Federal Circuit Issues En Banc Decision Expanding Liability For Direct Infringement in "Divided Infringement" Cases

by David R. Todd

In the latest chapter in an ongoing saga, the Federal Circuit issued an *en banc* opinion on August 13, 2015 in *Akamai Technologies, Inc. v. Limelight Networks, Inc.* The patent claims at issue in this case are directed to a patented method. The defendant (Limelight) performs all of the steps of the patented method except for one, and Limelight instructs its customers that in order to use Limelight's service, they must perform the remaining step. Limelight explains to its customers how to perform that step. A fact pattern such as this, in which the steps of a patented method are performed by multiple entities, is commonly referred to as "divided infringement."

In December 2010, a Federal Circuit panel ruled that despite a jury verdict of infringement, Limelight could not be liable for infringement because (1) liability for direct infringement under 35 U.S.C. § 271(a) required a single entity to perform all of the steps of the patented method and (2) liability for inducing infringement under 35 U.S.C. § 271(a) required liability for direct infringement under 35 U.S.C. § 271(a). In this case, there was no single entity that performed all of the steps of the patented method, nor could the acts be imputed under principles of vicarious liability to a single entity. Therefore, there could be no liability for direct infringement under § 271(a) and therefore no infringement for inducement under § 271(b). The Federal Circuit then took the case *en banc*.

In August 2012, the *en banc* court ruled 6-5 that liability for inducing infringement under 35 U.S.C. § 271(b) did not require anyone to be liable for direct infringement under 35 U.S.C. § 271(a). In a summary of its holding, the majority stated: "[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." The majority declined to comment on the circumstances, if any, under which direct infringement can be found when no single entity performs all of the steps of a patented method, concluding that it was "not necessary" to resolve that issue. Nevertheless, the court did state that the district court had "correctly held" as a matter of law that Akamai could not prevail on a theory of direct infringement under the court's current case law on direct infringement. The Supreme Court then took the case.

Federal Circuit Issues En Banc Decision Expanding Liability For Direct Infringement in "Divided Infringement" Cases

by David R. Todd

In June 2014, the Supreme Court reversed the Federal Circuit's *en banc* decision on inducement under 35 U.S.C. § 271(b), holding that in order for there to be liability for inducement under 35 U.S.C. § 271(b), there must be liability for direct infringement under 35 U.S.C. § 271(a).

On remand from the Supreme Court, the Federal Circuit initially declined to consider the case *en banc*, and a panel issued a decision in May 2015 concluding that there could be no direct infringement in this case. Akamai then filed a petition for rehearing *en banc*, and on August 13, 2015, the full court granted the petition and issued its decision on the merits without additional briefing or oral argument.

The full court ruled: "Where more than one actor is involved in practicing the steps, a court must determine whether the acts of one are attributable to the other such that a single entity is responsible for the infringement. We will hold an entity 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."

The court explained that "[t]o determine if a single entity directs or controls the acts of another, we continue to consider general principles of vicarious liability." The court then acknowledged that "[i]n the past, we have held that an actor is liable for infringement under § 271(a) if it acts through an agent (applying traditional agency principles) or contracts with another to perform one or more steps of a claimed method." It then added an important new method for establishing "direction or control": "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." Thus, there are now three types of circumstances in which "the third party's actions are attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement."

The court then elaborated on the joint enterprise theory: "Alternatively, 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." Relying on the Restatement (Second) of Torts, the court observed that "[a] joint enterprise requires proof of four elements: (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."

The court then concluded that the jury's verdict in Akamai's favor must be sustained under the law regarding "direction or control." The court explained: "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. Specifically, 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. . . . We conclude that the facts Akamai presented at trial constitute substantial evidence from which a jury could find that Limelight directed or controlled its customers' performance of each remaining method step."

The practical significance of the *en banc* court's opinion is that (1) it adds a third, additional method of proving "direction or control" and (2) it endorses a "joint enterprise" theory for finding direct infringement. Both of these are additional theories of liability that go beyond previous limits in the Federal Circuit's "divided infringement" case law.