Inducement of Patent Infringement After *Global-Tech* and *Akami*: A Deadly Weapon Against New Enabling Technologies?

John David Evered*

Inducement-based patent lawsuits may have become the perfect weapon for suing entities engaged in emerging information and communication technologies, particularly as these technologies invariably involve numerous interoperating providers and users. This paper refers to these technologies as "enabling" technologies. Two developments in the law of inducement of patent infringement have lent potency to the weapon. First, the Supreme Court's "clarification" of the scienter requirement for inducement in the 2011 *Global-Tech* decision introduced the concept of willful blindness into the analysis. This has prompted courts to allow even more latitude in implying knowledge and intent to induce. As a result, the bar for culpability is lower. This low bar, in addition to the nature of the technology companies develop, ex-

* The author practiced as a litigation lawyer in the UK before coming to California in 2000. He is a member of the California Bar and practiced in the field of intellectual property litigation and dispute resolution with a West Coast IP boutique until 2012. He is currently an LLM candidate with an IP concentration at the University of San Diego law school. The author resides in Tucson Arizona where he is affiliated with Coldwell Banker. He can be contacted at jdevered@gmail.com.

poses a wider range of companies to inducement suits. Second, the Federal Circuit's *Akamai* and *McKesson* decisions in 2012 established liability for inducement of patent infringement even when there was no direct infringement—so-called inducement-only liability. These decisions sought in part to address a concern, reiterated in amicus briefs submitted in support of the decisions to the Supreme Court of the United States, that it was too easy for parties to collude to circumvent patents and avoid liability by arranging for method steps to be performed by separate entities. The Supreme Court heard argument in *Akamai* and *McKesson* on April 30, 2014, and ultimately rejected inducement-only liability as a new basis for liability in patent law. Amicus briefs submitted by numerous technology entities voiced grave concerns about the Supreme Court upholding the Federal Circuit's decision. Inducement suits against new and creative technologies would become increasingly more attractive in light of how courts are applying the factually heavy scienter requirement, and would have become even more so if the Supreme Court had endorsed the radical change in the law of inducement in *Akamai*. The concern would be that this kind of suit ensnares not only genuine inducers of infringement, but also a new generation of innovative technology companies that are rendered vulnerable to allegations of inducement by the very nature of the enabling technologies they are developing. Among those benefitting from this vulnerability are holders of broad based patents rooted in older technology, including non-practicing entities or patent trolls. Even with the Supreme Court's rejection of inducement-only liability, the threat now posed by inducement suits carries important, negative ramifications for development and investment in the very areas of technology that arguably are most beneficial to today's society. This paper suggests that the inducement of infringement cause of action is a potential weapon that should be blunted.

I. Introduction

Since the 1952 Patent Act, codified in Title 35 of the United States Code, patent law has recognized direct infringement[1] and two forms of indirect infringement, inducement and contributory infringement.[2] This paper is concerned with inducement of patent infringement, which has just recently been the subject of attention from the Supreme Court of the United States.

In deceptively straightforward language, 35 U.S.C. § 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer."[3] The rationale for inducement is that a party who brings about the infringement of a patent should not escape liability just because another party is actually using the infringing product or practicing the infringing method.[4]

Unlike direct infringement, which is a tort of strict liability, inducement has a knowledge and intent (or scienter) element indicated by the requirement for "active"

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1 35 U.S.C. § 271(a) (2012).
2 *Id.* § 271(b)–(c).
3 *Id.* § 271(b).
4 Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 226 (2005).

inducement in the statute.[5] This knowledge and intent element has proved to be a problematic issue that occupied the courts for decades preceding 2011.[6] Despite the Supreme Court's attempt to clarify the law concerning this element in 2011, knowledge and intent continue to be problematic in the inducement analysis.

In May 2011, the Supreme Court handed down its decision in *Global-Tech Appliances, Inc. v. SEB S.A.*[7] The *Global-Tech* decision aspired to settle and clarify once and for all the knowledge and intent required for active inducement. However, as discussed below, by introducing willful blindness into the analysis, the *Global-Tech* decision contained ripe seeds of uncertainty. The concept of willful blindness, borrowed from criminal law, allows the finder of fact to impute the requisite knowledge for inducement to an alleged inducer in certain circumstances. The ground for implying knowledge and intent to establish the alleged inducer's state of mind through inference is rendered yet more fertile by the continuing and expressly permitted reliance on circumstantial evidence.[8] The difficulties in applying the knowledge and intent requirement are only compounded because it remains unclear what the alleged inducer's knowledge is required to cover, while inducement defendants are frequently companies whose mens rea is hard to assess.[9]

The burgeoning of information and communication technologies in recent years[10] presents both a dilemma and an opportunity for potential patent litigants, be they competitors, non-practicing entities, or patent-asserting entities (or trolls). These newer technologies invariably involve multiple platform and service providers. These providers individually perform and contribute discrete steps in complex chains of activity that enable multiple users to benefit from these technologies. This allows access to and transformation of data in ways that were generally unknown only a few years ago. These complex webs of players and activities are not amenable to direct infringement lawsuits that require the performance of all method steps by, or at the direction or under the control of, a single directly infringing actor.[11]

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5 *Compare* § 271(a) (establishing the standard for direct infringement), *with* § 271(b) (setting forth the standard for inducement).

6 For a concise summary of the Court's struggle with this issue, see Jeremy Adler, *See No Evil: How the Supreme Court's Decision in* Global-Tech Appliances, Inc. v. SEB S.A. *Further Muddles the Intent Element of Induced Infringement*, 11 NW. J. TECH. & INTELL. PROP. 559, 561–63 (2013); and Kristin M. Hagen, *Eyes Wide Shut: Induced Patent Infringement and the Willful Blindness Standard*, 17 MARQ. INTELL. PROP. L. REV. 305, 307–08 (2013).

7 131 S. Ct. 2060 (2011).

8 Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1322 (Fed. Cir. 2009).

9 See Jason A. Rantanen, *An Objective View of Fault in Patent Infringement*, 60 AM. U. L. REV. 1575, 1581, 1615 (2011), for a discussion of establishing knowledge in the context of the uncertainty of validity and infringement in patent law. Further compounding the issue is the difficulty in assessing the corporate mind. *See id.* at 1610.

10 *See generally* JAMES MANYIKA, MICHAEL CHUI, JACQUES BUGHIN, RICHARD DOBBS, PETER BISSON & ALEX MARRS, MCKINSEY GLOBAL INST., DISRUPTIVE TECHNOLOGIES: ADVANCES THAT WILL TRANSFORM LIFE, BUSINESS, AND THE GLOBAL ECONOMY (2013) (assessing the reach, scope, potential economic impact, and disruption of rapidly advancing technology fields).

11 BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373, 1378–81 (Fed. Cir. 2007), *overruled by* Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301 (Fed. Cir. 2012).

