

Tips For Avoiding Indirect Infringement

Law360, New York (July 7, 2015, 10:10 AM ET) –

Akamai v. Limelight and Commil v. Cisco have cast a spotlight on indirect infringement of patented methods. Here, we review the requirements for indirect infringement and some activities that the Federal Circuit has indicated do not constitute indirect infringement. Finally, we propose some practical tips for establishing noninfringement based on both the mens rea requirement and the line between divided infringement and indirect infringement.

Direct Infringement of a Method Claim by Multiple Actors

In Akamai, the U.S. Supreme Court confirmed that direct infringement is a prerequisite for indirect infringement. The question there was whether or not a content delivery network operator was liable for indirect infringement of a method claim that required a “tagging” step, which was performed by the CDN operator’s customers instead of by the CDN operator itself. The CDN operator provided instructions to customers on how to perform the tagging step, but did not require its customers to perform the tagging step or control or direct tagging by its customers.



Max Colice

A patent owner must prove direct infringement under 35 U.S.C. § 271(a)[1] to be entitled to relief for indirect infringement. Under the “single entity” rule,[2] direct infringement occurs when a single entity or joint enterprise performs an infringing act. For a patented apparatus, identifying a direct infringer is usually straightforward — anyone who makes, uses or sells it infringes. For a patented method, direct infringement occurs when a single entity or joint enterprise performs each and every step of the patented method.[3]

But the analysis is different when different entities perform different steps of a patented method. When different parties perform different steps, the patent owner can establish direct infringement “only if one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party, i.e., the ‘mastermind.’”[4] In other words, “direct infringement does not occur unless all steps of a method claim are performed by or attributable to a single entity.”[5] Direction or control can occur in a principal-agent or contractual relationship between the parties or where the parties are acting as a joint enterprise.[6] Control is the key inquiry.[7]

The Akamai court based its analysis on whether the defendant “exercise[d] control or direction over its customers’ performance of those steps of the patent that the defendant itself did not perform.” There, the court declined to attribute the tagging step to the CDN operator because the CDN operator did not perform tagging itself, nor did the CDN operator control tagging by its customers. As a result, there was no direct infringement and hence no indirect infringement. At best, infringement was “divided” between the CDN operator and its customers, a situation that could have been avoided with different claims.

The Mens Rea for Indirect Infringement

By establishing that one party is the “mastermind” responsible for infringement of a patented method by multiple parties, the patent owner overcomes one of the hurdles for establishing indirect infringement.[8] But proving indirect infringement takes more than simply attributing the infringing acts: the patent owner must show that the mastermind had the requisite mens rea in addition to proving other factors specific to induced infringement[9] or contributory infringement.[10] That is, the patent owner must still show that the “mastermind” (1) knew of the patent and (2) knew of the patent infringement.[11]

In Commil, the court reviewed the mens rea for indirect infringement of a method claim.[12] There, the patent owner argued that it only had to show that the alleged infringer knew of the patent in order to support indirect infringement. But the court affirmed Global-Tech, holding that the patent owner had to show that the defendant (1) knew of the patent and (2) knew of the infringing acts.[13]

Knowledge in the context of indirect infringement is more than negligence and recklessness.[14] If a defendant subjectively believes that a particular patent exists, but takes deliberate steps to avoid learning of that patent, then knowledge of the patent and the infringing acts may be imputed to the defendant under the doctrine of willful blindness.[15]

The court also considered whether a good-faith belief that the patent is invalid negates the mens rea required for indirect infringement. For this question, the court declined to hold that a good-faith belief that a patent is invalid negates knowledge of the patent or infringing acts. Instead, the court held that a good-faith belief in invalidity is not a defense to indirect infringement.[16]

Practical Tips for Avoiding Indirect Infringement

So how can you avoid indirect infringement of a patented method? Perhaps the most direct way is to avoid direct infringement, e.g., because at least one step of the patented method is not performed by anyone at all.

Alternatively, avoid learning of third-party patents altogether. This precludes forming the scienter for indirect infringement. Unfortunately, although ignorance of third-party patents may be helpful for avoiding indirect infringement, it may increase the risk of direct infringement, which is a strict liability tort. Further, lack of knowledge of a patent may lead to allegations of willful blindness in the context of indirect infringement.

