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THE POTENTIAL EXTRATERRITORIAL CONSEQUENCES OF *AKAMAI*

Timothy R. Holbrook*

INTRODUCTION

Patent infringement arises when all of the limitations found in a particular claim of a patent are present in a device.¹ For a patented system, the apparatus must have all the required components as delineated in the claim.² For a patented method, all of the steps of the method must be performed.³

Historically, the issue of “who” was the infringer was relatively straightforward because most systems and methods were utilized in discrete, unitary settings. In the modern era, however, particularly with inventions being implemented over the Internet, the issue of “divided infringement” has arisen in two particular contexts.⁴ The first arises when the accused device is owned by multiple parties, such as an invention that operates over the Internet and includes one party’s servers and another party’s home computer.⁵ No one owns the entire system, and some of the steps of a given method are performed on the servers while others on the home computer.⁶ The second form of divided infringement arises when systems cross international borders.⁷ For example, should there be infringement of a U.S. patent if one of the users of an Internet-based invention is located outside of the United States?⁸

Courts, and particularly the U.S. Court of Appeals for the Federal Circuit, have struggled with addressing these scenarios. The result has been a bifurcated approach that treats patented systems and patented methods differently. To infringe a patent claiming a system, courts assess who controls

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¹ See BLACK’S LAW DICTIONARY 852 (9th ed. 2009).

² Cf. Theodore U. Ro et al., *Patent Infringement in Outer Space in Light of 35 U.S.C. § 105: Following the White Rabbit Down the Rabbit Loophole*, 17 B.U. J. SCI. & TECH. L. 202, 211 (2011) (quoting NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1317 (Fed. Cir. 2005)).

³ *Id.*

⁴ See generally Mark A. Lemley et al., *Divided Infringement Claims*, 33 AIPLA Q.J. 255 (2005).

⁵ See generally *id.* at 256–63.

⁶ See *id.*

⁷ See generally *id.* at 263–67.

⁸ See *id.* at 270–71.

and benefits from the system and where that person is located.⁹ Thus, there can be infringement of system claims in these divided situations. In contrast, the Federal Circuit has offered strict rules for the infringement of patented methods. To infringe a claimed method, all of the steps of the method must be performed by a single entity or by someone controlled by that entity.¹⁰ Control is satisfied when the third party is an agent or is under a contractual obligation to perform the various steps of the method.¹¹ Additionally, all the steps of the method must be performed within the United States; if a single step of the claimed method is performed outside of the United States, then there is no infringement.¹²

When the United States Court of Appeals for the Federal Circuit agreed to review *Akamai Technologies, Inc. v. Limelight Networks, Inc.*¹³ and *McKesson Technologies Inc. v. Epic Systems Corp.*¹⁴ observers believed the court would address whether and under what circumstances a party could be held liable for the direct infringement of a patented method when multiple parties perform the claimed steps.¹⁵ As the court characterized the issue:

When a single actor commits all the elements of infringement, that actor is liable for direct infringement under 35 U.S.C. § 271(a). When a single actor induces another actor to commit all the elements of infringement, the first actor is liable for induced infringement under 35 U.S.C. § 271(b). But when the acts necessary to give rise to liability for direct infringement are shared between two or more actors, doctrinal problems arise.¹⁶

The territorial rules for using systems and methods were not at issue.

Rather than answering the direct infringement question, the court left the law on direct infringement intact. Instead, it changed the standard for inducing

⁹ See *infra* notes 26–29 and accompanying text.

¹⁰ See *infra* notes 24–25 and accompanying text.

¹¹ *Id.*

¹² Lemley, *supra* note 4, at 263–64.

¹³ 419 F. App'x 989 (Fed. Cir. 2011) (order granting en banc review).

¹⁴ 98 U.S.P.Q.2d (BIA) 1281 (Fed. Cir. 2011) (order granting en banc review).

¹⁵ See *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1306 (Fed. Cir. 2012) (en banc) (per curiam) (“Much of the briefing in these cases has been directed to the question whether direct infringement can be found when no single entity performs all of the claimed steps of the patent. It is not necessary for us to resolve that issue today because we find that these cases and cases like them can be resolved through an application of the doctrine of induced infringement.”); *id.* at 1319 (Newman, J., dissenting) (“Although review of the single-entity rule was the sole reason for this rehearing *en banc*, and the sole question briefed by the parties and the *amici curiae*, this aspect is not resolved by the majority . . .”).

