

MAY/JUNE 2019
VOLUME 25 NUMBER 3

DEVOTED TO
INTELLECTUAL
PROPERTY
LITIGATION &
ENFORCEMENT

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and Charles W. Grimes*

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Federal Circuit Report

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What Is the Key to Unlocking the Federal Circuit's Divided Infringement Test?

In *Travel Sentry Inc. v. Tropp*, 877 F.3d 1370 (Fed. Cir. 2017), the U.S. Court of Appeals for the Federal Circuit shed some light on how to apply the divided infringement standard set forth in *Akamai Technologies Inc. v. Limelight Networks Inc.*, 797 F.3d 1020 (Fed. Cir. 2015). *Akamai V*, as the case is called, clarified what circumstances make a single entity liable for infringement. *Akamai V* held that an entity may be liable for infringement if it “directs or controls” the others’ actions, if the actors form a “joint enterprise,” or if the entity “conditions” participation in an activity or receipt of a benefit on performance of the patented method and establishes the manner and timing of such performance. Travel Sentry discusses how to apply this last “conditions” test.

Travel Sentry Background

The patent at issue in Travel Sentry is owned by David Tropp. It consists of a method to improve an airport’s

system of inspecting luggage by using dual-access locks. The steps consist of:

- Making available a combination lock for consumers, a key lock for the luggage-screening entity, or LSE, and an identification structure known to the LSE.
- Marketing the lock such that the consumers would know that the lock can be opened by the LSE.
- Informing the LSE that there would be an identification structure.
- Having the LSE act pursuant to an agreement to use their provided master key to open locks, if necessary.

Both Tropp and Travel Sentry administer systems that let travelers lock checked bags and also allow the TSA to open, search, and relock the bags when necessary. Travel Sentry had an agreement with the TSA to provide security with passkeys to open locks on consumer baggage. These locks would be identified by the Travel Sentry logo. The agreement would be void if the locks or keys did not perform the intended function. Either party could terminate the contract with 30-days’ notice.

After a disagreement between the parties, Travel Sentry filed suit in the U.S. District Court for the Eastern District of New York against Tropp, seeking a declaration

of noninfringement. Tropp filed infringement counterclaims. The court sided with Travel Sentry, finding the company did not directly infringe any of the patent claims.

It concluded that there was no evidence that Travel Sentry “had any influence whatsoever” or “master-minded” that the TSA follow the third and fourth steps of the method under the earlier, more restrictive standard set by *BMC Resources Inc. v. Paymentech LP*, 498 F.3d 1373 (Fed. Cir. 2007), and *Muniauction Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), divided infringement decisions by the Federal Circuit.

It found that the TSA did not have to follow Travel Sentry’s method to comply with the congressional luggage screening mandate and faced no consequences for not doing so. The court also concluded that *Akamai V* did not expand the scope of direct infringement.

Federal Circuit Holding

The Federal Circuit vacated the district court’s decision and remanded the case. A three-judge panel found a reasonable jury could have decided that the TSA’s performance of the last two claim steps was attributable to Travel Sentry. The panel also found the District Court did not properly apply the two-part “conditions” test from *Akamai V*. Specifically, it said the District Court mischaracterized the “activity” and “benefits” and “conditions” in the first step, and failed to acknowledge the context when considering whether Travel Sentry had established the manner or timing of the TSA’s performance of the steps. The Federal Circuit expressly found that *Akamai V* “broadened the circumstances” in which a third party’s actions can be attributed to an infringer to support a divided

infringement claim, and it found that the BMC/Muniauction “mastermind” theory was no longer the only option. The panel discussed how the “conditions” test applied to the facts of *Akamai V* and a later case, *Eli Lilly & Co. v. Teva Parenteral Medicines Inc.*, 845 F.3d 1357 (Fed. Cir. 2017), and then how it should be applied to the Travel Sentry dispute.

The panel found a common link in all three cases: “evidence that a third party hoping to obtain access to certain benefits can only do so if it performs certain steps identified by the defendant and does so under the terms prescribed by the defendant.” The Federal Circuit also found defining the “activity” as “luggage screening generally” was too broad. If two entities agree to perform limited aspects of an activity, that is the part that matters. Defining the activity as “screening luggage that TSA knows can be opened with passkeys provided by Travel Sentry” is more consistent with the *Akamai V* test. The panel also found the District Court incorrectly defined “benefits” when it said the TSA screened luggage only because of a congressional mandate. The panel found this understanding to be impermissibly narrow and a jury could find many benefits.

For example, enabling the TSA to open locks without breaking them is a benefit that could lead to numerous other benefits, such as a reduction in traveler complaints and improved public perception. The Federal Circuit also found that the participation in the activity or receipt of the benefit was conditioned on performing the claim steps. The Travel Sentry logo signaled to the TSA that it should open the locks with the provided keys, and the parties had a contract to look for the logo and use the keys to open the locks. These steps, which parallel the patent claims, constitute the “activity,” and any benefits could be realized only if

they were followed. So, a jury could find that Travel Sentry had “conditioned” participation in the activity or benefits on performing the claim steps.

The Federal Circuit found that the TSA did not simply take Travel Sentry’s guidance and act independently. If the TSA did not follow the instructions provided to it, using the materials it was given, it would not have received the benefit of Travel Sentry’s service. Although either party could terminate the contract without cause, so long as the TSA received something of value from performing the steps as instructed, the manner or timing could be considered established. It was also irrelevant that the TSA could accomplish its mandate through other means, because it still had to follow the infringing claim steps to participate in the activity.

Other Cases Applying *Travel Sentry*

As a fairly new case, Travel Sentry has not yet thoroughly been explored. Courts, however, seem to generally affirm its precedent, especially at the pleadings stage.

In *Nalco Co. v. Chem-Mod LLC*, 883 F.3d 1337 (Fed. Cir. 2018), for instance, the Federal Circuit reversed the grant of a motion to dismiss. The court found that the plaintiff had adequately pleaded attribution under the “conditions” test by plausibly alleging that third-party performance of claim steps was conditioned on obtaining monetary benefits and was directed by the defendants.

Similarly, in *Techno View IP Inc. v. Sony Interactive Entertainment LLC*, No. 17-cv-1268, 2018 WL 3031518 (C.D. Cal. Apr. 18, 2018), the plaintiff alleged that the defendants performed some steps of the

patented method and instructed and encouraged third parties to perform other steps. The court found that was enough to plausibly meet the “conditions” test of *Akamai V*.

Though Travel Sentry is relatively new, there is some indication that it now seems to be somewhat harder for defendants to win dismissal motions on divided infringement grounds or summary judgment motions later in the case. Somewhat surprisingly, there has been no action of substance in the U.S. District Court for the Eastern District of New York after the remand, so we have no idea how the jury may ultimately decide the case. Although the Federal Circuit decision provides insight on how to apply aspects of the “conditions” test, it still appears to require a fact-specific inquiry that calls for careful definition of the relevant “activity” and “benefit,” both in terms of the asserted claims and the accused activity. It remains to be seen how exactly district courts will apply Travel Sentry to future divided infringement cases.

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