The narrow theory of contributory infringement is also invariably inapplicable to these technologies.[12] Therefore, the theory of induced infringement provides an obvious route for suing service and technology companies that provide service to consumers and other parties engaged in performing steps that are arguably claimed in the method claims of a patent.

This paper discusses the potential threat that the inducement theory of liability poses to new technologies, not only because of *Akamai*'s "inducement-only" theory that was considered and rejected by the Supreme Court, but also because of the way that the courts have applied the scienter element for inducement in practice post-*Global-Tech*. Part II summarizes the law of inducement as it currently stands. Part III reviews how courts have applied the scienter requirement in inducement cases post *Global-Tech*. Part IV looks at the types of defendants that are parties to many recent inducement cases, and the vulnerability of the defendants' new technologies to inducement-based litigation. Part V outlines the growth in the reach and importance of information and communication technology. Also discussed are concerns of that technology community, including concerns that its members are vulnerable to the use of inducement lawsuits. These concerns are articulated in many of the amicus briefs filed with the Supreme Court in *Akamai*. Finally, Part VI welcomes the rejection of the inducement-only theory of liability introduced into patent law by the Federal Circuit in *Akamai* and *McKesson*. Part VI also advocates for at least a more disciplined approach in applying the knowledge and intent requirements for inducement, if not a new basis for doing so altogether. This is in the interest of focusing inducement suits on genuine wrongdoers and freeing the most innovative and cutting edge technology companies from the threat of expensive, repetitive, and speculative litigations based on inducement.

II. Inducement of Patent Infringement

A. Knowledge and Intent

Unlike direct infringement, a strict liability tort under 35 U.S.C. § 271(a), inducement of infringement requires a degree of fault or culpability. 35 U.S.C. § 271(b) states that "whoever actively induces infringement of a patent shall be liable as an infringer." This liability derives from the common law, "wherein acts that the actor knows will lead to the commission of a wrong by another, place shared liability for the wrong on the actor."[13] The liability has also been analogized to aiding and abetting the commission of an offense in criminal law.[14] The word "actively" is understood to require some form of affirmative conduct on the part of the alleged inducer[15] but is construed broadly.[16] In addition to conduct, some form of specific

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[12] Contributory infringement is a narrower cause of action limited to cases where an actor makes infringement by another possible by supplying a component of the product specially suited to infringing use. *See* Lemley, *supra* note 4, at 227 (distinguishing contributory infringement from inducement).

[13] National Presto Inds., Inc. v. West Bend Co., 76 F.3d 1185, 1194 (Fed. Cir. 1996).

[14] *E.g.*, *id.* at 1196.

[15] Lemley, *supra* note 4, at 232.

intent to induce the infringement has also been understood to be required.[17] This requirement for some degree of knowledge and intent on the part of the inducer, sufficient to establish culpability, has been and is continuing to be problematic in its application.[18]

In December 2006, the Federal Circuit, in *DSU Medical Corp. v. JMS Co.*, addressed the required intent for inducing acts of infringement, resolving "conflicting precedent" that had troubled the courts for nearly two decades.[19] The court attempted to clarify the intent requirement for inducement by requiring that the alleged inducer "knew or should have known his actions would induce actual infringement"[20] and that "the inducer must have an affirmative intent to cause direct infringement."[21] However, it remained unclear as to what degree, if any, the alleged inducer is required to asses the validity of the patent or to conduct a study to assess whether the acts of the induced party infringed or might infringe any claims of the asserted patent.

In May 2011, the Supreme Court further considered the knowledge and intent requirement for inducement in *Global-Tech Appliances, Inc. v. SEB S.A.*[22] The Federal Circuit decided the case based on the *DSU Medical* standard that the alleged inducer "knew or should have known that his actions would induce actual infringements."[23] The Supreme Court affirmed that for inducement, some intent is required and that affirmative steps must be taken to bring about the desired result.[24] The Court also held—consistent with *DSU Medical*—that induced infringement requires "knowledge that the induced acts constitute patent infringement."[25] Faced with a fact pattern where the inducer did not know of the patent in suit,[26] the Supreme Court held that while deliberate indifference to a known risk was not the appropriate standard to apply for inducement, the inducer in this case was liable under the concept of willful blindness.[27] The Court borrowed this doctrine from the criminal law, adopting the rationale that defendants who deliberately shield themselves from clear

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16 Tegal Corp. v Tokyo Electron Co., 248 F.3d 1376, 1379 (Fed. Cir. 2001) ("[T]he term is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent." (quoting Fromberg, Inc. v. Thornhill, 315 F.2d 407, 411 (5th Cir. 1963))).

17 *See, e.g.*, Manville Sales Corp. v Paramount Sys., Inc., 917 F.2d 544, 553 (Fed. Cir. 1990) ("It must be established that the defendant possessed specific intent to encourage another's infringement . . . .").

18 *See* Rantanen, *supra* note 9, at 1598–1603.

19 471 F.3d 1293, 1304 (Fed. Cir. 2006).

20 *Id.*

21 *Id.* at 1306.

22 131 S. Ct. 2060, 2065–68 (2011).

23 SEB S.A. v. Montgomery Ward & Co., 594 F.3d 1360, 1376 (Fed. Cir. 2010).

24 *Global-Tech*, 131 S. Ct. at 2065.

25 *Id.* at 2068.

26 The inducer copied a foreign product that was not marked with the U.S. patents that covered the same product sold in the U.S. and then obtained a non-infringement opinion from a lawyer whom it failed to inform of this fact. *Id.* at 2064.

27 *Id.* at 2068.

evidence of critical facts strongly suggested by the circumstances are just as culpable as those who have actual knowledge.[28]

The Court held that to establish liability for actively inducing patent infringement under 35 U.S.C. § 271(b), it was enough for the defendant to have taken deliberate actions to avoid confirming a subjective belief of a high probability of wrongdoing.[29] The court characterized this standard of willful blindness as having "an appropriately limited scope that surpasses recklessness and negligence;"[30] the standard suggested by *DSU Medical's* "knew or should have known" test.[31]

It appears that in *DSU Medical* and *Global-Tech*, the courts set a relatively high bar for establishing inducement liability. In order to establish such liability, the fact finder must consider whether an alleged inducer has (a) the requisite knowledge of the patent, of the acts it is said to be inducing, and that the acts are infringing acts and (b) intent to cause infringement of the patent. Further, the standard to be applied is higher than both recklessness and negligence.[32] However, remaining at the core of all of these considerations is a fact-based assessment of whether the alleged inducer's state of mind was such that it could be held culpable for the acts of others.

Central to *Global-Tech*'s willful-blindness analysis is the consideration of "critical facts that are strongly suggested by the circumstances."[33] This is consistent with the established principle that the intent element for inducement may be proved through circumstantial evidence.[34] Thus, in spite of any perception that the courts may have clarified the knowledge and intent elements for inducement in *DSU Medical* and *Global-Tech*, there is still wide latitude for courts to draw inferences detrimental to alleged inducers, which, as illustrated in Part III, is all too frequently the case.[35] This continuing problem, in addition to the potential threat to innocent providers of new enabling technologies, frequently lie in the practical conduct of these fact-based, subjective assessments of the knowledge and intent of corporate parties.

