

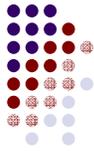


**Continuing Saga of Divided Infringement  
The Federal Circuit Awakens**

---

*Akamai Techs. v. Limelight Networks.*  
(Fed. Cir. August 13, 2015)

Lynde Herzbach  
September 9, 2015



**A long time ago in a court not so far away...**



- Panel Decision: May 13, 2015
- Chief Judge Prost and Circuit Judges Linn and Moore (Moore replaced retired Chief Judge Rader)
- Opinion by Judge Linn
  - If the steps of a patent are performed by multiple parties, there is no liability for direct infringement unless the parties are acting as a single entity, such as through a contractual relationship or joint enterprise
- Dissent by Judge Moore



protecting the product of your mind® 2

**A New Hope...for patent owners**



- Unanimous *en banc* Decision: August 13, 2015
  - Prost, Newman, Lourie, Linn, Dyk, Moore, O'Malley, Reyna, Wallach, Hughes
- Federal Circuit "unanimously set forth the law of divided infringement under 35 U.S.C. § 271(a)" and held there was substantial evidence to support jury verdict that Limelight directly infringed U.S. Patent No. 6,108,703.
- Federal Circuit reversed the District Court's grant of Limelight's motion for judgment of non-infringement as a matter of law.



protecting the product of your mind® 3

Obi-Wan Kenobi: Who's the more foolish, the fool or the fool who follows him?




protecting the product of your mind® 4

**The Infringing Menace –  
Overview of the District Court Case**



- Akamai is exclusive licensee of '703 patent, which is directed to delivering electronic data using a content delivery network(CDN)
- Limelight operates a CDN, its customers are content providers
  - Carries out three of the four claimed steps but contractually requires its customers to tag their content to gain the benefit of the faster servers
- 2008: Jury verdict found Limelight and its customers jointly and directly infringed under 35 U.S.C. § 271(a) and awarded \$45.5 million (case filed in 2006)
- 2008: *MuniAuction* holds direct infringement requires all steps of a patent be performed by a single party or if one defendant has "control or direction" over entire process (single entity rule)
- 2009: District Court Judge grants Limelight's Motion for Judgment as a Matter of Law that Limelight does not infringe



protecting the product of your mind® 5

**Revenge of the Divided Infringer –  
Overview of 2010 and 2012 Rulings**



**Federal Circuit 2010 Ruling:**

- Federal Circuit panel: Circuit Judges Rader, Linn, and Prost
- Affirms the District Court Judge's grant of Judgment as a Matter of Law of non-infringement
- Expanded limitations in *BMC* where "joint liability may be found when one party 'control[s] or direct[s]' the activities of another party."
  - "what is essential is not merely the exercise of control or the providing of instructions, but whether the relationship between the parties is such that acts of one may be attributed to the other."



protecting the product of your mind® 6

### Revenge of the Divided Infringer – Overview of 2010 and 2012 Rulings

**Federal Circuit 2010 Ruling:**

- No substantial evidence – Limelight’s customers not obligated to perform steps; customers are not agents
- Agency relationship or a contractual obligation required
  - "as a matter of Federal Circuit law that there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps."

**b-xb** protecting the product of your mind® 7

### Revenge of the Divided Infringer – Overview of 2010 and 2012 Rulings

**Federal Circuit 2012 en banc Ruling (Reversed and remanded):**

- Opinion per curiam (Chief Judge Rader, Circuit Judges Lourie, Bryson, Moore, Reyna, Wallach). Dissents by Circuit Judges Newman and Linn (which Dyk, Prost, and O'Malley join).
- No direct infringement, but "the evidence could support a judgment in its favor on a theory of induced infringement [under 35 U.S.C. § 271(b)]" because "inducement does not require that the induced party be an agent of the inducer or be acting under the inducer's direction or control."

**b-xb** protecting the product of your mind® 8

### Revenge of the Divided Infringer – Overview of 2010 and 2012 Rulings

**Federal Circuit 2012 en banc Ruling (Reversed and remanded):**

- A party could only be responsible for divided infringement when there were:
  - principal-agent relationships,
  - contractual arrangements or
  - joint enterprises involving the party liable for infringement and other participants in the elements of a method claim
- BUT, noted the principle that "there can be no indirect infringement without direct infringement, is well settled."

