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Intellectual Property Alert

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If you read one thing...

- The Federal Circuit revisited the law of divided infringement under § 271(a) after the Supreme Court remanded the case, noting that the Federal Circuit may have previously been "too narrowly circumscribing the scope of § 271(a)."
- The Federal Circuit's *en banc* decision unanimously held that divided infringement under § 271(a) can also be found 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 or timing of that performance.

Federal Circuit Broadens the Reach of Divided Infringement

Introduction

On August 13, the Federal Circuit, sitting *en banc*, "unanimously set forth the law of divided infringement under 35 U.S.C. § 271(a)" and found that substantial evidence supports the jury's finding that Limelight Networks ("Limelight") directly infringes U.S. Patent 6,108,703 (the "'703 patent"). The case was on remand from the U.S. Supreme Court, which rejected the Federal Circuit's expansion of the inducement doctrine to cover divided infringement. In doing so, the Court had noted "the possibility that [the Federal Circuit] erred by too narrowly circumscribing the scope of § 271(a)."

The case dates back to 2006, when Akamai Technologies, Inc. (Akamai) originally sued Limelight for infringing the '703 patent, which claims methods for delivering content over the Internet. The parties agreed at trial that Limelight's customers—not Limelight—performed the "tagging" and "serving" steps in the claimed methods. For example, in claim 34 of the '703 patent, Limelight performs three steps of the claim (distributing, resolving, and returning), while Limelight's customers perform the step of "tagging." The district court instructed the jury that Limelight would be held responsible for its customers' performance of the tagging and serving steps if "Limelight directs or controls its customers' activities." The jury returned a verdict finding that Limelight directly infringed the '703 patent. Following the Federal Circuit's decision in *Muniauction, Inc. v. Thompson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), the court granted Limelight's motion for reconsideration, finding that, because no single entity performed all of the claimed steps, and because Limelight's relationship with its customers did not constitute direction or control, Limelight could not be held liable.

The Expanded Scope of Divided Infringement

In the August 13 unanimous *per curiam* opinion, the court sitting *en banc* began by recognizing that, where multiple actors are involved in practicing the steps of a claimed method, “a court must determine whether the acts of one are attributable to the other such that a single entity is responsible for the infringement.” The court found that an entity is held responsible for another actor’s performance of method steps in two sets of circumstances:

1. where that entity directs or controls others’ performance
2. where the actors form a joint enterprise.

Directing or Controlling Others’ Performance

To determine whether a single entity is liable for infringement through directing or controlling others’ performance, the court cited *BMC Res., Inc. v. Paymentech, L.P.,* 498 F.3d 1373, 1379–81 (Fed. Cir. 2007), noting that it continues to consider general principles of vicarious liability. In the past, this has included determining whether the entity (1) acted through an agent or (2) contracted with another to perform the steps of the claimed method.

The court then went on to add a third situation where liability under § 271(a) can also be found: “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 or timing of that performance.” The court further held that, “whether a single actor directed or controlled the acts of one or more third parties is a question of fact, reviewable on appeal for substantial evidence, when tried to a jury.”

Joint Enterprise

Additionally, the court held that, “where two or more actors form a joint enterprise, all can be charged with the acts of the other, rendering each liable for the steps performed by the other as if each is a single actor.” A joint enterprise requires proof of four elements (also a question of fact reviewable on appeal for substantial evidence):

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
4. an equal right to a voice in the direction of the enterprise, which gives an equal right of control.

Application to the Facts of the Case

The Federal Circuit relied on the “directs or controls” situation, rather than a “joint enterprise,” to find Limelight liable for direct infringement. Specifically, the court held that, “Akamai presented substantial evidence demonstrating that Limelight conditions its customers’ use of its content delivery network upon its customers’ performance of the tagging and serving steps, and that Limelight establishes the manner or timing of its customers’ performance.” The court divided its analysis into two parts: (1) how Limelight “[conditions] use of the content delivery network, and (2) how it “[establishes] the manner and timing of performance.”

First, the court found that Limelight requires all of its customers to sign a standard contract. The contract specifies steps, including tagging and serving content, which the customers must perform if they use the Limelight service. Accordingly, the court found that there was substantial evidence indicating that Limelight conditions customers' use of its content delivery network upon its customers' performance of the tagging and serving method steps.

Regarding the "manner or timing" evidence, the court discussed that, upon completing a deal, Limelight sends its customer a welcome letter informing the customer that a technical account manager employed by Limelight will lead the implementation of Limelight's services. The letter also includes a hostname that the customer must integrate into its webpages—this integration includes the tagging step. Further, "Limelight provides step-by-step instructions to its customers telling them how to integrate Limelight's hostname into its webpages if the customer wants to act as the origin for content." If Limelight's customers do not follow these precise steps, Limelight's service will not be available. Limelight's engineers also assist with installation and remain available if the customer experiences any problems. Therefore, taking into account all of these facts, "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."

In summary, the court found that the facts Akamai presented at trial constituted substantial evidence from which a jury could find that Limelight directed or controlled its customers' performance of each remaining method step, and, therefore, all claimed methods were performed or attributable to Limelight. Consequently, the court reinstated the jury verdict against Limelight, and "return[ed] the case to the panel for resolution of all residual issues consistent with [its] opinion."

Going Forward

In the opinion, the court made certain to note that other factual scenarios may arise that warrant attributing the acts of others to a single actor. The court advised that, going forward, "principles of attribution are to be considered in the context of the particular facts presented." This consideration of "particular facts presented" on a case-by-case basis will no doubt help to shape the limits of 271(a) in forthcoming district court cases around the nation.

However, while the court left open the possibility for case-by-case interpretation, it is evident that the standard for divided infringement is now broader than the framework previously provided in *Muniauction*. As a practical matter, companies should recognize the potential for greater exposure to liability through the theory of divided infringement.

***Akamai Techs., Inc. v. Limelight Networks, Inc.*, Case Nos. 2009-1372, 2009-1380, 2009-1416, 2009-1417 (Fed. Cir. Aug. 13, 2015) (*en banc*)**

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