B. Direct Infringement

Until the Federal Circuit's *Akamai* decision in August 2012,[36] one important limitation to the theory of induced infringement was that for someone to be liable for inducing infringement, someone else must also be liable for directly infringing a

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[28] *Id.* at 2068–69 (citing J. Ll. J. Edwards, *The Criminal Degrees of Knowledge*, 17 MOD. L. REV. 294, 302 (1954)).

[29] *Id.* at 2070–71.

[30] *Global-Tech*, 131 S. Ct. at 2070.

[31] DSU Med. Corp. v. JMS Co., 471 F.3d 1293, 1304 (Fed. Cir. 2006).

[32] *Global-Tech*, 131 S. Ct. at 2070–71.

[33] *Id.* at 2069.

[34] Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1322 (Fed. Cir. 2009).

[35] In *Global-Tech*, the Supreme Court found that the inducer willfully blinded itself in part based on its inference that the inducer's CEO had nefarious motives. 131 S. Ct. at 2071.

[36] Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301, 1307 (Fed. Cir. 2012), *rev'd*, 134 S. Ct. 2111 (2014).

patent under 35 U.S.C. § 271(a).[37] As such, in the context of a method claim, the induced infringer "must perform all the steps of the claimed method, either personally or through another acting under his direction or control."[38] Patentees have argued that this provides a loophole for parties to collude to circumvent patents, but the principle has been important to limit inducement actions against providers of new enabling technologies involving multiple providers and users across complex networks.

In the *Akamai* and *McKesson* cases before the Federal Circuit, the steps of the method claims of the patents in suit had not been performed by any single party, suggesting that there had been no direct infringement of the patents.[39] In *Akamai*, defendant, Limelight Networks, Inc. (Limelight), performed some of the steps, but its customers performed the rest.[40] In *McKesson*, a number of third-party healthcare providers and patients collectively performed all of the method steps using the defendant's, Epic Sys. Corp. (Epic), MyChart software application.[41] Epic performed none of the steps itself.[42] Reversing both district courts' summary judgments of non-infringement, the Federal Circuit held that both Epic and Limelight could be liable for inducement even though no single entity performed the method steps needed to be liable for direct infringement.[43] The decision gave birth to what dissenting Judge Newman called the "inducement-only rule."[44] Part of the rationale for the Federal Circuit's decision was that inducers and other parties should not be able to "knowingly sidestep infringement liability simply by arranging to divide the steps of a method claim between them."[45] In practical terms, the Federal Circuit's inducement-only rule would have meant that anyone providing technologies enabling transfer, transformation, and sharing of data between parties or groups of parties, such as doctors, patients, service providers and consumers, would have been at risk of liability if it could have been discerned that all the steps of a method claim were being performed collectively by those with access to the enabling technologies. Also, under these more complex and fact intensive circumstances involving multiple parties, the scope for inferring knowledge and intent would have been broadened even further.

III. The Application of the Scienter Requirement After *Global-Tech*

The knowledge and intent requirements for inducement are advantageous to plaintiff patentees in two distinct ways. First, as discussed above in Part II, circumstantial evidence and wide scope for inference of facts is permitted. While it is true

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37 BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373, 1378–79 (Fed. Cir. 2007), *overruled by* Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301 (Fed. Cir. 2012).

38 *Akamai Techs*., 692 F.3d at 1307.

39 *Id.* at 1306.

40 *Id.*

41 *Id.*

42 *Id.* at 1305.

43 *Id.* at 1318–19.

44 *Akamai Techs*., 692 F.3d at 1319.

45 *Id.* at 1318.

that this provides the courts with flexibility in determining whether the factual context of a party's behavior suggests a level of culpability sufficient to meet the knowledge and intent requirement for inducement,[46] the frequent reliance on circumstantial evidence and inference has, in practice, created a low bar for satisfying the knowledge and intent requirement in inducement cases.[47] Second, because the inquiries as to the alleged inducer's state of mind are heavily fact reliant, alleged inducer's motions to dismiss and motions for summary judgment of non-infringement based on inducement are more often than not denied because the alleged inducer's knowledge and intent are to be determined by a jury. The risk posed to developers and providers of enabling technologies by the inducement theory of liability is manifested by the way courts have applied the knowledge and specific intent requirements.

Knowledge of the patent of which the defendant is allegedly inducing infringement is simple to prove. The complaint alleging infringement, or even mere written notice of the infringement, is enough to establish knowledge of the existence of the patent for the purposes of all subsequent acts by the alleged infringer.[48] Further, circumstantial evidence is permissible to infer knowledge of the patent in suit.[49]

As mentioned above, it is still unclear what degree of knowledge the alleged inducer must have concerning the validity of the patent.[50] Further, there is no guidance for an alleged infringer as to the nature of the inquiry he should make into whether the acts he is inducing actually infringe a patent claim. How often will there be evidence of an assessment carried out by an alleged inducer that the acts it is encouraging others to undertake meet each and every limitation of some method claim? Further, how often will there be evidence of actual intent by an alleged inducer to cause the infringement of a patent?[51] These cracks in the "clear" standards for knowledge and intent established by the courts are papered over by the reliance on circumstantial evidence and inference, which will now be augmented by the new willful-blindness theory in the inducement analysis.

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46 For a discussion of this flexibility, see David W. Roadcap, Global-Tech Appliances, Inc. v. SEB S.A. *and the Creation of a Flexible Blindness Standard for Induced Patent Infringement*, 13 N.C. J.L. & TECH. ON. 117 (2011).

47 As noted in Part V, this low bar is a source of complaint in many of the amicus briefs filed with the Supreme Court in *Akamai*.

48 *See, e.g.*, Unisone Strategic IP, Inc. v. Life Techs. Corp., No. 3:13-cv-1278-GPC-JMA, 2013 WL 5729487, at *2 (S.D. Cal. Oct. 22, 2013); Pacing Techs., LLC v. Garmin Int'l, Inc., No. 12-CV-1067 BEN WMC, 2013 WL 444642, at *2 (S.D. Cal. Feb. 5, 2013); DataQuill Ltd. v. High Tech Computer Corp., 887 F. Supp. 2d 999, 1012 (S.D. Cal. 2011); Cassidian Commc'ns, Inc., v. microDATA GIS, Inc., No. 2:12-cv-00162-JRG, 2013 WL 6491477, at *6 (E.D. Tex. Dec. 10, 2013).

49 *See, e.g.*, SynQor, Inc. v. Artesyn Techs., Inc., No. 2:07-CV-497-TJW-CE, 2011 WL 3624957, at *2 (E.D. Tex. Aug. 17, 2011) ("Knowledge may be proven by either direct or circumstantial evidence.").

