

# Divided infringement still dividing courts? New cases provide more insights

By Hunter Keeton, Esq., and Susmita Gadre, Esq., *Wolf, Greenfield & Sacks*

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The U.S. Court of Appeals for the Federal Circuit set out the current standard for joint or divided patent infringement in *Akamai Technologies Inc. v. Limelight Networks Inc.*, 797 F.3d 1020 (Fed. Cir. 2015), known as *Akamai V*.

The Federal Circuit clarified how to interpret the test in *Travel Sentry Inc. v. Tropp*, 877 F.3d 1370 (Fed. Cir. 2017).

Divided infringement occurs when one entity “directs or controls” another entity’s actions or the actors form a “joint enterprise.”

*Akamai V* held that direction or control does not require that a single mastermind direct all the entities’ action; instead, direction and control can include establishing the time or manner of performance or conditioning participation of an activity or receipt of a benefit on performing the patented method.

Since *Travel Sentry*, newer cases have provided further insight into how courts are analyzing this issue in various contexts.

## THE ROLE OF THE ‘CONDITIONING TEST’ IN PHARMACEUTICAL LITIGATION

In *Pernix Ireland Pain DAC v. Alvogen Malta Operations Ltd.*, 323 F. Supp. 3d 566 (D. Del. 2018), Judge William Bryson, a Federal Circuit judge sitting by designation, illustrated the application of the “conditioning test” for pharmaceuticals.

Pernix’s patents cover methods of dosing painkiller drugs to avoid a dangerous buildup of opioids in patients with both normal and compromised liver function.

The product is an extended-release drug with a label recommending a dosage reduction for patients with compromised liver function. Alvogen filed an abbreviated new drug application to market a generic version with an identical label, leading to the lawsuit.

Earlier in the litigation, Pernix argued for a theory of joint infringement by the physician and patient, because infringement would occur when the physician prescribes a lower-than-starting dosage to a patient with compromised liver function.

Pernix moved for summary judgment because there was no dispute of fact. Alvogen opposed, saying there was no evidence physicians would “condition” treatment on the patient’s actions.

The court denied Pernix’s summary judgment motion. *Pernix Ireland Pain DAC v. Alvogen Malta Operations Ltd.*, No. 16-139, 2018 WL 2225113 (D. Del. May 15, 2018).

After a bench trial, Judge Bryson found that prior cases on divided infringement did not require a “categorical” condition, as Alvogen had argued.

In *Eli Lilly & Co. v. Teva Parenteral Medicines Inc.*, 845 F.3d 1357 (Fed. Cir. 2017), the court had noted that the conditioning element did not require a physician to verify a patient’s compliance or threaten the patient to ensure it. Nor does conditioning require any legal obligations or technological requirements, as clarified in *Travel Sentry*.

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Here, evidence showed that the drug was subject to strict prescribing requirements, requiring specific instructions.

The standard of care with drugs like these is to conduct toxicology tests throughout treatment, and to use physician-patient agreements, which often state that the physician may stop treatment if the drug is not used as prescribed. Judge Bryson found this was enough to show “conditioning.”

This case could prove more influential than a typical district court decision because Judge Bryson is a Federal Circuit judge. Joint infringement is an issue that may ultimately be decided as an issue of fact rather than as an issue of law in pretrial motions.

For the patentee to prevail, evidence of conditioning needs to be relatively clear, as it was in *Pernix*, although verification, threats or legal obligations are not required.

## APPLICATIONS TO METHOD CLAIMS AND SYSTEM CLAIMS

While divided infringement may have a clear standard for method claims, the standard for system or apparatus claims is not as certain. Method claims cover the steps necessary to obtain a certain result, while system claims define a system by its components.



An important older case illustrating differences between method and system claims is *NTP Inc. v. Research In Motion Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005). It concerned email communication patents, where a key relay in the accused products was in Canada, creating a question of whether the “within the United States” requirement for direct patent infringement was met.

The Federal Circuit came to different conclusions for different claims. For method claims, each step of the process needs to be performed within the U.S. to be considered an infringing “use,” so there was no infringement.

But for system claims, the “use” was found where the “system as a whole is put into service,” even if a component was located outside the U.S.

The Federal Circuit found that the system as a whole was put into service in the U.S., resulting in infringement.

In a later case, *Centillion Data Systems LLC v. Qwest Communications International Inc.*, 631 F.3d 1279 (Fed. Cir. 2011), the Federal Circuit found that *NTP*’s different definitions of “use” applied to a situation with multiple parties.

Even though direct infringement of method claims can be found through vicarious liability if a single party does not perform all steps, system claims are different: They require that a party “use” all elements of a claimed system, which means to “put the invention into service, i.e., control the system as a whole and obtain benefit from it.”

In other words, it might be easier for a patent owner to prove a divided infringement case for system claims than method claims. As a conceptual matter, however, it is not clear if this *Centillion* test for system claims is any looser than the “conditions” test of *Akamai V*.

More recently, in one of the busiest district courts in the nation for patent litigation, the plaintiff in *United Services*

*Automobile Association v. Wells Fargo Bank NA*, No. 2:18-CV-00366, 2019 WL 6896676 (E.D. Tex. Dec. 17, 2019), sought to strike portions of one of defendant’s expert reports because it did not follow *Akamai V*’s “direction or control” standard.

Wells Fargo responded that *Akamai V* is not the correct standard for systems claims and that *Centillion* remains good law. The court agreed, finding there were several other cases that similarly applied the *Centillion* standard.

The district court held that it had no power to overturn the *Centillion* standard as to system claims and replace it with the *Akamai V* test; it said that question should be left to the Federal Circuit. However, the question may not be answered by this case because the issue arose in the *Daubert* context and may not be appealed.

A case like *Acceleration Bay LLC v. Activision Blizzard Inc.*, 324 F. Supp. 3d 470 (D. Del. 2018), which used the *Centillion* standard to decide infringement of a system claim on summary judgment, could provide a better vehicle for the Federal Circuit to resolve the issue.

Meanwhile, parties arguing for divided infringement for system claims should discuss the *Centillion* standard.

## TAKEAWAYS

The law of divided infringement continues to evolve.

*Pernix* demonstrates that the evidence of conditioning needs to be apparent and may need to be shown at trial — at least in the pharmaceutical context.

*Wells Fargo* indicates cases with system claims may need to use a different standard.

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## ABOUT THE AUTHORS



**Hunter Keeton** (L) is a shareholder at **Wolf, Greenfield & Sacks**. His practice centers on litigation in the areas of patent, trademark, trade dress, copyright, domain name disputes and internet cases. He frequently represents clients in federal district court and state court and before the International Trade Commission. He can be reached at [Hunter.Keeton@WolfGreenfield.com](mailto:Hunter.Keeton@WolfGreenfield.com).

**Susmita Gadre** (R) is an attorney at the firm who focuses her practice on patent litigation, covering a variety of technology areas. She has also been involved with various pro bono matters. She can be reached at [Susmita.Gadre@WolfGreenfield.com](mailto:Susmita.Gadre@WolfGreenfield.com). Both authors are based in the firm’s Boston office.

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