Divided infringement in the limelight

THE CASE:
Akamai Technologies, Inc v Limelight Networks, Inc
The Court of Appeals for the Federal Circuit
13 August 2015

As US patent law continues to evolve, Beverly E Hjorth examines the patent wrangle that has important consequences for patentees

The Court of Appeals for the Federal Circuit (CAFC) recently expanded the scope of liability for direct infringement of a patent under 35 USC § 271(a) in cases of divided infringement in which one or more steps of a patent's method claim are performed by more than one actor. The case Akamai Technologies, Inc v Limelight Networks, Inc has important consequences for patentees who own patents with method claims that require or might lend themselves to performance by more than one actor, as well as competitors of such patentees who may be concerned with avoiding infringement of such a patent.

Akamai Technologies is the exclusive licensee of US Patent No 6,108,703, which claims methods of providing content over the internet. Limelight Networks performed all steps of the claimed methods except for certain steps of tagging and serving content, which were instead performed by Limelight's customers. In a lawsuit brought by Akamai against Limelight the jury found Limelight liable for infringement based on a determination that Limelight directed and controlled its customers' performance of the tagging and serving steps. However, the district court entered judgment as a matter of law for Limelight in view of another case that had just been decided by the Federal Circuit, Muniauction, Inc v Thomson Corp, that limited the scope of divided infringement. On appeal in Akamai the CAFC affirmed the district court's judgment as a matter of law for Limelight in view of another case that had just been decided by the Federal Circuit, Muniauction, Inc v Thomson Corp, that limited the scope of divided infringement. On appeal in Akamai the CAFC affirmed the district court's judgment as a matter of law for Limelight in view of another case that had just been decided by the Federal Circuit, Muniauction, Inc v Thomson Corp, that limited the scope of divided infringement. On appeal in Akamai the CAFC affirmed the district court's judgment as a matter of law for Limelight in view of another case that had just been decided by the Federal Circuit, Muniauction, Inc v Thomson Corp, that limited the scope of divided infringement.

Regarding the second circumstance, the court listed the elements needed to show liability based on a joint enterprise:

- An agreement, express or implied, among the members of the group;
- A common purpose to be carried out by the group;
- A community of pecuniary interest in that purpose, among the members; and
- An equal right to a voice in the direction of the enterprise, which gives an equal right of control.

The Akamai case, however, involved the first circumstance, that of direction or control. Looking to general principles of vicarious liability, the court first reiterated the more traditional instances of a principal-agent relationship or a contractual arrangement between two or more parties that can give rise to liability for direct infringement by one of those parties. After considering the facts in Akamai, the court added a third instance of direction or control that might also give rise to liability for direct infringement and set out two elements needed to show direction or control under this third instance: whether the alleged infringer has first conditioned participation in an activity or receipt of a benefit upon performance by another party of a step or steps of a patented method and secondly established the manner or timing of that performance.

Taking the Supreme Court's suggestion, the CAFC issued an en banc per curiam decision expanding the scope of direct infringement when more than one actor carries out the steps of a method claim. The court more clearly laid out the elements necessary to show direct infringement in a divided infringement context. The court specified two circumstances in which one party may be liable for direct infringement of a method claim when one or more steps are performed by another party: when one party directs or controls the other party's performance, and when the two parties form a joint enterprise.

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The contract provided that Limelight was not responsible for a failure to serve content if its customer’s server was down. That is, Limelight directed and controlled how the customer tagged and served its content. Additionally, Limelight established the manner and timing of its customers’ performance by assigning each customer a technical account manager and an engineer to lead and assist the customer with implementation of Limelight’s services, by assigning a hostname to each customer and by providing step-by-step instructions showing the customer how to integrate the hostname into its web pages. Based on these facts, the CAFC found that Akamai had presented sufficient evidence from which the jury could determine that Limelight had directed or controlled the actions of its customers.