¹⁶ *Id.* at 1305 (per curiam).

infringement under § 271(b). Now, it is possible to induce infringement even if no single entity performs all of the steps of the patented method or process, so long as all of the steps are eventually performed and a party has induced others to perform those steps.¹⁷

The court's sidestep of the direct infringement issue is problematic. In particular, the court and commentators have overlooked the court's potential expansion of the extraterritorial reach of a patent under § 271(b). Before *Akamai*, direct infringement under 35 U.S.C. § 271(a) was a prerequisite for active inducement under 35 U.S.C. § 271(b). Section 271(a) contains territorial limits, and § 271(b) does not. To infringe under § 271(a), the activity must take place "within the United States."¹⁸ Because active inducement before *Akamai* required an act of direct infringement, induced infringement had territorial constraints.¹⁹

This state of affairs may change dramatically after *Akamai*. There, the Federal Circuit decoupled active inducement from § 271(a), meaning that infringement under § 271(b) is free-standing, and infringement is not defined by reference to other provisions of § 271. The decoupling also means that, as a statutory matter, the court has removed the territorial constraints from active inducement. This Article elaborates on this extraterritorial expansion of § 271(b), its potential consequences, and a variety of mechanisms that the Federal Circuit or Supreme Court could implement to limit such reach. At a minimum, this analysis provides a statutory argument against the Federal Circuit's attempt to redefine induced infringement as an independent form of infringement. More broadly, this Article explores how the Federal Circuit's

¹⁷ See *id.* at 1306 ("[W]e hold that all the steps of a claimed method must be performed in order to find induced infringement, but that it is not necessary to prove that all the steps were committed by a single entity."). Judge Linn, joined by three other judges, would retain the single-entity rule. See *id.* at 1337–38 (Linn, J., dissenting). Judge Newman also dissented, but on grounds far different than the other dissenters. She would reject the single-entity rule for direct infringement under § 271(a). See *id.* at 1322 (Newman, J., dissenting) ("The word 'whoever' in § 271(a) does not support the single-entity rule. . . . [W]hen more than one entity performs all of the steps, the claim is directly infringed.").

¹⁸ 35 U.S.C. § 271(b) (2006). See generally Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 615–16 (1997); Timothy R. Holbrook, *Territoriality Waning? Patent Infringement for Offering in the United States To Sell an Invention Abroad*, 37 U.C. DAVIS L. REV. 701, 719–20 (2004). Contributory infringement, however, remains limited to acts within the United States. 35 U.S.C. § 271(c); see also Chisum, *supra*, at 615–16. Contributory-like infringement protection is afforded to exports under 35 U.S.C. § 271(f).

¹⁹ Section 271(b) before *Akamai* could "be used by owners of U.S. patents . . . to reach conduct abroad that causes direct domestic infringement." Chisum, *supra* note 18, at 614.

decision in *Akamai* may have expanded the extraterritorial reach of U.S. patents through the inducement doctrine.

I. ACTIVE INDUCEMENT'S TRADITIONAL LINKAGE TO TERRITORIALLY-LIMITED DIRECT INFRINGEMENT

The Patent Act affords rather robust protection to patent owners against various forms of infringement. Section 271 of the Act delineates what constitutes infringing acts. The most basic provision is § 271(a), which defines infringement as arising when an unauthorized person makes, uses, sells, or offers to sell an invention within the United States or imports the invention into the United States.²⁰ These infringers can be liable even if they are unaware of the existence of the patent: Patent infringement is a strict liability offense, and ignorance of the patent does not preclude liability.²¹ This Subpart will explore the law surrounding § 271(a) and § 271(b) as to the doctrine governing direct infringement, inducement of infringement, and the territorial constraints as to both.

²⁰ 35 U.S.C. § 271(a). Congress has subsequently amended § 271 to include other forms of direct infringement. See Timothy R. Holbrook, *Liability for the "Threat of a Sale": Assessing Patent Infringement for Offering To Sell an Invention and Implications for the On-Sale Patentability Bar and Other Forms of Infringement*, 43 SANTA CLARA L. REV. 751, 760–64 (2003); see also *Akamai*, 629 F.3d at 1307 (per curiam). Section 271(e)(2) creates a “highly artificial act of infringement,” *Eli Lilly & Co. v. Medtronic, Inc.*, 496 U.S. 661, 678 (1990), for filing an application for regulatory approval market a patented drug or medical device. 35 U.S.C. § 271(e)(2). Section 271(f) defines infringement as exporting the unassembled components, or a single component with no substantial non-infringing use, to be assembled overseas, knowing that a patent covers the item. 35 U.S.C. § 271(f)(1), (2). See generally *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007) (interpreting § 271(f)). Finally, Section 271(g) makes importing, selling, and offering to sell the product of a patented process an act of infringement, regardless of where the process is performed. 35 U.S.C. § 271(g). There is no clear reason why inducement of these forms of infringement could not be “active inducement,” but the focus of this Article is on § 271(a). These latter two provisions are generally viewed as having extraterritorial affect because they attempt to regulate activity outside of the United States, but they both contain some sort of domestic nexus—manufacture within the United States or importation into, or sales or use within, the United States.