50 *See* Commil USA, LLC v. Cisco Sys., Inc., 720 F.3d 1361, 1368 (Fed. Cir. 2013) (holding that an accused inducer's good-faith belief of invalidity may negate the requisite intent for induced infringement).

51 A question aptly posed by Rantenen, *supra* note 9, at 1581.

As soon as the Defendant's knowledge of the patent is established, the willful blindness theory can be used to fix that Defendant with constructive knowledge of the claims of the patent in the absence of any other evidence to infer such knowledge. This is even more likely because circumstantial evidence may be used to establish willful blindness,[52] and *Global-Tech* permits consideration of "critical facts that are strongly suggested by the circumstances."[53] It can thus be argued that an alleged inducer who attained knowledge of a patent either from a complaint or from an earlier letter giving notice of infringement has either constructive knowledge of its terms or has been willfully blind in failing to look at the patent claims to determine whether the allegations of infringement have any merit. As such, the existence of the alleged inducer's belief that there is a high probability of infringement may be inferred from an allegation of infringement coupled with notice of the patent. Once an accused inducer is informed of the allegedly infringed patent, any failure by that party to review the patent's claims and carry out an infringement study may be equated to the alleged inducer purposefully closing its eyes to the risk that it may be encouraging infringement. This is sufficient to satisfy *Global-Tech*'s willful-blindness test.[54] Thus, despite the Supreme Court's characterization of the willful-blindness test as something more than recklessness or negligence,[55] the test strongly resembles negligence or recklessness rather than some higher standard.[56]

Circumstantial evidence may be used to establish not only requisite knowledge, but also specific intent.[57] Providing users with access to enabling technologies always involves providing those users, frequently through online manuals, with some form of operating instructions, suggestions for use, or user guides. Having established actual or inferred knowledge of the allegedly infringed patent, the courts have thus found it relatively effortless to infer specific intent to cause infringement from the provision of user instructions and manuals that arguably teach the users how to perform the infringing steps. Examples where specific intent was inferred from instructions and manuals include the following: instructions for the use of electronic health technology;[58] instructional materials for processing, instruc-

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52 *Commil USA*, 720 F.3d at 1366; *see also* MeadWestvaco Corp. v. Rexam PLC, 809 F. Supp. 2d 463, 483 (E.D. Va. 2011), *aff'd in part, vacated in part sub nom.* Mead Westvaco Corp. v. Rexam Beauty &Closures, Inc., 731 F.3d 1258 (Fed. Cir. 2013) (noting that lack of knowledge of the patent itself could raise inference of willful blindness).

53 Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 2060, 2069 (2011).

54 *Id.* at 2070.

55 *Id.*

56 *See* Adler, *supra* note 6, at 568 ("[T]he Court's reasoning confuses the operational nature of willful blindness as it relates to patent law because it implies that willful blindness is merely a tool to turn evidence suggestive of knowledge into evidence of actual knowledge."); *see also* Hagen, *supra* note 6, at 314 ([The Court's] analysis of prior federal case law applying the willful blindness doctrine . . . seem[s] to indicate that passive behavior can also result in a finding of willful blindness.").

57 Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1322 (Fed. Cir. 2009).

58 MyMedicalRecords, Inc. v. Jardogs, LLC, No. 2:13-cv-03560-ODW(SHx), 2014 WL 585450, at *6 (C.D. Cal. Feb. 14, 2014).

tions for editing and storing e-documents;[59] instructions to customers regarding the method and programming for remote control and management of wireless devices;[60] and Adobe System's instructions to its users on how to use its products.[61] The courts have also allowed allegations of specific intent to induce acts of infringement to be heard by juries in circumstances involving the marketing and encouragement of sales of motor vehicles that embody allegedly infringing, friction-reducing piston technology.[62]

As many of the examples in this section of the paper show, the inquiries as to knowledge and intent, including (now) willful blindness, are heavily fact reliant and susceptible to inference. One important consequence of this is that the alleged inducer is deprived of the opportunity to dispose of an inducement lawsuit against it through the use of successful dispositive motions.

To overcome a motion to dismiss for failure to state a claim upon which relief may be granted under Federal Rule of Civil Procedure 12(b)(6), a plaintiff need only state a claim for relief that is plausible on its face.[63] Thus, the threshold for a plaintiff patentee's claim for inducement to survive a motion to dismiss is very low. Conversely, on a motion for summary judgment under Federal Rule of Civil Procedure 56(a), summary judgment will be granted "if the movant [i.e. the alleged inducer] shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law."[64] A dispute about a material fact is "genuine" when the evidence is "such that a reasonable jury could return a verdict for the nonmoving party."[65] In considering motions for summary judgment, the court must draw all reasonable inferences in favor of the non-moving party. In this scenario, the non-moving party is the plaintiff patentee.[66] Thus, the threshold for an alleged inducer to succeed on a motion for summary judgment of non-infringement by inducement is very high because the alleged inducer must show that there is no

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59 i4i Ltd. v. Microsoft Corp., 598 F.3d 831, 852 (Fed. Cir. 2010).

60 Mformation Techs., Inc. v. Research in Motion Ltd., 830 F. Supp. 2d 815, 842 (N.D. Cal. 2011).

61 Tarkus Imaging, Inc. v. Adobe Sys., Inc., C.A. No. 10-63-LPS, 2012 WL 2175788, at *4 (D. Del. June 14, 2012); *see also* Advanced Software Design Corp. v. Fiserv, Inc., 641 F.3d 1368, 1376 (Fed. Cir. 2011) (holding that the instructions were sufficient to create a genuine issue of material fact as to whether the defendant had the requisite specific intent to induce infringement); DataQuill Ltd. v. High Tech Computer Corp., 887 F. Supp. 2d 999, 1011–12 (S.D. Cal. 2011) (concluding that a reasonable jury could infer specific intent in part from marketing materials and user guides); BASF Corp. v. Aristo, Inc., No. 2:07 CV 222 PPS, 2012 WL 2420999, at *2–3 (N.D. Ind. June 26, 2012) (finding no evidence of actual encouragement of infringement but noting that the manual and operator instructions raised the issue of specific intent).

62 *See* Nat'l Inst. for Strategic Tech. Acquisition and Commercialization v. Nissan of N. Am., No. 11-11039, 2012 WL 3600289, at *1, *6–7 (E.D. Mich. Aug. 21, 2012); *see also* Driessen v. Sony Music Entm't, 904 F. Supp. 2d 1196, 1203–05 (D. Utah 2012) (finding that patentee's allegations that the defendant encouraged the use of retail presentations was sufficient to infer intent to induce infringement).

63 Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007).

64 FED. R. CIV. P. 56(a).

65 Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986).

66 *Id*. at 255.

genuine dispute as to its lack of knowledge and intent. Furthermore, on summary judgment the court will draw all reasonable inferences in favor of the plaintiff patentee that facts exist upon which a jury might conclude that the alleged inducer had the requisite knowledge and intent to actively induce infringement.

