

Connecticut Law Tribune

April 16, 2012

An ALM Publication

INTELLECTUAL PROPERTY patent & trademark

Divided Patent Infringement: An Evolving Doctrine

COURTS DEVELOP NEW TOOL TO USE WHEN MULTIPLE ENTITIES ARE INVOLVED

By **JOSEPH SAPHIA** and **ERIKA SELLI**

A claim of a U.S. patent is directly infringed only if each of the elements of a patent claim are contained in an accused product or if all of the steps of a claimed method are performed. Indeed, establishing infringement liability, a strict liability determination, is relatively straight forward when one entity comprises all elements of an accused product or performs all of the steps. However, oftentimes today multiple entities may be involved. When that occurs, how is direct infringement determined, and who are the infringers?

“Divided Infringement” is a court-fashioned doctrine designed to establish direct patent infringement liability when multiple entities are involved. In essence, the doctrine allows a finding of direct patent infringement when one entity controls or directs the actions of another party sufficiently to hold the “controlling” entity liable.

Joseph Saphia is an Intellectual Property Litigation partner in Wiggin and Dana's New York office and focuses his practice on intellectual property litigation and counseling, with emphasis on patent and trademark litigation. Erika Selli is an Intellectual Property Litigation associate in the New York office.

The legal standard used to assess Divided Infringement is evolving to address commercial reality, and the evolution is evidenced by several U.S. Court of Appeals for the Federal Circuit (CAFC) decisions in recent years. Indeed, the doctrine is being addressed once again by the CAFC en banc in two cases. This article summarizes the Divided Infringement standard, and presents the questions currently before the court.

Divided Infringement Standard

Under U.S. patent law, infringement liability may attach for either direct or indirect infringement. Direct infringement involves the making, using, offering for sale, or sale of a patented invention. Indirect infringement occurs when a party has: (1) encouraged or otherwise assisted another party in the infringement of a patent; or (2) contributed to another party's patent infringement by providing a component that has a particular use in a machine or composition covered by a patent. To establish liability for indirect infringement a showing of direct infringement is required.

The CAFC established the doctrine of Divided Infringement in the method patent



Joseph Saphia



Erika Selli

context to find direct infringement where one party (“the mastermind defendant”) performs part of the steps of the method, and also controls or directs another party's performance of the remainder (“the controlled party”). The “control or direction” requirement will typically be satisfied when the controlled party acts on behalf of the mastermind defendant due to an obligation arising from either a common law agency or contractual relationship. These theories are also applicable to apparatus patent claims.

Issues En Banc

On Nov. 18, 2011, the CAFC heard oral argument in *Akamai Technologies Inc. v. Limelight Networks Inc.* and *McKesson Technologies Inc. v. Epic Systems Corp.* to determine the nature and scope of direct

and indirect liability between defendants performing some, but not all, of the steps of a method patent.

Akamai Technologies: At issue in Akamai was a method claim directed to a content delivery service that could locate embedded objects stored on a server. Limelight, the accused infringer, practiced part of Akamai's patented method by operating a server and instructing its customers how to tag objects as per a user contract. Based on these facts, the CAFC held that Limelight did not directly infringe Akamai's patent because Limelight lacked direct or exert control over customer actions. First, there was no agency relationship. Second, the contract did not "obligate" performance; instead, it explained how to perform the steps and users chose whether to use Limelight's system. Therefore, the Divided Infringement doctrine as currently constituted did not apply.

In April 2011, the CAFC granted Akamai's en banc petition and will decide the following question: "If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?" In answering this question, the CAFC will attempt to clarify the nature and scope of direct liability between multiple parties whose combined actions infringe a method.

Currently, Divided Infringement allocates liability to only one party — that is, the mastermind defendant. The controlled party is not liable at all. It is postulated that the CAFC may alter this outcome and allow a form of joint liability to more accu-

rately reflect the defendants' commercial relationship.

McKesson Technologies: At issue in McKesson was a claim directed to an electronic method of communication between health care providers and patients. Epic, the accused infringer, licensed its software for personalized patient Web pages to health care providers and was accused of indirect infringement. McKesson's patent, however, was directly infringed only when patients decided to use the Web page. McKesson

relationship between the relevant actors — e.g., service provider/user; doctor/patient — affect the question of direct or indirect infringement liability?

The first question focuses on clarifying the nature and scope of indirect liability under the Divided Infringement doctrine. Currently, because indirect infringement liability requires a finding of direct infringement, a defendant who is not directly liable under the doctrine could not be found to be an indirect infringer.

The federal appeals court established the doctrine of Divided Infringement in the method patent context to find direct infringement where one party performs part of the steps of the method, and also controls or directs another party's performance of the remainder.

argued that a doctor's recommendation to use Epic's software was "control." Thus, the health care providers directly infringed, thereby providing the basis for Epic's indirect liability. On appeal, the CAFC held that the doctor-patient relationship did not rise to the level of common law agency because the patients still had discretion to use Epic's software. Therefore, because the health-care providers did not infringe, Epic, therefore, could not be indirectly liable.

In May 2011, the CAFC granted McKesson's en banc petition and will decide the following questions: (1) If separate entities perform separate steps of a method claim, under what circumstances, if any, would either entity or a third party be liable for inducing infringement or for contributory infringement? (2) Does the nature of the

The second question focuses on the relationship between the "mastermind" defendant and the controlled-party. The answer to this question will likely clarify the "control or direction" requirement in light of relationships that do not fall within common law agency or contractual relationships.

Conclusion

The doctrine of Divided Infringement is rapidly evolving. The CAFC en banc decisions in Akamai and McKesson may alter the doctrine substantially, necessitating a review of your clients' potential patent rights and liabilities. •