²¹ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 n.2 (2011) (“[A] direct infringer’s knowledge or intent is irrelevant.”); see also Jason A. Rantanen, *An Objective View of Fault in Patent Infringement*, 60 AM. U. L. REV. 1575, 1577 (2011). Knowledge of the patent can result in enhanced damages for willful infringement, up to treble the amount awarded. See 35 U.S.C. § 284 (2006) (amended 2012); see also *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (establishing standard for willful infringement).

A. *Infringement, Territorial Limits, and Their Exceptions Under § 271(a)*

Section 271(a) defines infringement as making, using, selling, or offering to sell the claimed invention.²² The plain language of § 271(a) does not create different forms or requirements for infringement based on the type of invention in the claim.²³ Nevertheless, the Federal Circuit has carved out different rules for infringement depending on whether the claimed invention is a method or a system. To infringe a patented method, a single actor must perform each and every step of the method.²⁴ The slight exception to this rule arises when the second actor is under the control of the first. The acts of another will be imputed to the infringer if the other party is the agent of the infringer or has a contractual obligation to perform the relevant steps of the method.²⁵

In contrast, a party can infringe a patented system by using it, even if it does not possess or own all of the elements of the system. So long as the user controls the system and receives the benefit from using the system, there can be infringement.²⁶ For example, consider if there was a patent on streaming music online through a system akin to YouTube.²⁷ A person on her laptop, searching for and playing the movie, has controlled the system and has benefited from that use (by watching the video). She would be infringing a patent covering that infringing system. Note, though, that she would not infringe a method claim because parts of the method would be performed on YouTube's servers and others on her own computer.

Section 271(a) also has strict territorial restrictions. All of the infringing acts must take place “within the United States” or the patented invention must be imported “into the United States.”²⁸ The express territorial limits in this

²² 35 U.S.C. § 271(a).

²³ Section 101 of the Patent Act defines an eligible invention as a “process, machine, manufacture, or composition of matter” or any improvements thereof. 35 U.S.C. § 101.

²⁴ *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1380–81 (Fed. Cir. 2010); *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008); *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1378–79 (Fed. Cir. 2007).

²⁵ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, 1319 (Fed. Cir. 2010), *rev'd and remanded*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc).

²⁶ *Centillion Data Sys., LLC v. Qwest Comms. Int'l, Inc.*, 631 F.3d 1279, 1285 (Fed. Cir. 2011); *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005).

²⁷ There are quite a few.

²⁸ 35 U.S.C. § 271(a). Even the newer forms of infringement are territorially limited. Section 271(e) only contemplates infringement through filing of applications for regulatory approval to U.S. agencies, thus within the United States. 35 U.S.C. § 271(e). Sections 271(f) and (g) are both regarded as extraterritorial provisions, because they attempt to regulate behaviors and markets outside of the United States. *See* 35 U.S.C. § 271(f), (g). Nevertheless, even they require an act within or into the United States: manufacture of the component or

provision have led one commentator to consider patent law to be the most territorial of all of the forms of intellectual property.²⁹

Notwithstanding the plain language of the statute, the Federal Circuit has afforded patentees some extraterritorial protection under this provision. For example, an offer made outside of the United States to sell a patented invention infringes a patent if the contemplated sale will be within the United States.³⁰ Because the offer need not be accepted or completed for there to be infringement, it is possible for there to be infringement of a U.S. patent even though no actual conduct has taken place within the United States.³¹ A patent on a system can be infringed through use if the control and beneficial use of the system are within the United States, even if part of the apparatus is outside of the United States.³² Consequently, §271(a)'s territorial limits have not been strictly enforced.