Given the legal standards described above, the likelihood of alleged inducers successfully dismissing a claim for inducement, or obtaining summary judgment of non-infringement by inducement, is very small.[67] A defendant accused of inducing infringement will therefore frequently find itself locked into costly[68] and time-consuming[69] litigation. Under these circumstances, an alleged inducer will be strongly motivated to settle the litigation by taking a license from the patentee or, perhaps as a less desirable alternative, modifying its technology, methods of operation, or both. These are exactly the sort of conditions that have favored the patent troll's typical lucrative tactic of launching a patent suit, regardless of merit, in order to gain early payment from a reluctant litigant. Taking a broader view, even more worrying is the potential disincentive to the development of and investment in information, communication, and other enabling technologies posed by the increased use of inducement as a basis for patent infringement lawsuits.

IV. Enabling-Technology Providers are Vulnerable to Inducement Suits

Many of the inducement cases over the last few years have concerned providers of technologies and systems across a number of different industries that allow service providers and consumers to share, process, retrieve, and apply all kinds of data and information.[70] This paper refers to these technologies as "enabling" because they tend to enable multiple service providers and consumers to perform acts, such as retrieving and applying data, in faster, more efficient, and more imaginative ways.[71] Also, these technologies frequently represent augmentative improvements on earlier, more cumbersome technologies.

The providers of these enabling technologies rarely perform or even control all, or sometimes any, of the steps that attract the attention of plaintiff patentees and

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[67] For examples of failed motions to dismiss, see MyMedicalRecords, Inc. v. Jardogs, LLC, No. 2:13-cv-03560-ODW(SHx), 2014 WL 585450, at *1, *8 (C.D. Cal. Feb. 14, 2014); Pacing Techs., LLC v. Garmin Int'l, Inc., No. 12-CV-1067 BEN (WMC), 2013 WL 444642, at *1, *4 (S.D. Cal. Feb. 5, 2013); and *Nat'l Inst. for Strategic Tech.*, 2012 WL 3600289, at *1, *7. For examples of dismissals of motions for summary judgment of non-infringement based on inducement, see Advanced Software Design Corp. v. Fiserv, Inc., 641 F.3d 1368, 1371 (Fed. Cir. 2011); DataQuill Ltd. v. High Tech Computer Corp., 887 F. Supp. 2d 999, 1003 (S.D. Cal. 2011); and Cassidian Commc'ns, Inc., v. microDATA GIS, Inc., No. 2:12-cv-00162-JRG, 2013 WL 6491477, at *6 (E.D. Tex. Dec. 10, 2013).

[68] *See* AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 34 (2013) (assessing median litigation costs at $2.6 million for patent infringement suits with $1-25 million at risk).

[69] *See* CHRIS BARRY, RONEN ARAD, LANDON ANSEL & EVAN CLARK, PRICEWATERHOUSECOOPERS LLP, 2013 PATENT LITIGATION STUDY 21 (2013) (calculating median time to trial to be approximately 2.5 years).

[70] Part V of this paper will outline some of these technologies in more detail.

[71] Well-known examples include mobile applications, cloud storage, mapping, photograph use, traffic reports, and personal health information.

are thus not likely to be accused of directly infringing a patent.[72] However, as discussed in the preceding section, inducement cases against these kinds of entities proceed based perhaps only on inferences of culpability and the availability of an online user manual that enables customers and intermediaries to fully utilize the technology that the defendant is offering.

The existence of broad-based-concept patents on earlier technologies, coupled with the availability of the theory of induced infringement with its fact heavy elements, render providers of the new enabling technologies vulnerable to lawsuits as active inducers of patent infringement under 35 U.S.C. § 271(b). Until *Akamai*, at least a single direct infringer was required for inducement liability. The Federal Circuit's inducement-only rule increased the risk of being sued for inducement and heightened the vulnerability of these new technology companies to lawsuits claiming inducement of patent infringement.

Examples of enabling technologies that have been the subject of recent inducement litigation include a supply-chain-management system that allows real-time tracking and management of inventory by third parties;[73] a system enabling the transfer of pacing information between portable devices used for exercising and a website;[74] electronic health-information technology;[75] the processing, storing, and editing of computer language in electronic documents;[76] a system and program for remote control and management of wireless devices;[77] mobile-phone technology;[78] a system enabling customers to encrypt and retrieve data relating to checks;[79] and wireless communication systems.[80] In *Akamai* and *McKesson*, the enabling technologies at issue were respectively a network of servers that allowed "for efficient content delivery by placing content elements on its servers" and software enabling

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72 BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373, 1378–81 (Fed. Cir. 2007), *overruled by* Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301 (Fed. Cir. 2012).

73 Unisone Strategic IP, Inc. v. Life Techs. Corp., No. 3:13-CV-1278-GPC-JMA, 2013 WL 5729487, at *1 (S.D. Cal. Oct. 22, 2013) (claiming infringement of U.S. Patent No. 6,996,538, which broadly claims an inventory management system).

74 Pacing Techs., LLC v. Garmin Int'l, Inc., No. 12-CV-1067 BEN (WMC), 2013 WL 444642, at *1 (S.D. Cal. Feb. 5, 2013) (asserting U.S. patent No. 8,101,843, which claims a system for selecting audio and visual signals for use in pacing devices).

75 MyMedicalRecords, Inc. v. Jardogs, LLC, No. 2:13-cv-03560-ODW(SHx), 2014 WL 585450, at *1 (C.D. Cal. Feb. 14, 2014) (claiming infringement of patents for electronic health information technology products).

76 i4i Ltd. v. Microsoft Corp., 598 F.3d 831, 839–40 (Fed. Cir. 2010) (asserting U.S. Patent No. 5,787,449, which claims a system and method for processing and storing information about the structure of electronic documents).

77 Mformation Techs., Inc. v. Research in Motion Ltd., 830 F. Supp. 2d 815, 821–22 (N.D. Cal. 2011) (asserting U.S Patent No. 6,970,917, which relates to the method, system, and management of servers of wireless devices).

78 DataQuill Ltd. v. High Tech Computer Corp., 887 F. Supp. 2d 999, 1003 (S.D. Cal. 2011) (claiming infringement of patents relating to handheld data entry devices).

79 Advanced Software Design Corp. v. Fiserv, Inc., 641 F.3d 1368, 1371 (Fed. Cir. 2011) (claiming infringement of patents related to enhancing security on negotiable instruments).