**b-xb** protecting the product of your mind® 9

### The Supreme Court Strikes Back – Overview of the June 2014 Ruling

- Specifically notes inconsistency that there can be no indirect infringement without direct infringement **and** Federal Circuit found no direct infringement due to no single actor
- "[T]he possibility that the Federal Circuit erred by too narrowly circumscribing the scope of § 271(a) is no reason for this Court to err a second time by misconstruing § 271(b) to impose liability for inducing infringement where no infringement has occurred."
- "...on remand, the Federal Circuit will have the opportunity to revisit the § 271(a) question if it so chooses."

**b-xb** protecting the product of your mind® 10

### Return of the 271(a) Question – Overview of the May 2015 Ruling

**Admiral Ackbar: "It's a trap!"**

- Not liable for direct infringement: "because Limelight ... did not perform all of the steps of the asserted method claims ... and because the record contains no basis on which to impose liability on Limelight for the actions of its customers who carried out the other steps, Limelight has not directly infringed the '703 patent under § 271(a)."
- Direct infringement of a method claim under 35 U.S.C. § 271(a) exists when all of the steps of the claim are performed by or attributed to a single entity, or in a principal-agent relationship, contractual arrangement, or joint enterprise.
- No liability "[b]ecause this case involves neither agency nor contract nor joint enterprise" and "[e]ncouraging or instructing others to perform an act is not the same as performing the act oneself."

**b-xb** protecting the product of your mind® 11

### Divided Infringement – en banc August 15, 2015 Ruling

(Death by Sarfacc is looking pretty easy comparatively, right?)

- Single actor required to perform all steps in method claim for direct infringement BUT...
- "an entity [is] responsible for others' performance of method steps in two sets of circumstances:
  - (1) where that entity **directs or controls** others' performance, and
  - (2) where the actors form a **joint enterprise**."
- This holding leads to an assessment of whether a single actor "directs or controls the acts of another"

**b-xb** protecting the product of your mind® 12

### Divided Infringement – en banc August 15, 2015 Ruling

Direction or control:

- Vicarious liability law (not entirely analogous)
  - Previous cases' use of the term "vicarious liability" is a misnomer. Restatement (Third) of Torts: Apportionment of Liability § 13 (2000)
  - An alleged infringer is responsible for method steps performed by a third party, alleged infringer is not liable for a third party's commission of infringement
  - Nevertheless, as both vicarious liability and joint patent infringement discern when the activities of one entity are attributable to another, we derive our direction or control standard from vicarious liability law.
- Infringement: agent or contract



protecting the product of your mind® 13

### Divided Infringement – en banc August 15, 2015 Ruling

Direction or control:

- Joint infringement may apply:
 

"when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner and timing of that performance" (*Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005))



protecting the product of your mind® 14

### Divided Infringement – en banc August 15, 2015 Ruling

In cases of a "joint enterprise," infringers "all can be charged with the acts of the other"

- Joint Enterprise (citing the Restatement (Second) of Torts, § 491):
  - 1) an agreement, express or implied, among the members of the group;
  - 2) a common purpose to be carried out by the group;
  - 3) a community of pecuniary interest in that purpose, among the members; and
  - 4) an equal right to a voice in the direction of the enterprise, which gives an equal right of control.



protecting the product of your mind® 15

### Divided Infringement – en banc August 15, 2015 Ruling

- Both "direction and control" and "joint enterprise" are questions of fact, reviewed for substantial evidence on appeal
- Federal Circuit acknowledged "other factual scenarios [that] may arise warranting attributing others' performance of method steps to a single actor," consistent with the fact-based nature of the inquiry
- Use your imagination....



