Federal Circuit Expands Scope of Liability for Divided Infringement

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The Federal Circuit, sitting en banc in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, this week adopted a new standard governing divided infringement under 35 U.S.C. § 271(a). The new standard is likely to enhance the enforceability of method claims.

In 2014, in *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2119, 2120 (2014), the Supreme Court suggested that the Federal Circuit's then-governing standard for divided infringement was "too narrowly circumscrib[ed]" and invited the court to "revisit the § 271(a) question" on remand. Thereafter, a Federal Circuit panel declined the Supreme Court's invitation, instead reaffirming the Federal Circuit's prior standard (**click here** for previous client alert). Akamai sought en banc review, arguing that the Federal Circuit's standard was too restrictive, and that it created a loophole for would-be infringers of method claims able to off-load some of the steps to third parties.1

On Thursday, the en banc Federal Circuit vacated the panel decision and issued a unanimous opinion expanding the test for proving direct infringement where the steps of a patented method are performed by multiple actors. The court held that an accused infringer will be held "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." Slip Op. at 4. The court expressly overruled prior cases, including *Golden Hour Data Systems, Inc. v. emsCharts, Inc.*, 614 F.3d 1367 (Fed. Cir. 2010) to the extent they were inconsistent with its opinion. Slip. Op. at 4, n.1 and 6, n.3. The court explained that not only can actions of another be attributable to a single infringing actor in principal-agent relationships, contractual arrangements, and joint enterprise relationships, as the panel previously had held, but "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." *Id.* at 5.

Ultimately, the court explained, the question is whether the third party's actions can be attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement. The court did not adopt a broader, joint-tortfeasor standard proposed by Akamai and some amici, in which the third party would be jointly liable for direct infringement. This distinction should protect third parties who perform only a small part of the claimed method and may be unaware of the patent's existence.

Importantly, the Federal Circuit indicated that in future cases, whether the actions of third parties are to be attributed to a single accused infringer "are to be considered in the context of the particular facts presented..." *Id.* at 6. Thus, we can expect that other circumstances where attribution to a single actor is appropriate will be developed further in the caselaw. Given the fact-intensive nature of the inquiry, frequently the issue will be left to the jury, reviewable on appeal for substantial evidence. *Id.* at 5, 6.

In creating its more flexible inquiry, the Federal Circuit suggested that where an allegedly infringing manufacturer provides detailed instructions to its customers and provides the customer support for carrying out some of the steps of a patented method, the actions of the customer can be attributable to the manufacture. Based on substantial evidence that such circumstances existed in Limelight's online content delivery network, the court upheld the jury's verdict of infringement and remanded for further proceedings.

Although this case arises in a specific context, the decision has important implications for method claims in other areas, particularly personalized medicine. Under the now-vacated panel opinion, it would have been difficult to prove infringement of a diagnostic method claim because performance of the steps of a claimed method can be susceptible to division between two or more parties—*e.g.* a manufacturer of a test kit and a laboratory—working in a coordinated way. Under the court's new approach to establishing direction or control, it may be possible to prove direct infringement by the manufacturer if, for example, it provides detailed instructions to the laboratory for performing the test or interpreting the results.

The flexibility and fact-intensive nature of the Federal Circuit's new standard underscores the need for patentees, faced with divided infringement of a method claim, to investigate and develop evidence to establish a connection between the actions of the accused infringer and the other actors who perform some of the steps of the method, in order to show the accused infringer's direction or control over the other actors. The fact-intensive nature of the inquiry also means that the question often will be left for the jury, and thus will be relatively insulated from determination on summary judgment or from challenge on appeal after a jury verdict. Patentees and accused infringers will both be well-served by making a vigorous factual showing at trial on these issues.

This may well be the final chapter in the long-running Akamai and Limelight saga, although further review by the Supreme Court remains a possibility. What remains clear is that, after the Federal Circuit's decision this week, issues relating to divided infringement remain ripe for further development by juries and by courts.

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1. The authors filed an amicus brief in support of Akamai's petition for rehearing en banc on behalf of the Coalition for 21st Century Medicine.↩

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