In contrast to systems, the Federal Circuit has sharply limited extraterritorial protection for patented methods by requiring all the steps of the method to be performed in the United States. There is no infringement of a method claim if any of the steps are performed outside of the United States.³³ As a result, the court has created a dichotomy between patented methods and systems, not only when multiple parties are involved in the act of infringement but also when the infringing item straddles the U.S. border, even though the statute suggests no such bifurcation.³⁴

B. The Extraterritorial Limits of § 271(b) Before Akamai

The acts of direct infringement under § 271(a) contrast with the forms of indirect infringement found in §§ 271(b) and (c), both in terms of the nature of

components within the United States (for § 271(f)) or importation into, or selling within, offering to sell within, or using within, the United States (for § 271(g)). *See id.*

²⁹ Chisum, *supra* note 18, at 605.

³⁰ *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1309 (Fed. Cir. 2010).

³¹ *Id.* at 1308; *see also* Timothy R. Holbrook, *Territoriality and Tangibility after Transocean*, 61 EMORY L.J. 1087, 1111–12 (2012).

³² *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005) (“The use of a claimed system under section 271(a) is the place at which the system as a whole is put into service, *i.e.*, the place where control of the system is exercised and beneficial use of the system obtained.”).

³³ *Id.* at 1318 (“We therefore hold that a process cannot be used ‘within’ the United States as required by section 271(a) unless each of the steps is performed within this country.”).

³⁴ Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. & MARY L. REV. 2119, 2158–59 (2008) (criticizing the “control and beneficial use” test).

the offenses and their extraterritorial reach. These latter provisions are a codification of the common law, where parties who were not themselves infringing the patent were nevertheless found liable for facilitating infringement by others.³⁵ Although the common law did not differentiate between inducing infringement and contributory infringement, Congress divided the concepts when it adopted § 271. Contributory infringement under 35 U.S.C. § 271(c) represented the most common form of indirect infringement, where a party supplies a component that has no other purpose than to be used in an infringing device.³⁶ Congress then defined active inducement of infringement under § 271(b) somewhat ambiguously, treating it as a catch-all provision for the acts of indirect infringement not covered by contributory infringement.³⁷

Section 271(b) contains no express territorial restrictions.³⁸ This absence is conspicuous in light of the restrictions found not only in § 271(a) but also in § 271(c).³⁹ Specifically, a person can only contributorily infringe a patent if she offers to sell or sells within the United States or imports into the United States a component with no substantial non-infringing purpose.⁴⁰ Prior to 1994, § 271(c) did not contain a territorial restriction.⁴¹ That Congress amended § 271(c) to be territorially restricted but did not so amend § 271(b) suggests that Congress intended to afford some extraterritorial reach to § 271(b).⁴² The Federal Circuit has confirmed that § 271(b) can regulate activity outside of the United States. In *Merial Ltd. v. Cipla Ltd.*, the Federal Circuit noted:

Section 271(b) therefore does not, on its face, foreclose liability for extraterritorial acts that actively induce an act of direct infringement

³⁵ *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990); see also Timothy R. Holbrook, *The Intent Element of Induced Infringement*, 22 SANTA CLARA COMP. & HIGH TECH. L.J. 399, 401 (2006); Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 227–28 (2005); Lynda J. Oswald, *The Intent Element of “Inducement to Infringe” under Patent Law: Reflections on Grokster*, 13 MICH. TELECOMM. & TECH. L. REV. 225, 227–31 (2006).

³⁶ See 35 U.S.C. § 271(c).

³⁷ Oswald, *supra* note 35, at 229–30.

³⁸ 35 U.S.C. § 271(b).

³⁹ Compare 35 U.S.C. § 271(b) (containing no territorial restrictions), with 35 U.S.C. § 271(a) (containing a territorial restriction), and 35 U.S.C. § 271(c) (same).

⁴⁰ 35 U.S.C. § 271(c).

⁴¹ Chisum, *supra* note 18, at 615 (discussing extraterritorial reach of § 271(c) prior to the 1994 amendments).

⁴² Professor Chisum notes that there is no legitimate policy reason to treat the two provisions differently in this way. *Id.* at 615–16. He suggests the amendment to § 271(c) was simply “grammatical indiscretion.” *Id.* at 615. However, Congress did not amend the provision in the America Invents Act of 2011. See Leahy-Smith America Invents Act of 2011, Pub. L. No. 112-29, 125 Stat. 284.

that occurs within the United States, and Appellants cite no authority to that effect. We therefore decline to read the statute as being so limited.⁴³

As a result, parties can be liable for inducing infringement if their affirmative acts⁴⁴ occurred outside of the United States, so long as the acts of infringement themselves occurred within the United States, as required by § 271(a). That territorial limitation on active inducement has its roots in § 271(a), not § 271(b). After *Akamai*, however, infringement under § 271(b), at least with respect to patented methods, is no longer tied to direct infringement under § 271(a). Consequently, it is no longer tethered to those territorial limits. The next Part explores the possible consequences and limits of the severance of these two provisions on territoriality.