A more conservative approach would be to identify and analyze relevant third-party patents — this could help to avoid direct infringement. If the analysis indicates that different parties are performing different steps of a patented method, then it may be possible to avoid direct infringement (and hence indirect infringement) by ensuring that the infringing acts cannot be attributed to a single party.

To date, the Federal Circuit has indicated that the following relationships and acts are unlikely to provide the “control” required to show direct infringement:

(1) arms-length seller-customer transactions;[17]

(2) providing a written manual explaining how to operate a product;[18] and

(3) offering a customer the option to perform a step without requiring the customer to perform that step.[19]

Likewise, “[e]ncouraging or instructing others to perform an act is not the same as performing the act oneself and does not result in direct infringement.”[20] Structuring your transactions and relationships to fit within these categories — and documenting those transactions and relationships with an appropriate opinion of counsel — may be enough to head off allegations of indirect infringement.

In any case, the Federal Circuit could revise this list of noninfringing activities in the near future. The Akamai plaintiffs recently petitioned for rehearing en banc to consider whether the Federal Circuit had created “a rigid rule artificially limiting joint liability for direct infringement of a patent to three narrow circumstances.”[21] The plaintiffs also asked the Federal Circuit to clarify the circumstances under which a method claim would be directly infringed by separate parties and to what extent would each of those parties would be liable.[22]

—By Max Colice and Chris Campbell, Cooley LLP

Max Colice, Ph.D., is an associate in the Boston office of Cooley. Chris Campbell is a partner in the firm's Reston, Virginia, office.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] 35 U.S.C. § 271(a) (“Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”).

[2] *BMC Resources Inc. v. Paymentech LP*, 498 F.3d 1373 (Fed. Cir. 2007).

[3] *Limelight Networks v. Akamai Technologies*, 134 S. Ct. 2111, 2116 (2014).

[4] *Muniauction Inc. v. Thomson Corp.*, 532 F. 3d 1318, 1329 (Fed. Cir. 2008) (emphasis added).

[5] *Akamai Technologies v. Limelight Networks*, slip op. at 15-16 (Fed. Cir. 2015).

[6] *Id.* at 19 (“A joint enterprise exists for the purpose of imposing vicarious liability when there is: (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 enterprise, which gives an equal right of control.”).

[7] See, e.g., *Cross Medical Products*, 424 F.3d at 1311 (rejecting patentees' efforts to combine the acts of surgeons with those of a medical device manufacturer to find direct infringement of an apparatus claim because the manufacturer did not control the surgeons' acts).

[8] *Akamai*, slip. op. at 18 (citing *BMC*, 498 F.3d at 1381) ("Contributory actions--such as the performance of some, but not all, steps of a method claim--do not meet the all element test, and thus must be analyzed exclusively under the rules of indirect infringement.").

[9] 35 U.S.C. § 271(b).

[10] 35 U.S.C. § 271(c).

[11] *Global-Tech Applicances Inc. v. SEB SA*, 131 S.Ct. 2060, 2068 (2011) ("Accordingly, we now hold that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.")

[12] *Commil USA, LLC v. Cisco Systems, Inc.*, ___ US ___ (May 26, 2015).

[13] *Id.*; see also *Commil* at 6 ("Like induced infringement, contributory infringement requires knowledge of the patent in suit and knowledge of patent infringement."); *Commil* at 9 ("[Global-Tech] requires proof the defendant knew the acts were infringing. And the Court's opinion was clear in rejecting any lesser mental state as the standard.").

[14] *Global-Tech*. at 2070

[15] *Id.*

[16] *Commil* at 11 ("[I]nvalidity is not a defense to infringement, it is a defense to liability.")

[17] *Akamai*, slip op. at 19.

[18] *Id.* at 26 ("Limelight's customers do not become Limelight's agents simply because Limelight provides its customers a written manual explaining how to operate Limelight's product.").

[19] *Id.* at 27-28 ("The form contract does not obligate Limelight's customers to perform any of the method steps. It merely explains that customers will have to perform the steps if they decide to take advantage of Limelight's service. Because the customers were acting for their own benefit, Limelight is not vicariously liable for the customers' actions.").

[20] *Id.* at 7.

[21] *Akamai*, Plaintiff's Petition for Rehearing En Banc at 1 (June 12, 2015).

[22] *Id.*

All Content © 2003-2015, Portfolio Media, Inc.