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The authors review three district court cases on divided patent infringement since the Federal Circuit ruled en banc in *Akamai v. Limelight* and see a need for more clarity from the appeals court.

Seeking Clarity as the Dust from the *Akamai v. Limelight* Litigation Settles



By HUNTER KEETON AND CURTIS POWELL

The August 2015 Federal Circuit en banc decision in *Akamai v. Limelight* (*Akamai V*) signaled the end of a long-running dispute over the right standard for divided patent infringement. The case's history includes a back and forth volley of decisions and reversals.

As the dust has settled in the year following the *Akamai V* decision, a new understanding of divided patent infringement has emerged, and district court judges have applied this law to multiple fact patterns.

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Background: Divided Infringement Law and *Akamai V*

Divided infringement occurs when multiple actors are involved in practicing all the steps of a claimed method, or all of the features of a claimed apparatus. Direct patent infringement requires meeting all of the limitations of one of the patent's claims. But if performance of those limitations is "divided" between multiple actors, when is it appropriate to treat those actors' actions together, such that all the limitations are met and the claim is infringed?

The Federal Circuit struggled with this problem from 2007 on, at various times applying a test requiring a "mastermind" to direct all the steps of the other actors. Some Federal Circuit judges found this test too strict, and felt it allowed for too much accused activity that should rightly be considered infringement.

After a trip to the Supreme Court and back, in *Akamai V*, the Federal Circuit unanimously established that direct infringement can be found even in divided infringement situations in three cases: (1) where a single actor "directs or controls" the actions of all other actors, (2) where an actor 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, or (3) where the actors form a "joint enterprise."

The first situation, "direction or control" of others, was not new. This was the test the Federal Circuit had applied since 2007. It can exist where an actor acts through an agent, or where an actor contractually obli-

gates another to perform one or more steps of a claimed method.

The second and third situations, the “benefits” concept and a “joint enterprise” between the actors, were new, and seemed intended to close the loophole some of the Federal Circuit judges found in the direction or control test. For example, Limelight had been found not liable for infringement under the earlier test, but the Federal Circuit found it liable under the benefits formulation. The Federal Circuit did not provide much elaboration beyond the wording of the test itself, and the idea that it can form a basis for finding direction or control beyond agency principles and contractual obligation.

For the new joint enterprise liability, the Federal Circuit turned to general tort principles and found the patentee had to establish 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.

How Have the District Courts Handled the New Test?

The Federal Circuit has not addressed divided infringement again in the year since *Akamai V*, but a few district courts have. How they have handled the new benefit and joint enterprise tests provides guidance for how the Federal Circuit may treat this issue when it takes it up again.

Eli Lilly & Co. v. Teva Parental Meds., Inc., S.D. Ind., Aug. 25, 2015

The Southern District of Indiana was the first to take a stab at mapping the new benefits test onto accused conduct, just a couple weeks after *Akamai V*.

In *Eli Lilly*, Eli Lilly and Co. filed a complaint against various defendants—including Teva Parental Medicines—alleging infringement of a patent claiming an improved method of administering a chemotherapy drug, which results in reduced adverse drug side effects in patients. Teva ultimately sought to sell generic versions of the drug, including instructions to doctors and patients in how to administer the drug. These instructions were identical to the methods described in Eli Lilly’s patent.

The core dispute in the case centered on whether physicians—who performed various steps in the drug’s administration—directly infringed the patent by directing or controlling the actions of their patients, who completed the remainder of Eli Lilly’s method patent steps.

Analogizing to the facts of *Akamai*, the court found that the doctors conditioned the benefit of the drug (e.g., the reduced patient toxicity) upon the patient’s completion of the remaining method steps. Moreover, the court found that Teva and the physicians had provided instructions that established the manner of the patient’s performance of these steps. Relying on *Akamai V*, the court found that the physicians’ actions constituted direct infringement of Eli Lilly’s method patent under 35 U.S.C. § 271(a) and that the defendants’ ac-

tions constituted induced infringement under Section 271(b).

One might distinguish *Eli Lilly* from *Akamai* on multiple grounds. For example, *Akamai* involved two tiers of actors—Limelight and its customers—while *Eli Lilly* involved three—Teva, physicians and patients—with Teva being connected via Section 271(b). In addition, the patient’s benefit in *Eli Lilly* was directly tied to the disputed method—reduced toxicity—whereas the customer’s benefit in *Akamai* was unrelated. This case is currently being appealed to the Federal Circuit.

Nalco Co. v. Chem-Mod, LLC, N.D. Ill., April 20, 2016

In *Nalco*, Nalco Co. filed a complaint against multiple defendants—including Chem-Mod LLC and various Refined-Coal LLCs—alleging infringement of a method patent on reducing mercury emissions in combustion. Chem-Mod sells components of a coal additive system that includes a “Chem-Mod Solution” and various additives, which—when combined and used to treat coal combustion flue gas containing mercury—allegedly results in the performance of all the steps of Nalco’s method patent. The Refined-Coal LLCs allegedly prepared the coal additive system and assisted operators of coal-fired plants who purchased and used the system to decrease mercury emissions, which are monitored by the Environmental Protection Agency.

