

CLIENT ALERT

Federal Circuit Expands Direct Infringement Involving Multiple Actors

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The Federal Circuit, sitting en banc in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, ruled yesterday to clarify the law of divided infringement under 35 U.S.C. § 271(a). This decision clarifies and expands the grounds for finding direct infringement of a method patent claim where all of the method's steps are not performed by a single entity. In *Akamai Technologies*, the defendant's customers – *not* the defendant – performed the specific method steps of tagging and serving content as required by the method claims. The Federal Circuit held that defendant Limelight was nonetheless liable as a direct infringer because it had "directed or controlled" its customers' performance of those steps such "that all the steps of the claimed methods were performed by or attributable to Limelight." This ruling reversed a May 2015 Federal Circuit panel decision and reinstated a 2006 jury verdict in the amount of \$45.5 million.

Akamai Technologies held that an entity shall be held responsible for others' performance of method steps not only where the actors act as a single entity based on "principal-agent relationships, contractual arrangements, and joint enterprise," as recognized by earlier case law, but also where that entity directs or controls the others' performance. This may include situations where "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." The Federal Circuit also left the door open as unspecified "other factual scenarios" that would support "attributing others' performance of method steps to a single actor.

Procedurally, the Federal Circuit applied this clarified standard to the record on which the jury found infringement in 2006, and it found substantial evidence to support the finding that Limelight had directed and controlled its customers to perform steps in question. Notably, there is a long case history here that includes a 2010 Federal Circuit decision upholding the district court's decision to a set aside the verdict because multiple parties could be liable for joint infringement only (1) when there is an agency relationship between the parties who perform the method steps or (2) when one party is contractually obligated to the other to perform the steps. The Federal Circuit reheard the case en banc in 2012 and created a new infringement theory, ruling that Limelight could be liable for induced infringement but not direct infringement. The Supreme Court, however, reversed that ruling last year and invited the Federal Circuit to revisit the law of direct infringement on remand, which it did in its May 2015 panel decision, later vacated by yesterday's decision.

Yesterday's ruling grants patentees, under certain sets of facts, additional opportunities to assert method patent claims involving multiple actors, and where direction or control can be shown, more flexibility in proving such direct infringement claims. But given the evidentiary challenges that may exist in some cases to establish that the acts of one party may be attributed to another, *Akamai Technologies* should also guide those drafting method claims to do so, if at all possible, with a single potential infringer in mind.

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