80 Commil USA, LLC v. Cisco Sys., Inc., 720 F.3d 1361, 1364 (Fed. Cir. 2013) (asserting U.S. Patent No. 6,430,395, which claims a communication protocol for mobile systems).

electronic communication and data transfer between healthcare providers and patients.[81]

Available patent litigation statistics that categorize the types of causes of action in patent litigation only track decisions in patents suits.[82] Although the decision statistics do not show any marked increase in decisions in patent suits based on inducement, it does not necessarily follow that there has not been an increase in the number of patent suits that have been filed alleging inducement. As discussed above, such suits are not likely to be dismissed or disposed of on early judgment because of their fact dependence. The case reports suggest that in cases where motions to dismiss or motions for summary judgment are dismissed, the cases are subsequently resolved other than by a decision on the merits. Thus, because many inducement cases are settled before any decision on the merits, they are not included in the available cause of action statistics. Despite the absence of statistics showing that inducement-based lawsuits are on the rise, it is clear that not only are providers of enabling technologies involved in many of the lawsuits, but also the businesses involved in those technologies are very concerned about their exposure to allegations of inducement.

V. Enabling Technology Companies' Concerns About the Threat Posed By Inducement Litigation and Why They Matter

A. Enabling Technologies: Significance and Growth

In May 2013, the McKinsey Global Institute published a report (McKinsey Report) concerning certain technologies that it identified as having the "potential for [a] massive impact [or disruption] on how people live and work, and on industries and economies."[83]

Among the twelve most potentially disruptive technologies identified by the McKinsey report, four fall into the category of information and communication technologies, or enabling technologies, that this paper is concerned with. These four potentially disruptive technologies are (1) mobile internet, described by the McKinsey Report as "[i]ncreasingly inexpensive and capable mobile computing devices and internet connectivity;" (2) automation of knowledge work, described as "[i]ntelligent software systems that can perform knowledge work tasks involving unstructured commands and subtle judgments;" (3) the internet of things, described as "[n]etworks of low-cost sensors and actuators for data collection, monitoring, decision making, and process optimization;" and (4) cloud technology, described as "[u]se of computer hardware and software resources delivered over a network or the Internet, often as a service."[84] Notably, these four technologies are also identified

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[81] Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301, 1306 (Fed. Cir. 2012), *rev'd*, 134 S. Ct. 2111 (2014).

[82] *U.S. Patent Litigation Statistics*, PATSTATS.ORG, http://www.patstats.org/PatStats2.html (last updated Apr. 25, 2014).

[83] MANYIKA ET AL., *supra* note 10, at preface.

[84] *Id.* at 4 exhibit E1.

by the McKinsey Report as having potentially the most significant economic impact of the twelve technologies discussed in the report.[85]

The McKinsey Report notes four characteristics that it used to identify potentially disruptive technologies. These characteristics are "high rate of technology change, broad potential scope of impact, large economic value that could be affected, and substantial potential for disruptive economic impact."[86] The McKinsey Report further sets out its analysis in terms of representative metrics of how each of the technologies identified fulfills its four criteria.[87] The representative metrics include "illustrative rates of technology improvement and diffusion," "illustrative groups, products, and resources that could be impacted," and "illustrative pools of economic value that could be impacted."[88] Examples of the metrics in application include, for mobile Internet, a six-fold growth in sales of smartphones and tablets between 2007 and 2013 as illustrative of rates of technology improvement and diffusion.[89] Additionally, the illustrative group that could be impacted for mobile Internet includes some 40% of the global workforce (one billion).[90] For automation of knowledge work, an increase of over 400 million users of intelligent digital assistants and employment costs for knowledge workers being more than nine trillion dollars (representing 27% of global employment costs) was illustrative of the rates of technology improvement and of the pools of economic value that could be impacted.[91] For the internet of things, a 300% increase in connected machine-to-machine devices between 2008 and 2013, resulting in 100 million global machine-to-machine device connections across multiple sectors was illustrative of the rate of technology improvement and of the products that could be impacted.[92] Finally, for cloud technology, the two billion users of cloud based services and enterprise IT spending of three trillion dollars was illustrative of groups and pools of economic value that could be impacted.[93] These indicators, along with others described in the McKinsey Report, underscore the importance of and growing potential for change in enabling technologies.

Given the importance of the technologies identified by the McKinsey Report, it should come as no surprise that these same technologies feature significantly in patent litigation figures. Computer hardware providers, software providers, and online service industries all experienced "significant increases" in identified patent litigation decisions between 2007 and 2012.[94]

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85 *Id.* at 12 exhibit E3.
86 *Id.* at 2–3.
87 *Id.* at 5 exhibit E2.
88 *Id.*
89 MANYIKA ET AL., *supra* note 10, at 5 exhibit E2.
90 *Id.*
91 *Id.*
92 *Id.*
93 *Id.*
94 BARRY ET AL., *supra* note 69, at 14 chart 6b.

What is clear from the McKinsey data is that these enabling technologies are becoming essential to all forms of social and economic life and have enormous potential for development and growth in the coming years. Thus, it is not in society's general interest for the development of and investment in these technologies to be chilled to any degree by the threat of speculative litigation currently posed by inducement based patent lawsuits.

B. Concerns of Enabling Technology Companies Regarding Inducement Lawsuits

The *Akamai* case spawned a host of amicus briefs opposing the Federal Circuit's inducement-only rule filed either in support of neither party or in support of the petitioners.[95] These briefs were submitted to the Supreme Court by parties that include International Business Machines Corporation (IBM); Electronic Frontier Foundation (EFF); CTIA–The Wireless Association; Consumer Electronics Association; HTC Corporation; Microsoft Corporation; Google; Cisco Systems, Incorporated; eBay; Facebook, Incorporated; Netflix, Incorporated; Oracle Corporation; Red Hat, Incorporated; Vizio,Incorporated; Symantec Corporation; and Yahoo! Incorporated. The list of amici is a lexicon of those involved in or concerned with communication and information technologies, many of whom are at the cutting edge of those technologies. The briefs articulate not only concern about the Federal Circuit's inducement-only rule in *Akamai*, but also a cynicism that the knowledge and intent requirements, supposedly settled by *Global-Tech*, provide any safeguard at all against speculative inducement lawsuits.

The amicus briefs in *Akamai* are instructive in describing the technologies that the amici believe are threatened by the inducement theory, particularly the inducement-only rule in *Akamai*, because of the interactive and multi-participant nature of those technologies. These descriptions confirm the kinds of technologies that Part IV of this paper discusses as being vulnerable to inducement litigation. They are also consistent with the McKinsey Report's descriptions of the technologies that are potentially economically and socially disruptive.[96]

IBM's brief, for example, refers to "cloud computing, where the contributions of numerous product and service providers interoperate and are often consolidated" and criticizes the inducement-only rule as a way of relieving the burden on patent-

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[95] A number of amicus briefs were also submitted later in support of the inducement-only rule. Many of these briefs referred to the risk of deliberate avoidance of liability by parties colluding to divide up performance of method steps. *See, e.g.*, Brief of Amici Curiae Bally Technologies, Inc. et al. in Support of Respondents, Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 1319379; Brief of Amicus Curiae Eli Lilly and Co., Supporting Respondents, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 1319146; Brief of Amici Curiae Myriad Genetics, Inc. & Genomic Health, Inc. in Support of Respondent, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 1478062; Brief of Amicus Curiae Robert Mankes in Support of Respondents, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 1329891. The amicus briefs referred to in the text of this section are those that were submitted opposing the inducement-only rule.