In the context of divided infringement, the core dispute centered on whether the defendants directed or controlled coal-powered plant operators. Nalco alleged that the defendants financially compensated the coal-powered plants via various mechanisms for their use of the additive system. Ultimately, the court held that the defendants were not liable under the theory of divided infringement, because the plaintiff did not sufficiently establish both elements of the *Akamai V* direction or control test.

Interestingly, although situations in *Eli Lilly* and *Nalco* are similar, there is no indication that Nalco referenced *Eli Lilly* in its arguments. Assuming that Nalco’s allegations are true, in both cases: (1) there are three tiers of actors; (2) the defendants provided an entity—a customer or a patient—with a product that is administered via a process; (3) the entity completed steps in the process; (4) the defendants aided the entity in the completion of the steps; and (5) the benefit that the entity received—reduced mercury emission or decreased drug side effects—was directly related to the claimed method patent and contingent on the entity’s completion of the disputed method steps. Assuming Nalco’s allegations are true, one can reasonably apply the *Eli Lilly* court’s logic to the facts of *Nalco* and find that the Refined-Coal LLCs’ actions constitute direct infringement of Eli Lilly’s method patent under Section 271(a) and that Chem-Mod’s actions constitute induced infringement under Section 271(b).

Travel Sentry, Inc. v. Tropp, E.D.N.Y., June 29, 2016

Travel Sentry also involved a method patent infringement claim. David Tropp owns two patents that describe a method of airline luggage screening through the use of a dual-access lock that involves: (1) making and marketing a dual-access lock that the Transportation Security Administration has agreed to process; (2) providing a mark that allows the identification of the

lock; and (3) processing the lock by a TSA agent. This method enables a traveler to secure his or her luggage while still permitting it to be accessed by a luggage screening entity.

Travel Sentry, Inc. owns a trademark that it licenses to lock and luggage manufacturers and distributors for use on dual-access luggage locks. Previously, Travel Sentry provided the TSA with free master key locks and training guidance on how to identify locks licensed through its trademark. The TSA agreed to test the master keys, and—if it found them satisfactory—to attempt to use the keys to open bags whenever practicable to do so.

Travel Sentry filed a complaint against Tropp seeking a declaratory judgment of noninfringement with respect to Tropp's patents. Tropp subsequently counterclaimed for infringement and brought additional infringement claims against the licensors of Travel Sentry's trademark.

A core dispute in this case centered on whether Travel Sentry controlled or directed the TSA in its processing of the locks. In finding that Travel Sentry was not liable for infringement, the court distinguished the case's facts from those of *Akamai* and *Eli Lilly*. Although the court in *Akamai* diminished the significance of the form contract between Limelight and its customers—centering instead on the customers' received benefit—the court in *Travel Sentry* referred to this form contract as a binding contractual agreement, using this as its main point of distinction. In addition, in distinguishing *Travel Sentry* from *Eli Lilly*, the court asserted that the benefit that the *Eli Lilly* patients received was the ability to be treated, claiming that “the patients in *Eli Lilly* would be precluded from participating in the chemotherapy treatment if they did not follow the physicians' instruction to the letter.” The facts in *Eli Lilly*, however, indicate that the patient's benefit was reduced adverse side effects to the treatment. Thus, a patient

can receive treatment—and suffer greater adverse effects—even if he or she does not complete the disputed method steps.

Nevertheless, the first part of the *Akamai V* benefits test—using the benefit that an actor receives that is contingent on the performance of method steps—logically supports the *Travel Sentry* court's decision. Limelight's customers in *Akamai* received access to its service. The patients in *Eli Lilly* received reduced adverse drug side effects. However, the TSA in *Travel Sentry* arguably received no benefit. The court in *Travel Sentry* reasoned that the TSA faces no consequences from or by anyone for noncompliance if it chooses not to perform the disputed patent steps. The court also reasoned that TSA screened the luggage because of a Congressional mandate, not because of any intangible benefit (e.g., reduced theft, reduced claims and increased customer satisfaction). On the other hand, does a Congressional mandate automatically negate potential benefits? What other factors might negate benefit in these assessments?

Conclusions

While the Federal Circuit's decision in *Akamai V* has helped clarify infringement law—especially in the context of method patents—additional clarity is needed. For example, it remains uncertain how the decision impacted other areas of infringement law (e.g., inducement to infringe under Section 271(b)). Moreover, additional court decisions or discussions are needed to better understand the extent of the benefit required to demonstrate sufficient direction or control for infringement purposes and what factors can negate this benefit. Perhaps the Federal Circuit will offer additional insights in the near future.