II. HAS *AKAMAII* ELIMINATED THE TERRITORIAL RESTRICTIONS OF INDUCEMENT?

In *Akamai* the Federal Circuit rejected its prior holding that had required an act of direct infringement in order for there to be active inducement of infringement under § 271(b). Specifically the court held that there could be active inducement of infringement if one party, with knowledge of the patent and with the requisite intent,⁴⁵ induced a second party to perform the balance of the steps of a method.

A. *The Akamai Decision*

In *Akamai*, and the companion case *McKesson Technologies Inc. v. Epic Systems Corp.*, the Federal Circuit confronted infringement of patented methods where more than one party performed the claimed steps. The court characterized the issue in these cases as follows:

In the two cases before us, we address the question whether a defendant may be held liable for induced infringement if the

⁴³ 681 F.3d 1283, 1302 (Fed. Cir. 2012).

⁴⁴ *Id.*; see also *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305–06 (Fed. Cir. 2006) (en banc) (approving a jury instruction which stated: “Unlike direct infringement, which must take place within the United States, induced infringement does not require any activity by the indirect infringer in this country, as long as the direct infringement occurs here.”). Active inducement requires affirmative steps to encourage the infringement by others. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936–37 (2005).

⁴⁵ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2070 (2011); *DSU Med. Corp.*, 471 F.3d at 1306.

defendant has performed some of the steps of a claimed method and has induced other parties to commit the remaining steps (as in the *Akamai* case), or if the defendant has induced others to collectively perform all the steps of the claimed method, but no single party has performed all of the steps itself (as in the *McKesson* case).⁴⁶

Although most observers believed the court would address the “single entity” rule of direct infringement, and then necessarily the law of inducement given its contingency on direct infringement, the court did no such thing. It left intact the single entity rule for direct infringement of a method claim under § 271(a). The court expressly noted that “[b]ecause the reasoning of our decision today is not predicated on the doctrine of direct infringement, we have no occasion at this time to revisit any of those principles regarding the law of infringement as it applies to liability for direct infringement under 35 U.S.C. § 271(a).”⁴⁷

Instead, the court’s decision was specific to active inducement under § 271(b). It recognized that, under its prior precedent, active inducement required proof that there was direct infringement of the patent because “if there is no infringement, there can be no indirect liability for infringement.”⁴⁸ Nevertheless, the court overruled its prior decision in *BMC Resources, Inc. v. Paymentech, L.P.*, that required that a single entity perform all the steps of a claimed method for there to be inducement of infringement.⁴⁹ The court characterized the *BMC* holding as requiring not only direct infringement but also that “the direct infringement must be committed by a single actor.”⁵⁰ The en banc court believed that the *BMC* panel grafted two distinct requirements onto the active inducement standard: an act of direct infringement and a single entity committing those acts that constitute infringement.⁵¹ While the court agreed with the former, it rejected the latter.

The court concluded that “[r]equiring proof that there *has been* direct infringement as a predicate for induced infringement is not the same as requiring proof that a single party would be *liable* as a direct infringer.”⁵² As

⁴⁶ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1305 (Fed. Cir. 2012) (en banc) (per curiam).

⁴⁷ *Id.* at 1307.

⁴⁸ *Id.* at 1308.

⁴⁹ 498 F.3d 1373, 1379 (Fed. Cir. 2007).

⁵⁰ *Akamai*, 692 F.3d at 1308.

⁵¹ *Id.*

⁵² *Id.* at 1308–09.

such, the court rejects the single entity rule for induced infringement but retains the requirement for direct infringement.⁵³

B. By “Divorcing”⁵⁴ § 271(b) from § 271(a), Has the Federal Circuit Severed the Territorial Limits?

Although the court still requires “direct infringement,” that definition is no longer tethered to the extant requirement under § 271(a) that a single actor perform all of the infringing acts.⁵⁵ What exactly does it mean, then, for there to be “direct infringement” without the single entity rule? As Judge Newman noted in her dissent, “while acknowledging that ‘there can be no indirect infringement without direct infringement,’ the court holds that there need not be direct infringers. I need not belabor the quandary of how there can be direct infringement but no direct infringers.”⁵⁶

Because the court did not alter the single entity rule for § 271(a), the court necessarily must be defining “infringement” under § 271(b) independently of the other provisions.⁵⁷ It is no longer tethered to § 271(a) explicitly or else the single entity rule would still apply. The court has previously suggested this possibility⁵⁸ and seemingly has walked through that open door.