[96] MANYIKA ET AL., *supra* note 10, at 5 exhibit E2.

ees to "draft their claims to anticipate how their inventions [may] be affected by emerging technologies."[97] The amici in another brief, which includes Google, Cisco, eBay, Netflix, Yahoo!, and others, describe themselves as "leading businesses and innovators in information technology and electronics industries. The goods and services they provide comprise numerous subsidiary components and operate in systems and networks with complex supply, distribution, and use chains."[98] The brief also characterizes the "information technology environment" as "a diverse lattice densely populated by suppliers of complementary goods and services, ranging from hardware and software companies to mobile phone carriers and independent application developers."[99] The amicus brief of CTIA—The Wireless Association describes how in the field of wireless technologies "[w]ireless service providers offer the platforms and workable standards that allow the myriad components of the wireless ecosystem—such as network infrastructure, mobile devices, and user applications—to interconnect and deliver information to the end user."[100] The brief explains that "[t]he simplest wireless transaction involves hundreds if not thousands of patented technologies and connects a vast array of different actors—from content and application providers to end users—with wireless network providers at the hub."[101] In its amicus brief, the Intellectual Property Owners' Association observed that the issues in *Akamai* "are important, because interactive systems and interactive methods are rapidly developing in the healthcare, e-commerce, financial and other industries, as these industries respond to the need for greater efficiency and as they develop new methods of using the Internet and other network systems to lower costs."[102]

Further, many of the amicus briefs comment, albeit somewhat perfunctorily, on the scant role that the knowledge and intent requirement for inducement has played as a hurdle for speculative litigants against those involved in the technologies represented by the amici. IBM's brief refers to the "attenuated and one-sided intent requirement"[103] for inducement, and complains that the "intent element . . . is not an effective shield."[104] The Google brief refers to the "inability of the intent requirement as it is applied to effectively cabin . . . [broad inducement] liability."[105] The CTIA—Wireless Association brief makes the more general observation that allega-

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97 Brief for Amicus Curiae International Business Machines Corp. Supporting Neither Party, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 880934, at *4–5.

98 Brief of Google, Inc. et al. as Amici Curiae in Support of Petitioner, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 880931, at *1.

99 *Id.* at *12.

100 Brief of CTIA—The Wireless Ass'n as Amicus Curiae in Support of Petitioner, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 880932, at *7.

101 *Id.* at *13.

102 Brief of Amicus Curiae Intellectual Property Owners Ass'n in Support of Neither Party, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 880933, at *5.

103 Brief for Amicus Curiae International Business Machines Corp. Supporting Neither Party, *supra* note 90, at *3.

104 *Id.* at *22.

105 Brief of Google, Inc. et al. as Amici Curiae in Support of Petitioner, *supra* note 91, at *20.

tions of mental state, such as those considered for inducement, are "'easy to allege and hard to disprove.'"[106] The amici in a brief filed by Altera Corporation, HTC Corporation, and others, described in the brief as "innovative leaders in a variety of technology fields,"[107] complain that the "intent component [of induced infringement] provides no practical protection in view of even pre-*Akamai* decisions holding that service of a complaint for induced infringement is sufficient to provide the requisite knowledge of the asserted infringement, and thus meeting the intent threshold."[108] The brief concludes with the statement that "[t]he intent component of inducement infringement provides no meaningful protection against litigation mischief."[109] These comments reflect the low bar that has been established for the knowledge and intent requirement for inducement because of reliance on circumstantial evidence and inference, as well as the operation of willful blindness since *Global-Tech*.

Lastly, the amicus briefs are instructive in articulating how those involved with enabling technologies feel threatened by developments in inducement-based patent infringement suits, as posited by this paper. The IBM amicus brief warns that the inducement-only rule "undermines businesses' ability to proceed with confidence in making an investment in new technology."[110] In its brief, the Intellectual Property Owners' Association argues that "the incentives for investment and disclosure of these new interactive methods will be adversely affected by an overly restrictive approach to the issues in . . . [*Akamai*]."[111] The CTIA—Wireless Association brief seeks to warn the Court of the "inhibiting effects the Federal Circuit's 'inducement-only' liability rule will have on American innovation and growth."[112]

These and similar remarks in the amicus briefs reflect a disquiet that the way in which the theory of inducement liability is being applied and developed has shifted the balance against enabling technologies firmly in favor of plaintiff patentees. To many involved with these technologies, it must seem that the element of culpability necessary to show active inducement is satisfied merely by making the enabling technologies available to providers and customers. This threatens to disincentivise development and investment in technologies that the McKinsey Report, among others, has identified as key to societal and economic development.

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[106] Brief of CTIA—The Wireless Ass'n as Amicus Curiae in Support of Petitioner, *supra* note 93, at *19 (citing Nat'l Archives & Records Admin. v. Favish, 541 U.S. 157, 175 (2004)).

[107] Brief of Amici Curiae Altera Corp. et al. in Support of Petitioner, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 827988, at *1.

[108] *Id.* at *3.

[109] *Id.* at *14.

[110] Brief for Amicus Curiae International Business Machines Corp. Supporting Neither Party, *supra* note 97, at *18.

[111] Brief of Amicus Curiae Intellectual Property Owners Ass'n in Support of Neither Party, *supra* note 102, at *5.

[112] Brief of CTIA—The Wireless Ass'n as Amicus Curiae in Support of Petitioner, *supra* note 100, at *2.

VI. Blunting the Weapon of Inducement

The inducement-only rule threatened to aggravate a pre-existing problem with inducement suits that, for the reasons discussed above, would have made inducement an even more troublesome threat to new enabling technologies than it was before *Akamai*. If a plaintiff patentee is not required to prove direct infringement, but can rely instead on the collective acts of multiple parties as performing the steps of a method claim, it will be left to the alleged inducer to demonstrate both its lack of knowledge of the involvement of those parties, or of their particular applications of the technology, and to rebut inferences arising from manuals and operating instructions. At the very least, the alleged inducer will be tied up in litigation and its attendant costs for years. For this reason alone, the Supreme Court's reversal of the Federal Circuit's decision in *Akamai* that introduced this new inducement-only concept of inducement liability should be welcomed.

