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The author sees little change since the Federal Circuit in 2015 added two new ways for patent owners to show liability for divided infringement.

The More Things Change, the More They Stay the Same After *Akamai v. Limelight V*



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The 2015 decision of the U.S. Court of Appeals for the Federal Circuit in *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 116 U.S.P.Q.2d 1344 (Fed. Cir. 2015) (*Akamai V*), has proven to be the final word on the test for divided infringement after many years of struggle by the courts.

Though *Akamai V* announced two new theories of attribution, since we last wrote about this case in late 2016 (), district court judges and the Federal Circuit have applied *Akamai V* in a way that suggests it did not represent a landmark change in the law, but rather a moderate expansion of the prior tests.

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Akamai V's Two New Theories of Liability

The Federal Circuit in *Akamai V* established three instances where liability for direct infringement under 35 U.S.C. 271(a) can be found in divided infringement situations. The first instance is when a single actor “directs or controls” the actions of all other actors. The second instance is when 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. The third instance is when multiple actors form a joint enterprise.

The first instance was not new; the Federal Circuit has been applying this test since 2007 using traditional agency principles. The third “joint enterprise” theory of liability was new, but arguably just a logical extension of liability considering the Federal Circuit’s previous use of agency principles. The second “conditions” test has seen more action since *Akamai V* than the other two, and perhaps best highlights the notion that *Akamai V* did not represent a dramatic change in the landscape of divided infringement.

Federal Circuit Decisions Applying the New Standards

Medgraph, Inc. v. Medtronic, Inc., 843 F.3d 942, 121 U.S.P.Q.2d 1007 (Fed. Cir. 2016)

Medgraph filed suit against Medtronic in the U.S. District Court for the Western District of New York, alleging infringement of two patents directed toward a method for facilitating diagnosis and treatment of patients, whereby patient medical data is uploaded to a

computer and transmitted to a central storage device to be accessed remotely by medical professionals. Medtronic manufactures and markets diabetes management systems called CareLink, which allow patients to upload pertinent medical data to Medtronic's central computer server so that the data can be collected and stored for online record keeping and shared remotely with healthcare providers.

Relying on prior law, the district court found that the asserted claims required more than one person—the doctor or patient—to perform the steps, and neither the doctors nor the patients were directed or controlled by Medtronic. Medgraph appealed, arguing that *Akamai V*'s new “conditions” test expanded the scope for attributing third-party actions to an accused infringer.

The Federal Circuit affirmed the district court's decision. The court noted that Medtronic does not deny users the ability to use CareLink upon failure to perform some of the claimed method steps, nor does it offer an incentive to perform the steps. Patients may have their data extracted locally at their physician's office, as well as print reports or email them to their physicians, rather than upload the data remotely. As such, the Federal Circuit concluded that performance of the claimed steps cannot be proven, nor can they be attributed to a single entity.

This case shows that, while *Akamai V* broadened the circumstances where attribution of a third party's actions to an accused infringer may be proper, the rule that all steps of a claimed method must be performed by or attributable to a single entity still applies. Also, the preliminary requirement to prove that all of the claim steps are actually performed still stands and must be established before courts will analyze whether performance of those steps is attributable to a single entity. Here, the plaintiff did not prove performance of all the claimed steps.

Eli Lilly and Co. v. Teva Parenteral Meds., Inc., 845 F.3d 1357, 121 U.S.P.Q.2d 1277 (Fed. Cir. 2017)

Eli Lilly came to the Federal Circuit after the Southern District of Indiana found Teva liable for induced infringement. The district court found that Teva and its physician intermediaries conditioned receipt of the benefit of a patented method for administering a chemotherapy drug—reduced patient toxicity—upon the patient's completion of certain steps. Teva argued that the district court misidentified the benefit, and that evidence was insufficient to show conditioning by Teva.

The Federal Circuit agreed that the district court misidentified the benefit, yet affirmed the court's finding of infringement. The Federal Circuit explained that the benefit to be achieved was the treatment of the chemotherapy drug. But this misidentification did not undermine the district court's analysis. Instead, Teva and the physicians' actions crossed the line from merely guiding or instructing patients to perform certain steps, to actually requiring patients to perform these steps because they were critically necessary in order to receive the treatment. In fact, physicians would withhold treatment until these steps were performed. The product labeling and physician instructions also adequately established the manner and timing of performance.

Eli Lilly provides two important clarifications of *Akamai V*. First, mere “instruction or guidance” likely is

not enough to establish attribution under the “conditions” test, yet imposition of a legal obligation is not required. Principles of attribution are context dependent, not applied immutably. Second, the moderate expansion of divided infringement creates a corresponding expansion of instances where a defendant, such as Teva here, may be liable under Section 271(b) for inducing direct infringement.

District Court Decisions Applying the New Standards

While not directly implicating liability under divided infringement, *Wisconsin Alumni Research Found. v. Apple, Inc.*, No. 14-cv-062, 2017 BL 190317 (W.D. Wis. 6/6/17), clarifies that, in some cases, *Akamai V*'s tests may apply to apparatus claims. This finding is in line with the Federal Circuit's instruction that courts should assess attribution based on the facts of each case.

Perdiemco, LLC v. Industrack LLC, No. 2:15-cv-727, 2016 BL 445250 (E.D. Tex. 11/6/16)

The core dispute in this case centered around whether the defendant's customers must perform a step defining certain informational and locational data in order to receive the benefit of a GPS data tracking system. The patent owner needed to prove that these customers must perform this “defining” step, then prove that the defendant conditioned the benefit of the GPS data tracking system upon performance of the step.

It failed to do so. The district court found the first proposition dubious at best. Evidence indicated that customers *may* perform the “defining” step, but can still enjoy the core functionality of the GPS data tracking system without it. Second, *Perdiemco* contended that the defendant conditions its customers' use of the system because, without the “defining” step, customers cannot enjoy the system's full functionality. The court rejected this argument. Users will always see increases in the benefit of using certain software as they explore “additional functionality,” but this increased benefit was not what the conditions test means to capture.

Absent other evidence, the mere fact that a step is necessary for the *full* benefit or to explore *additional* functionality is not enough to find that a defendant conditions participation or a benefit upon performance of that step. The question remains, however, if a step is necessary to achieve *core* functionality, is that enough to support liability under the “conditions” test?

Conclusions

While *Akamai V* represented a significant clarification of the law surrounding divided infringement, so far it does not represent a significant expansion of infringement. The “directs or controls” test remains unchanged, and the “joint enterprise” test is a logical and uncontroversial extension.

The “conditions” test has shown some expansion in potential attribution, but the cases so far suggest that even this test has not introduced a landmark change in the law.

Stay tuned.