protecting the product of your mind® 16

### Divided Infringement – en banc August 15, 2015 Ruling

- "The jury heard substantial evidence from which it could find that Limelight **directs or controls** its customers' performance of each remaining method step, such that all steps of the method are attributable to Limelight." (emphasis added)
- Direction and control facts:
  - Limelight's "standard contract" which requires customers to complete tagging and serving steps
  - Limelight conditions customers' use of its [CDN] upon its customers' performance of the tagging and serving method steps



protecting the product of your mind® 17

### Divided Infringement – en banc August 15, 2015 Ruling

- Substantial evidence that Limelight was in control of "**manner and timing**":
  - Limelight's "welcome letter" with instructions for each customer on how to use Limelight's services
  - Limelight's "step-by-step" instructions on how to tag content
  - If customers do not follow "these precise steps," Limelight's service will not be available
  - "Limelight's engineers assist with installation and perform quality assurance testing [and] remain available if the customer experiences any problems."



protecting the product of your mind® 18

### Divided Infringement – en banc August 15, 2015 Ruling

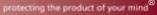
- "Limelight's customers do not merely take Limelight's guidance and act independently on their own. Rather, Limelight establishes the manner and timing of its customers' performance so that customers can only avail themselves of the service upon their performance of the method steps."
- Compare to 2012 Federal Circuit decision
  - Same facts, totally new interpretation





### Possible Effects – en banc August 15, 2015 Ruling

- Departure from *Muniauction* joint infringement analysis to consideration of evidence under a "totality of the circumstances" test
- Additional facts and factors could be considered when weighing possible direct infringement
- Possibility that joint direct infringement will be proven in more fact scenarios
- Does this make 271(c) superfluous? What about 271(b)?


### Possible Effects – en banc August 15, 2015 Ruling

- *Muniauction* joint infringement analysis:
  - A method claim is only infringed when a single party can be charged with performing each step of the asserted claim.
  - A single party must be shown to exercise "control or direction" over the entire infringement - the "mastermind" requirement
- *en banc Akamai v. Limelight* footnote 3:
  - "To the extent our prior cases formed the predicate for the vacated panel decision, those decisions are also overruled."





### Possible Effects – en banc August 15, 2015 Ruling

- Additional facts and factors will be relevant
- Examples of vicarious liability exposure (physicians):
  - You contract to have professional services provided on your behalf.
  - You supervise a provider who is not your employee.
  - You share office space with another provider and patients of that provider believe that is providing services as part of your practice.
  - Coverage for vicarious liability exposures in most medical professional liability insurance policies is limited to liability arising out of employees acting within the scope of their duties as an employee. Several policies may require certain employees (physician extenders) to be named on the policy for coverage to apply.
- May be extended broadly for possible infringers

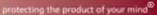




### Possible Effects – en banc August 15, 2015 Ruling

Does this make 271(b) or (c) superfluous

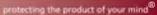
- **35 USC 271(b)**: Whoever actively induces infringement of a patent shall be liable as an infringer.
- **35 USC 271(c)**: Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.


### "I've got a bad feeling about this..."

Supreme Court's 2014 Opinion:

- [T]here has simply been no infringement of the method ... because the performance of all the patent's steps is not attributable to any one person.
- [W]here there has been no direct infringement, there can be no inducement of infringement under §271(b).
- [T]he reason Limelight could not have induced infringement under §271(b) is not that no third party is *liable* for direct infringement; the problem, instead, is that no direct infringement was *committed*. (emphasis in original)


**Practice Tips**

Patent Owners:

- Draft method claims for single entity to extent possible (so that a single party can perform all the steps)
- Gather all related factual evidence no matter how seemingly insignificant (i.e. welcome letters)
- Hope there is no writ to the Supreme Court
- During prosecution, draft other claims (e.g., apparatus, system, CRM)



**b-xb** protecting the product of your mind<sup>®</sup> 25

**Practice Tips**

Possible Infringers:

- Review contracts with customers
- Review communications, directions, and guidance to customers
- Provide non-infringing alternatives and leave choice to customers
- Establish distance between actors to diminish weight in totality of circumstances balancing test



**b-xb** protecting the product of your mind<sup>®</sup> 26

Questions?



**b-xb** protecting the product of your mind<sup>®</sup> 27

Thank you.



**b-xb** protecting the product of your mind<sup>®</sup> 28