The CAFC noted that there could be other factual situations that might give rise to direct infringement in the divided infringement context. Going forward, a business that becomes aware of a patent with method claims relevant to its activities should consider whether the expanded scope of divided infringement is applicable when determining its course of action. The increased clarity provided by the CAFC’s decision should provide additional guidance in making this assessment.

For example, the provision of software as a service (SaaS) is becoming more prevalent and questions of divided infringement might arise in this context. A service provider might be liable for direct infringement of a method claim if it requires its customers to perform a step as a condition for receiving the service, or if it leads or provides substantial technical assistance to its customer in implementing a service. However, if the service is provided whether or not a customer performs a step as instructed or if the customer controls implementation of the service, then it may be less likely that the provider would be liable for direct infringement.

A concern acknowledged by the Supreme Court in its decision is that a competitor of a patentee could agree, with another party over whom it exercises no direction or control, to split the steps of a method claim to avoid the single actor requirement for direct infringement. After the Federal Circuit’s Akamai decision, this activity is less likely to avoid liability. In laying out the two circumstances for finding divided infringement of method claims, the CAFC noted in a footnote that to the extent its decision in *Golden Hour Data Systems, Inc v emsCharts, Inc* was inconsistent with its conclusion in *Akamai*, “that aspect of *Golden Hour* is overruled”. The two accused infringers in *Golden Hour* each produced a different software product. They formed a strategic partnership and combined their two programs into a single software product that was alleged to infringe both method and system claims. The Federal Circuit affirmed the district court’s judgment as a matter of law that there was insufficient evidence of direction or control by either party over the other to support a finding of joint infringement. It may be more likely that this sort of collaboration would, after Akamai, result in a finding of direct infringement considering the CAFC’s clearly articulated elements of liability based on a joint enterprise and its indication that the inconsistent aspects of *Golden Hour* are overruled.

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It may also be easier to prove induced infringement, now that direct infringement can be shown more easily. This issue has in fact already arisen in at least one patent infringement case, namely *Eli Lilly and Co v Teva Parenteral Medicines, Inc*. *Eli Lilly* owns a patent on a method of administering a chemotherapy drug, pemetrexed disodium, along with vitamin B12 and folic acid to minimise toxic side effects. The defendants, including Teva Parenteral, sought approval from the Food and Drug Administration (FDA) to market generic forms of the chemotherapy drug along with instructions to doctors and patients as recited in the method claims. Notably, in addition to administering the chemotherapy drug, a physician would administer the vitamin B12 by injection at times and dosages as specified in the claims. However, the patients would obtain the folic acid by prescription written by the physician and take it themselves according to the physician’s instructions. The district court found that under *Akamai* performance of the method steps by the patients would be attributable to the physician and would constitute direct infringement under § 271(a). Thus, use of the defendants’ products would constitute induced infringement under § 271(b). Analogous situations in the medical diagnostic field can be envisaged. For example, a company may own a patent that covers a diagnostic method having steps that could be practiced by two entities, a physician and a laboratory. This could be of concern to a competitor laboratory that provides diagnostic kits to medical facilities with instructions to collect and send a sample to the laboratory.

For patentees with method inventions and patent practitioners drafting method claims, it has become easier to draft claims that cover the method. Previously, patent practitioners needed to take greater care to ensure that all the recited method steps could be performed by a single entity, and this is still a good idea. However, a method claim that includes steps that could be performed by more than one actor may also be useful and may provide an alternative or additional path to proving direct infringement. Also, since the inquiry into direction and control is highly factual, it may be harder for an accused infringer in a patent infringement suit to prevail on a summary judgment motion of no infringement.

As the *Eli Lilly* case shows, the Federal Circuit’s *Akamai* decision is already having an impact. It will be important for both patent owners and their competitors to stay aware of developments in this area of patent law as it continues to evolve.

Footnotes
2. Muniauction, Inc v Thomson Corp, 532 F.3d 1318 (Fed Cir 2008).
4. Id. __ US at __, 134 S.Ct. at 2120.
5. Akamai, slip op. at 5.

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