's decision on this question was exactly right. The interesting questions remaining, however, are *why* did the Federal Circuit attempt to rewrite precedent in this manner and *what* should the Federal Circuit do with multi-actor infringement doctrine on remand?

The answer to the *why* question is driven by the courts' fundamental discomfort with strict liability. The Federal Circuit's inartful attempt in its en banc decision in *Akamai*[3] to move multi-actor infringement from direct infringement to inducement was an effort to relocate such infringement from the harsh rules of strict liability to the more forgiving rules of intent-based indirect liability. Justice Kagan highlighted this at oral argument:

> But the reason [the Federal Circuit] put this under 271(b) rather than 271(a) is because of what Justice Scalia said, that 271(b) is not a strict liability offense . . . . [T[hey thought they were being very clever by putting it into a 271(b) box and avoiding the strict liability consequences of what they were doing, but also avoiding the possibility of an end run of the patent law.[4]

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[2] Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S. Ct. 2111 (2014).

[3] Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301 (Fed. Cir. 2012).

[4] Oral Argument Transcript at 23, Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S. Ct. 2111 (2014), *available at* http://www.supremecourt.gov/oral_arguments/argument_transcripts/12-786_i4dj.pdf.

As I explore in a work-in-progress,[5] the courts similarly attempt to avoid the strictures of strict liability in other IP contexts such as imposition of officer liability in patent and copyright cases. Although strict liability is antithetical to the notions of fault-based liability that permeate most of American law, the courts are bound by the statutory language and the Supreme Court's rejection of the Federal Circuit's attempt to circumvent direct infringement's strict liability requirement was spot-on.

The *what* question is harder to answer. The Supreme Court expressed significant skepticism about the *Muniauction Inc. v. Thomson Corp.*[6] test, appearing, in fact, to characterize any current doctrinal difficulties as self-inflicted by the Federal Circuit:

> [R]espondents, like the Federal Circuit, criticize our interpretation of § 271(b) as permitting a would-be infringer to evade liability by dividing performance of a method patent's steps with another whom the defendant neither directs nor controls. We acknowledge this concern. Any such anomaly, however, would result from the Federal Circuit's interpretation of § 271(a) in *Muniauction.* A desire to avoid *Muniauction*'s natural consequences does not justify fundamentally altering the rules of inducement liability that the text and structure of the Patent Act clearly require—an alteration that would result in its own serious and problematic consequences . . . .[7]

The Court viewed the Federal Circuit's multi-actor infringement precedent too narrowly, however. To adequately address the multi-actor infringement issue on remand, the Federal Circuit needs to reexamine not just *Muniauction*, but two additional decisions as well: *BMC Resources, Inc. v. Paymentech*[8] and the panel decision in *Akamai*.[9]

BMC Resources provided the foundation of the Federal Circuit's current multi-actor infringement doctrine by stating that: (1) for inducement to exist, some other single entity must be liable for direct infringement but (2) a mastermind who controls or directs the activities of another party incurs vicarious liability for the actions of that other party such that the combination of acts would be deemed the act of a single actor for purposes of establishing

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[5] Lynda J. Oswald, *The Divergence of Corporate Officer Liability Doctrine Under Patent and Copyright Law* (Nov. 29, 2014), *available at* SSRN: http://ssrn.com/abstract=2448697 or http://dx.doi.org/10.2139/ssrn.2448697.

[6] Muniauction, Inc. v. Thomson Corp., 532 F.3d 1318 (Fed. Cir. 2008).

[7] *Limelight Networks, Inc.*, 134 S. Ct. at 2120.

[8] BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373 (Fed. Cir. 2007), *overruled* by Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301 (Fed. Cir. 2012).

[9] Akamai Techs., Inc. v. Limelight Networks, Inc., 629 F.3d 1311, 1314 (Fed. Cir. 2010).

liability. *Muniauction*'s contribution was to refine the *BMC Resources* test by identifying a "spectrum" of relationships: at one pole is "mere arms-length cooperation," which does not lead to liability; at the other is "control or direction over the entire process such that every step is attributable to the controlling party, i.e., the mastermind."[10] The panel decision in *Akamai* attempted to further clarify the standard by setting up two-pronged test of the type that the Federal Circuit seems to prefer these days: multi-actor infringement occurs only when the parties involved are in either (1) in an agency relationship or (2) contractually obligated to each other.

Perhaps it is a function of its narrow jurisdiction, but the Federal Circuit often misses the opportunity to apply traditional common law doctrines in a manner that would reconcile statutory language with the policies underlying the statute. As I discuss in a recent article,[11] the Federal Circuit could resolve much (but not all—some aspects of this issue are amenable only to legislative resolution) of the confusion surrounding multi-actor infringement by explicitly invoking common law doctrines of tort and agency. The panel decision in *Akamai* got much of this right by looking at agency and contractual relationships. However, the *Akamai* panel decision ignored the possibility that there could be co-equals involved in the infringement, not bound by contract or agent-principal relationships but acting in concert in a joint tortfeasorship relationship. Early (pre-Federal Circuit) cases did recognize the role that joint torts can play in establishing multi-actor liability but that relationship was lost in the *BMC Resources* single-entity rule.

The *Akamai* Court issued a clear call to the Federal Circuit to revisit (and revamp) its troublesome multi-actor infringement standard. Judge Newman provided an elegant statement of how the court should approach this issue in her dissent in the *Akamai* en banc decision:

> The court should simply acknowledge that a broad, all-purpose single-entity requirement is flawed, and restore infringement to its status as occurring when all of the claimed steps are performed, whether by a single entity or more than one entity, whether by direction or control, or jointly, or in collaboration or interaction.[12]

On remand, the Federal Circuit will have the opportunity to articulate liability rules that are more principled, more grounded in traditional legal doctrine, and more consistent with the general patent law scheme; Judge

[10] *Muniauction, Inc.*, 532 F.3d at 1329.

[11] Lynda J. Oswald, *Simplifying Multiactor Patent Infringement Cases Through Proper Application of Common Law Doctrine*, 51 AM. BUS. L.J. 1 (2014), *available at* http://onlinelibrary.wiley.com/doi/10.1111/ablj.12024/pdf.

[12] *Akamai Techs., Inc.*, 692 F.3d at 1326 (Newman J., dissenting).

Newman's characterization provides an excellent starting point for that analysis.

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