The perceived risk of parties dividing up steps of a method claim between them to circumvent a patent and avoid infringement may or may not be a real risk that needs to be addressed. However, the solution was not for the Supreme Court to uphold the inducement-only rule and broaden the scope of inducement, which would have shifted the balance radically in favor of plaintiffs and placed developers of new enabling technologies at a disadvantage by virtue of the multi-user nature of those technologies. Rather than throwing out the necessity of finding direct infringement as a basis for inducement, a better way of dealing with this problem would be to revisit the whole question of direct infringement as it relates to method claims and reconsider the requirement that a party must perform all the steps of a method claim to be liable for direct infringement.[113]

Obscured perhaps by the recent focus on *Akamai* and the inducement-only rule is the more persistent problem with inducement liability. This problem, outlined in Part IV, arises from the analysis of the knowledge and intent requirement for inducement, which involves a fact-based assessment of the state of mind of the alleged inducer, frequently a corporation, to establish culpability for actively inducing infringement. The application of this analysis by the courts, relying on circumstantial evidence and inference and assisted by the willful-blindness standard, has in practice resulted in a low bar for establishing scienter for inducement. Also, because the assessment is heavily fact reliant, the alleged inducer has little chance of using dispositive motions to dismiss speculative lawsuits and is locked into costly and time-consuming litigation unless it settles the case.

One solution would be for the courts to adopt a more rigorous approach to the analysis of the knowledge and intent element of inducement. Such an approach

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[113] BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373, 1375 (Fed. Cir. 2007), *overruled by* Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301 (Fed. Cir. 2012). This approach was suggested in an amicus brief submitted to the U.S. Supreme Court by William Mitchell College of Law Intellectual Property Institute. *See* Brief of Amicus Curiae William Mitchell Coll. of Law Intellectual Property Institute in Support of Respondents, 134 S. Ct. 2111 (2014) (No. 12-786), 2014 WL 1430764, at *5–9, *12–14.

would place less weight on circumstantial evidence and inference, allowing the courts to find both knowledge and intent. Further, it would allow the courts to properly dissect the knowledge requirement so that knowledge that acts may infringe is not so readily inferred from knowledge of mere allegations of infringement. Finally, it would allow the courts to narrowly apply the willful-blindness doctrine to evidence of deliberate avoidance of a known risk. In short, the analysis would be more grounded in establishing genuine culpability for the underlying infringement, however that may ultimately be defined. While a more rigorous approach to the current scienter analysis in individual cases would help to restore the balance more in the alleged inducer's favor, such an approach would have to be demonstrated over time by the courts in order to disincentivise speculative litigation and ameliorate the concerns of the enabling technology community. Also, this solution does not address the problem of the alleged inducer's low likelihood of success on dispositive motions.

Another solution that has been suggested is to treat the inquiry of culpability for inducement as a purely objective evaluation of the risk of patent infringement. This solution also includes determining whether someone in the alleged inducer's position should have known of the patent infringement.[114] This approach perhaps goes further than it needs to in changing the current analysis and carries the risk of reintroducing negligence into the inducement analysis. This paper suggests a more hybrid approach with an initial objective assessment of the risk of patent infringement as a legal threshold question, similar to that now used in the analysis for willfulness.[115] This would remove the difficulty of trying to assess the alleged inducer's state of mind as to complex patent concepts of infringement and invalidity.[116] If the risk of patent infringement is assessed to be objectively high, the next step in the analysis ought to preserve the Supreme Court's objective of applying a higher standard than recklessness or negligence to the inquiry of whether, in the face of this risk, the alleged inducer was culpable. At this stage, the inducer's knowledge and intent could be assessed subjectively on the evidence. The objective threshold assessment of risk would help to minimize the use of inference at this stage of the inquiry when the alleged inducer's conduct can be examined in the context of an objectively assessed risk. Such a test would also function as a filter to focus inducement actions on those genuinely trying to flout patent rights. Another advantage to introducing an objective-risk standard is that the standard would introduce a purely legal element to the analysis, which would render inducement claims amenable to summary judgment.[117] For the purpose of any Rule 12(b)(6) motion to dismiss the inducement claim, plaintiffs would also need to plead the objective risk of infringement on a good faith basis in order to plead a plausible claim for inducement.

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[114] Rantanen, *supra* note 9, at 1625, 1633.

[115] *In re* Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

[116] *See, e.g.*, Commil USA, LLC v. Cisco Sys., Inc., 720 F.3d 1361, 1367–69, 1371–72 (Fed. Cir. 2013).

[117] FED. R. CIV. P. 56(a).

VII. Conclusion

In *Akamai*, the Supreme Court once again cast the spotlight on active inducement of patent infringement. The practical application by the courts of the subjective knowledge and intent requirement for inducement, using circumstantial evidence and inference, has set a low bar for finding scienter in inducement cases. This has been exacerbated by the introduction in 2011 of willful blindness as an alternative standard for knowledge in inducement cases. The affirmation by the Supreme Court of an inducement-only rule relieving plaintiffs of the burden of proving direct infringement would have broadened the reach of inducement even further.

The obvious targets for inducement suits are those involved in new information and communications, or enabling technologies. These technologies are vulnerable to broadly claimed concepts in earlier patents. Since they are characterized by the involvement of interoperating providers and end users, enabling technologies are also vulnerable to inducement suits where knowledge and intent can be inferred from circumstantial evidence. This vulnerability would have been heightened by the inducement-only rule. These technologies are recognized as being potential drivers of future social and economic change, yet those involved in enabling technologies have real concerns that the risk of increased patent litigation based on speculative inducement claims threatens to act as a disincentive to the development of and investment in these technologies. The balance needs to be shifted in inducement based litigation to less favor plaintiffs seeking to make money from providers of enabling technologies and to reduce the vulnerability of those technologies to inducement based litigation.

The rejection of the inducement-only rule by the Supreme Court in *Akamai* has been a good start and sends the right signal to the technology community. A revision of the inducement analysis to introduce an objective threshold test for assessing the risk of patent infringement arising from the alleged inducer's acts would go further in getting the balance right. In addition, it would focus the inducement cause of action more on genuine inducers of infringement. Such a change would direct inducement cases to circumstances suggestive of genuine culpability. This is in accordance with the original rationale for the theory of indirect infringement.

VIII. Addendum

This paper was originally submitted on May 12, 2014, to the Corporate Innovation and Legal Policy class at the University of San Diego Law School conducted by Professor Orly Lobel. On June 2, 2014, the Supreme Court decided *Akamai*, reversing the Federal Circuit's decision that a defendant could be liable for inducing patent infringement where no direct infringement has occurred. Among other things, the Court referred to 35 U.S.C. § 271(f) as an example where Congress specifically imposed liability for inducing activity that does not itself constitute direct infringement. Several passages in the paper have been updated to reflect the Supreme Court's decision that was pending when the paper was originally submitted.

This paper suggests that a more productive way of addressing the problem of infringers avoiding liability through the division of performance of a method claim would be to revisit the question of direct infringement of a method claim, especially the requirement that a party must perform all steps of a method claim for it to be liable for direct infringement. The Supreme Court's decision includes a clear invitation to the Federal Circuit to do just that, referring to "the possibility that the Federal Circuit erred by too narrowly circumscribing the scope of § 271(a) . . ." by imposing that requirement.[118]

Of course, the Supreme Court's decision in *Akamai* still leaves unaddressed the problems with the general application of the law of inducement discussed in this paper.

[118] Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S. Ct. 2111, 2119 (2014).