⁵³ *Id.* at 1309 (“Nothing in the text indicates that the term ‘infringement’ in Section 271(b) is limited to ‘infringement’ by a single entity. Rather, ‘infringement’ in this context appears to refer most naturally to the acts necessary to infringe a patent, not to whether those acts are performed by one entity or several.”).

⁵⁴ *Id.* at 1338 (Linn, J., dissenting) (“Divorcing liability under § 271(a) from liability under § 271(b) is unsupported by the statute, subverts the statutory scheme, and ignores binding Supreme Court precedent.”).

⁵⁵ It is unclear whether the *Akamai* rule is limited to method claims or could be applicable, for example, to the use of systems. The Federal Circuit’s initial discussion makes the rule appear to be one of general applicability to all types of inventions, yet the court itself acknowledges that the rule likely only applies to patented methods and processes. *See Akamai*, 692 F.3d at 1305 (per curiam) (“The problem of divided infringement in induced infringement cases typically arises only with respect to method patents.”). Thus, generally, the *Akamai* rule seems to be limited to methods.

⁵⁶ *Id.* at 1328 (Newman, J., dissenting); *see also id.* at 1337 (Linn, J., dissenting) (“To correct this situation, the majority effectively rewrites these sections, telling us that the term ‘infringement’ was not, as was previously thought, defined by Congress in § 271(a), but instead can mean different things in different contexts.”).

⁵⁷ *Cf. id.* at 1337 (Linn, J., dissenting) (“Congress has on three occasions made policy choices to treat certain special circumstances as tantamount to ‘infringement.’ *See* 35 U.S.C. § 271(e)(2), (f), (g). In doing so, Congress did not give the courts blanket authority to take it upon themselves to make further policy choices or define ‘infringement.’”); *id.* at 1339–40 (“The majority essentially asserts that the word ‘infringement’ in § 271(b)—and presumptively § 271(c) as well—can be defined however this court wants without reference to any statutory provision.”).

⁵⁸ *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 773 n.5 (Fed. Cir. 1993) (“Because of the precise language of the statute it has been suggested that active inducement of infringement under 35 U.S.C. [§] 271(b) (1988) may be ‘a type of direct infringement.’ We do not use the term here to include infringement under 35 U.S.C. [§] 271(b).” (citation omitted)).

Treating § 271(b) as an independent provision, where infringement does not depend on any other provision of § 271, leaves open the questions of how the court is defining infringement for that provision and what is the source for such construction. The court seems to believe that the infringing acts are somehow incorporated into § 271(b).

Because the single entity rule no longer applies under § 271(b) but does apply under §271(a), necessarily the court has divorced those two provisions. However, the court did not offer a source for defining what constitutes infringement under § 271(b).⁵⁹ The court drew on common law concepts of joint tortfeasor liability from tort law,⁶⁰ yet the Supreme Court has rejected relying on basic common law as a basis for providing exclusive rights under the patent laws.⁶¹ The lack of a statutory hook for § 271(b)'s definition of infringement is thus vexing.⁶² As Judge Linn explained in dissent, the problem with the majority's approach "is that there is no statutory basis for concluding that such independent acts constitute infringement."⁶³

The territorial issue arises from that separation. Only those acts of infringement in § 271(a) contain the territorial restriction on the infringement of a U.S. patent; Section 271(b) contains no such limit. By making § 271(b) its own, independent form of infringement, then theoretically it is possible to induce infringement of a patent anywhere. Specifically, by divorcing § 271(b) infringement from § 271(a), the majority has, at least on a prima facie basis, severed the territorial limits found in § 271(a). The question now arises as to the extraterritorial scope of the active inducement provision.

Looking to the statute provides no answer as a textual matter. Under the Federal Circuit rule, there is "direct" infringement if all of the steps of the method are performed, regardless of who actually performs those steps.

⁵⁹ Cf. *Akamai*, 692 F.3d at 1338 (Linn, J., dissenting) ("Patent infringement is not a creation of common law."). If the source is from the common law pre-dating the 1952 Act, then one could question whether the acts of offering to sell or importing the invention should qualify as these were only added to the statute in the 1994. See Holbrook, *supra* note 18, at 763.

