

PUBLICATION

The New Broader Standard for Divided Patent Infringement

August 14, 2015

On Thursday, August 13, 2015, the United States Court of Appeals for the Federal Circuit in *Akamai Technologies, Inc. v. Limelight Networks, Inc.* unanimously overruled its prior narrow interpretation of divided infringement.

Divided infringement typically arises with respect to method patents. When patent claims are directed to a product or apparatus, the focus is on whether the alleged infringer's product or apparatus meets all of the elements of the claims and, therefore, results in direct infringement. In a method patent, multiple parties may participate at different points in the claimed method. Although the multiple parties cannot be liable for direct infringement if they do not participate in each step of the method, a court may determine whether the acts of multiple parties are attributable to one party such that a single entity is responsible for the infringement through the completion of all steps of the method.

In previous cases, the Federal Circuit held that a party could only be responsible for divided infringement when there were principal-agent relationships, contractual arrangements or joint enterprises involving the party liable for infringement and other participants in the elements of a method claim. The August 13 decision overrules those limitations and expands the potential for a new category of liability.

The Federal Circuit's new standard for divided infringement holds a party responsible for others' performance of method patent steps in two circumstances: "(1) where that entity directs or controls others' performance, and (2) where the actors form a joint enterprise." To determine if a single party "directs or controls the acts of another," the Federal Court instructs that courts are to look to general principles of vicarious liability. However, in addition to the previous principle-agent and contractual relationships bases, liability for divided infringement also may exist "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." Alternatively, liability for divided infringement may be found when there is a joint enterprise. The Federal Circuit clarified 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.

In the *Akamai Technologies* case, the broader standard for divided infringement resulted in the Federal Circuit reinstating a \$45 million jury verdict that had been vacated by the district court, a decision that was previously upheld on appeal under the prior standard. This decision may fundamentally change the way divided infringement claims are viewed by patent owners and defendants alike. There may be patents for which your company previously could not have been liable for infringement or conversely, method patents you could not assert.

If you would like to discuss the impact of this ruling on your patent portfolio or potential exposure from claims of patent infringement, please contact Adam Baldrige, or any attorney in the Firm's Intellectual Property and Technology Litigation Group.