

Effects of Federal Circuit's Decision on Standard for Joint Infringement

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In [Akamai Technologies v. Limelight Networks](#), 793 F.3d 1020 (2015), a unanimous U.S. Court of Appeals for the Federal Circuit clarified the standard for joint infringement by finding the defendant liable because it directed or controlled the actions of a third party that performed one or more steps of a claimed method. The Federal Circuit found the third party's infringing steps were attributable to the defendant because the defendant had "condition[ed] participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishe[d] the manner or timing of that performance." Only a few district courts have incorporated the reasoning in *Akamai* into their decisions. However, these decisions have already begun to shed light on the level of direction or control needed to attribute the actions of a third party to an alleged direct infringer.

In *Akamai*, the Federal Circuit, sitting en banc, considered the U.S. Supreme Court's remanded ruling that suggested the Federal Circuit "erred by too narrowly circumscribing the scope" of 35 U.S.C. Section 271(a), the statute governing direct infringement. Akamai, holder of a patent for delivering content over the Internet, brought claims for both direct and induced infringement of the patented method against Limelight. Limelight argued that, because its customers performed two of the required steps in the patent, it could not be liable for direct infringement. Although a jury found that Limelight was liable for direct infringement, the district court reversed the verdict, finding that there could be no liability for direct infringement because there was no evidence that Limelight "directed or controlled its customers." On appeal, the Federal Circuit reinstated the jury verdict, finding that, while Limelight was not liable for direct infringement because it did not direct and control the actions of its customers, it may be held liable for induced infringement when it performed some of the steps of the claimed method and induced its customers to commit the remaining steps. (See [Akamai Technologies v. Limelight Networks](#), 692 F.3d 1301, 1318-19 (Fed. Cir. 2012).)

On Limelight's appeal of the Federal Circuit's ruling, the U.S. Supreme Court held that an underlying requirement for induced infringement under 35 U.S.C. Section 271(b) is direct infringement by a single entity. (See [Limelight Networks v. Akamai Technologies](#), 134 S. Ct. 2111, 2120 (2014).) The Supreme Court found that there had been no direct infringement by Limelight due to the infringing acts of its customers, and thus induced infringement does not apply. In considering Akamai's argument that requiring a single direct infringer in order to prove induced infringement would allow an induced infringer to escape liability by "perform[ing] some steps of a patent with the purpose of having its customers perform the remaining steps," the Supreme Court remanded the case to the Federal Circuit to consider if its interpretation of Section 271(a) was too narrow and whether Limelight may be liable for direct infringement.

On remand, the Federal Circuit found that Limelight was in fact liable for direct infringement because it "directed or controlled its customers' performance of each remaining method step" in the patent. The court reiterated that direct infringement requires a single entity to perform each step of the method patent. However, the Federal Circuit further

held that an entity may directly infringe a patent if the steps of the patent that are performed by a third party are attributable to the entity. The court found that acts by a third party can be attributed to an entity under two sets of circumstances: "(1) where that entity directs or controls others' performance, and (2) where the actors form a joint enterprise." The court noted that these types of circumstances may be found in a number of relationships, including contractual agreements between the parties, joint enterprise, or principal-agent relationships. The Federal Circuit overruled prior decisions to the extent that they limited the circumstances in which an entity may be found to have controlled or directed a third party's actions to these three relationships. Rather, the Federal Circuit ruled that the threshold question to determine is whether "all method steps can be attributed to a single entity." The court found that Akamai had presented substantial evidence for a jury to find that Limelight directed or controlled its customers' performance of the remaining steps in the patent and thus was liable for direct infringement.

Following the Federal Circuit's decision, multiple district courts have applied the direct infringement standard as set forth in the en banc *Akamai* decision of Section 271(a) and further defined the circumstances in which an entity demonstrated sufficient control or direction over third-party actions to qualify as direct infringement. First, in *Eli Lilly & Co. v. Teva Parenteral Medicines* (S.D. Ind. Aug. 25, 2015), the Southern District of Indiana found that a physician who provides medication to a patient may have provided sufficient direction or control to attribute the patient's ingestion of the medication to the physician. The plaintiff, owner of a method patent describing the administration of folic acid followed by a chemotherapy drug, brought a claim for induced infringement against the defendants, the generic manufacturers of the drug. The defendants argued that induced infringement was not possible because the physicians and the patients each performed a step of the patented method, rather than a single entity performing all steps of the patent. The defendants further argued that the physician did not have sufficient control over the patient's ingestion of folic acid because "the physician does not physically place the folic acid in the patients' mouth, and because patients are instructed to obtain folic acid, either by prescription or over the counter, and take it on their own." The district court acknowledged that the relevant question is "whether the physician sufficiently directs or controls the acts of the patients in such a manner as to condition participation in an activity or receipt of a benefit—in this case, treatment with [the chemotherapy drug] in the manner that reduces toxicities—upon the performance of a step of the patented method and establishes the manner and timing of the performance." The district court found that taking the folic acid was a "condition of the patient's participation" in the chemotherapy treatment (noting that "if the patient fails to carry out this step, he or she would not receive the benefit of the patented method"). The court also noted that the physician directed the manner and timing of the patient's ingestion of folic acid. Based on these facts, the district court concluded that the physician's level of involvement with the administration of folic acid was sufficient to attribute the patient's actions to the physician.

By contrast, in [Nalco v. Chem-Mod LLC](#) (N.D. Ill. Oct. 15, 2015), the Northern District of Illinois held that an agreement between the defendants and a third party that required the third party to perform a patented method in a manner that ensured the defendants received tax credits did not constitute adequate control or direction by the defendants. In *Nalco*, the patent-in-suit was directed to a method of preparing a bromide compound and injecting the compound into a gas in order to reduce the output of mercury during the combustion of coal. The defendants argued the amended complaint must be dismissed because "no defendant controls [the injection of the compound into the gas] and that all of the steps of the [method] are not attributable to a single party." The plaintiff argued that the acts of third-party power plants that injected the compound into the gas were attributable to the defendants, citing a joint enterprise between the defendants and the power plants that was enacted in order for the defendants to

receive tax credits. The district court found the plaintiff's argument "unconvincing" and stated that the mere receipt of tax credits through the acts of the power plants is not "evidence that [defendants] direct[ed] and control[led] the alleged infringing actions of each coal-fired power plant."

Finally, in *Wisconsin Alumni Research Foundation v. Apple* (W.D. Wis. Oct. 26, 2015), the Western District of Wisconsin considered the defendant's motion for judgment as a matter of law that it did not infringe the plaintiff's patent because the defendant did not manufacture the patented product; rather, it contracted to a third party, Samsung, for the manufacturing of the product. The court rejected the defendant's argument and found that Samsung: (1) manufactured the product for the defendant according to the defendant's specifications; (2) tested the product in accordance with the defendant's requirements; and (3) made the product to be used only in the defendant's product. The district court found that the defendant's involvement with Samsung's manufacture of the patented product was "certainly sufficient to find that Samsung acted under [defendant's] control and direction."

Courts are still determining if the Federal Circuit's ruling in *Akamai* expanded or merely clarified the standard for joint infringement. At least one court has stated that *Akamai* is an indication that the court is "moving in the direction of a more expansive view of what satisfies control and direction in order to bring a third party's actions within the purview of the alleged infringer," in *Wisconsin Alumni Research Foundation*. The first post-*Akamai* decisions discussing this issue appear to agree with this contention, but also indicate that the control by an entity over a third party must be more than pecuniary; rather, the element of control must be determined by the entity's oversight of the manner and timing of performance of the patent steps.

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