⁶⁰ *Akamai*, 692 F.3d at 1312 (per curiam) ("The analogy to tort law is particularly telling because for induced infringement under section 271(b) the courts look to the common law principles of joint tortfeasance.").

⁶¹ *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 525–26 (1972) ("Under the common law the inventor had no right to exclude others from making and using his invention. If Laitram has a right to suppress Deepsouth's export trade it must be derived from its patent grant, and thus from the patent statute.").

⁶² See *Akamai*, 692 F.3d at 1339 (Linn, J., dissenting) ("The idea of defining infringement separately in the context of § 271(a) and (b) is simply unsupported by the text itself.").

⁶³ *Id.* at 1341.

Suppose, then, that we have the scenario in the *NTP v. Research in Motion* case, where one step of the claimed method is performed outside of the United States.⁶⁴ The court in *NTP* concluded there was no direct infringement of the method because, to infringe, all of the steps of the method must be performed within the United States.⁶⁵ As a result, there could be no inducement of infringement because of the absence of a direct infringer.⁶⁶ If even one step is performed outside the United States, then there is no infringement. The reasoning for the “all steps” requirement, however, is found not in § 271(b) but instead in § 271(a). According to the court, “use” of the method must be within the United States, and a single step being performed outside of the U.S. contravenes the “within the United States” requirement of § 271(a).⁶⁷ This strict requirement for the territorial limits on methods parallels the single entity rule: the former requires all steps of the process be performed in the US while the latter requires all the steps of the method be performed by a single entity (with the agent/contractual obligation exception).

The question that *Akamai* leaves open is the extent to which the “all steps” territorial rule from *NTP* survives in the context of induced infringement. By removing § 271(a) as a prerequisite to induced infringement, it seems that the strict territorial rule should also be removed.⁶⁸ Conceivably, one could induce infringement of a method claim when performance of the method straddles territorial borders. There could be inducement of a method, such as in the *NTP* case, under the reasoning of *Akamai*: If an actor induces performances of all the steps of the method, even if one step is outside the United States, then there could be liability under § 271(b).⁶⁹

Of course, because § 271(b) now has its own definition of infringement, a more extreme example is possible. Could a party induce someone else to perform the entire method outside of the United States? Is there infringement of a U.S. patent? If the sole provision at issue is § 271(b), then there is no

⁶⁴ *Cf. id.* at 1328 (Newman, J., dissenting) (discussing *NTP*'s inducement analysis).

⁶⁵ *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005).

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ This argument is akin to Judge Linn's dissent in *Akamai*, where he suggests that the repair/reconstruction doctrine is tied to § 271(a), which suggests that divorcing § 271(a) from § 271(b) is inappropriate: “Not being liable under § 271(a) based on the doctrine of permissible repair is indistinguishable from not being liable under § 271(a) based on the fact that no one has made, used, offered for sale, or sold the patented invention, i.e., no one has performed a complete act of direct infringement.” *Akamai*, 692 F.3d at 1340 (Linn, J., dissenting).

⁶⁹ See Holbrook, *supra* note 31, at 1119.

statutory basis to conclude that such inducement is *not* an act of infringement. Indeed, there would be no statutory basis to reject an active inducement claim for the most extreme situation—where a party outside of the United States actively induces someone to perform the steps of the method outside of the United States. There is no tie to the United States at all. By defining active inducement exclusively under § 271(b), with no dependency on any other infringement provisions, the Federal Circuit has removed any express territorial restriction.

Certainly this cannot be the case. Particularly as to the last example, where there is no nexus to the United States, there should not be infringement of the patent. Patents remain creatures of national law and, as the Supreme Court has noted several times, generally they have no extraterritorial affect.⁷⁰ Given the presumption against extraterritoriality, then there would be no infringement under the facts of the extreme example. Congress has not spoken to expanding the reach of U.S. patents this way,⁷¹ which means that the courts as an interpretive measure should not afford such protection.

That said, the presumption only resolves the extreme hypothetical. What about the situations where the system crosses borders, so there is some sort of nexus to the United States, as was the case in *NTP*? The presumption does not appear to answer that question, particularly since Congress seemingly did intend to provide some extraterritorial reach to § 271(b).⁷²

It would be rather odd, however, for the court to interpret § 271(b) to retain the “all steps” rule of *NTP*. The *NTP* court was interpreting § 271(a), not § 271(b). Just as the single entity rule is tied to § 271(a), so is the all steps rule. To discard the former without discarding the latter is inconsistent. There is certainly nothing in the statutory text to suggest that one rule applies while the other would not. There is simply no legitimate basis for rejecting the single entity rule of *BMC* while retaining the all steps territorial rule of *NTP*.

Yet using a strict territorial approach would also be inconsistent with the Federal Circuit’s interpretations of § 271(a) that afford some extraterritorial

⁷⁰ *E.g.*, *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 442 (2007); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972); *Brown v. Duchesne*, 60 U.S. 183, 195–96 (1856).

⁷¹ *Cf. Morrison v. Nat’l Austl. Bank, Ltd.*, 130 S. Ct. 2869, 2883 (2010); Timothy R. Holbrook, *Should Foreign Patent Law Matter?*, 34 *CAMPBELL L. REV.* 581, 603–06 (2012) (discussing applicability of *Morrison* to the ITC and patent context).

⁷² *See* Chisum, *supra* note 18, at 615–16 (discussing the amendment of § 271(c) and failure to amend § 271(b)).

protection to U.S. patent holders. It would be incongruous to afford extraterritorial protection for using or offering to sell an invention, where the statute specifically contains territorial restrictions, and not to do so where the statute is silent (and implicitly Congress has embraced some extraterritorial scope). Some extraterritorial protection for active inducement seems appropriate.

The problem remains as to where to draw the line. How much activity in the United States would be considered enough of a use? One step? A majority of the steps? The court could resort to the analysis it used for system claims, locating the use of the method wherever control of the system performing the method lies and wherever the benefit from using the method flows.⁷³ This approach would eliminate the bifurcated approach currently used for patented methods and systems. Oddly, that bifurcation would remain for direct infringement purposes.

A final approach to cabining the extraterritorial reach of induced infringement would be to expressly consider the law of the countries in which the activities take place. The baseline principle would be as follows: If there would not be infringement of the patent in the foreign country, then there would be no infringement of the United States. As I have advocated elsewhere,⁷⁴ this approach takes into account potential conflicts with foreign law, which is one of the justifications for the presumption against extraterritoriality. Others have offered alternatives that could be used as well.⁷⁵ Nevertheless, in order to effect a balance between protecting U.S. patent holders and avoiding conflicts with the jurisdictions in which the infringing acts would arise, some sort of consideration of conflicts would be appropriate.

⁷³ See *Centillion Data Sys., LLC v. Qwest Comms. Int'l, Inc.*, 631 F.3d 1279, 1283–84 (Fed. Cir. 2011); *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005).

⁷⁴ Holbrook, *supra* note 34, at 2163–91 (offering a comprehensive, conflicts-based approach to extraterritorial application of U.S. patents); *see also* Holbrook, *supra* note 31, at 1115–19 (offering a conflicts-based approach post-*Transocean*); Holbrook, *supra* note 18, at 748–58 (offering a rubric particular to infringing offers to sell).

⁷⁵ E.g., Elizabeth M.N. Morris, Comment, *Territorial Impact Factors: An Argument for Determining Patent Infringement Based Upon Impact on the U.S. Market*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 351, 351–53 (2006); Bridget A. O'Leary Smith, Note, *NTP, Inc. v. Research in Motion, Ltd.: Losing Control and Finding the Locus of Infringing Use*, 46 JURIMETRICS J. 437, 438 (2006); Kendra Robins, Note, *Extraterritorial Patent Enforcement and Multinational Patent Litigation: Proposed Guidelines for U.S. Courts*, 93 VA. L. REV. 1259, 1279–86 (2007); Melissa Feeney Wasserman, Note, *Divided Infringement: Expanding the Extraterritorial Scope of Patent Law*, 82 N.Y.U. L. REV. 281, 302–03 (2007).

CONCLUSION

The Federal Circuit took a unique step in *Akamai* by redefining active inducement of patent infringement. The above analysis demonstrates, however, that the decision leaves open some difficult questions about the extraterritorial consequences of that approach. At a minimum, this Article demonstrates a potential flaw in the statutory interpretation that the court afforded § 271(b), which could be used to support Supreme Court review or, if *certiorari* is granted, reversal. Assuming the *Akamai* decision stands, however, the courts will need to define and perhaps confine the extraterritorial limits of the provision. One hopes that the Federal Circuit and district courts consider, if not embrace, the literature that has explored this issue, particularly in the context of systems and methods that straddle territorial lines.