Protecting IP Rights After Limelight Networks v. Akamai: Implications for Divided Patent Infringement and Inducement

Prosecuting and Litigating Patent Claims Following the New Supreme Court Decision

THURSDAY, JULY 24, 2014
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Today’s faculty features:

Sona De, Partner, Ropes & Gray, New York
Gene W. Lee, Partner, Ropes & Gray, New York

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Protecting IP Rights After
*Limelight Networks v. Akamai*

Gene Lee & Sona De
July 24, 2014
Divided Infringement

**Limelight Networks, Inc. v. Akamai Tech., Inc.**

572 U.S. ___ (2014)

Unanimous opinion, authored by Justice Alito

**Holding:** A defendant may not be liable for inducing infringement of a patent under § 271(b) *when no one has directly infringed the patent* under § 271(a) or any other statutory provision.
Limelight Networks v. Akamai

Supreme Court Addressed Induced Infringement Under 35 U.S.C. § 271(b)

“Whoever actively induces infringement of a patent shall be liable as an infringer.”
Limelight Networks v. Akamai

Supreme Court Overruled Federal Circuit’s decision in *Akamai II*

- **Liability** for direct infringement, requires **actual** direct infringement
  - Direct infringement is **attributable** to a single party, either because that party actually performed all the steps of the method, or because he directed or controlled others who performed them.
Supreme Court Overruled Federal Circuit’s decision in *Akamai II*

- **Holding in *Akamai II***
  
  *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012)
  
  - Did not address what constitutes direct infringement
  - **But** held there can be induced infringement when a party “knowingly induces others to engage in acts that collectively practice the steps of the patented method”
Limelight Networks v. Akamai

Supreme Court Overruled Federal Circuit’s decision in Akamai II

• “The Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent. A method patent claims a number of steps; under this Court’s case law, the patent is not infringed unless all the steps are carried out.” Limelight at 5.
**Limelight Networks v. Akamai**

- Supreme Court did not review Federal Circuit law on what constitutes direct infringement under § 271(a)
  - *BMC, Muniauction, Akamai I, McKesson*
- But raised the question of whether the Federal Circuit might do so:
  - “[T]he possibility that the Federal Circuit erred by too narrowly circumscribing the scope of § 271(a) is no reason for this Court to err a second time by misconstruing § 271(b) to impose liability for inducing infringement where no infringement has occurred.”
What Is Next?

- Remand to the Federal Circuit en banc
  - En banc court can refer the case to the original panel or the next panel. See Fed. Cir. Internal Operating Procedures #15.

- Will the Federal Circuit take up the Supreme Court’s suggestion to revisit § 271(a)?
What Is Divided Infringement?

Method Claims

• No single actor performs all steps of a claimed method

System Claims

• More than one party provides the components that are assembled into a whole claimed system
What Is Divided Infringement?

Method Claims

• Example:
  1. Sending information over a network to a server;
  2. Processing data on the server; and
  3. Sending information back to a client.
Federal Circuit

• Method Claims
  – *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007)
  – *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008)
  – *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010) (“Akamai I”)
  – *McKesson Techs., Inc. v. Epic Systems Corp.*, 692 F.3d 1301 (Fed. Cir. 2012)
History of Divided Infringement Law

Federal Circuit

• System Claims
  – Centillion Data Sys., LLC v. Qwest Commc’ns Int’l, Inc., 631 F.3d 1279 (Fed. Cir. 2010)
BMC Res., Inc. v. Paymentech, L.P.

Method Claims

• Directed to paying bills using a telecommunications network:
  – “prompting the caller to enter a payment number” and “payment amount”;
  – “the accessed remote payment network \textit{determining} whether the caller has sufficient credit to cover the payment; and
  – “informing the caller that the payment transaction has been authorized” or declined.
• Actor 1
  – Paymentech’s accused system performed the step of prompting the callers for the information and informing the caller

• Actor 2
  – The debit networks performed the step of determining whether the caller had sufficient funds
“Direction or Control” Test

• The Federal Circuit held that Paymentech did not directly infringe:
  – Without “direction or control” of both the debit networks and the financial institutions, 
    Paymentech did not perform or cause to be performed each and every element of the claims.”

  BMC Resources, 498 F.3d at 1382 (Fed. Cir. 2007)
“Direction or Control” Test

• The Federal Circuit relied on the agency principle of vicarious liability.
  – “[T]he law imposes vicarious liability on a party for the acts of another in circumstances showing that the liable party controlled the conduct of the acting party.”

  *BMC Resources*, 498 F.3d at 1379 (Fed. Cir. 2007)
Method Claims

• Directed to conducting auctions (municipal bond auctions) over an electronic network:
  – “Inputting data associated with a bid into a bidder’s computer”;
  – Automatically computing at least one interest cost value;
  – Submitting the bid by transmitting the inputted data from the bidder’s computer over an electronic network; and
  – Communicating a message associated with the bid to an issuer’s computer and displaying on the issuer’s computer information associated with the bid.
Muniauction, Inc. v. Thomson Corp.

• Federal Circuit applied *BMC Resources and* found no infringement

• “Direction or Control” Test
  – “Arms-length cooperation” is not sufficient
  – Giving instructions to the other party is not sufficient
  – “That Thomson controls access to its system and *instructs bidders* on its use is not sufficient to incur liability for direct infringement”
Muniauction, Inc. v. Thomson Corp.

- Federal Circuit applied *BMC Resources and* found no infringement

- Single Entity Rule
  - Liability for direct infringement by multiple parties requires that “*every step is attributable to the controlling party, i.e., the ‘mastermind.’*”
  - “Thomson neither performed every step of the claimed methods nor had another party perform steps on its behalf.”
Akamai I

Akamai Techs., Inc. v. Limelight Networks, Inc., 629 F.3d 1311 (Fed. Cir. 2010)

Method Claims

• Directed to delivering content over a network:
  – **Distributing** a set of page objects across a network of servers managed by a domain;
  – **Tagging** a page object so that requests for that page resolve to the domain; and
  – **Resolving** a page request to the domain.
Akamai I

• Customer performs the “tagging” step
• Limelight’s standard contract provides:
  – “Customer shall be responsible for identifying [i.e., tagging] … Customer Content to enable such Customer Content to be delivered by [Limelight].”
    (emphasis added)
Akamai I

• Federal Circuit refined the standard from BMC and Muniauction

• Agency Relationship or Contractual Obligation
  – “[T]here can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.”

• What is the rationale for this standard?
Method Claims

• Directed to communication between a healthcare provider and a patient:
  – *Initiating* a communication *by a user* to the provider;
  – *Enabling* communication by transporting the communication through a provider/patient interface over an electronic communication network;
  – Electronically *comparing* content of the communication with mapped content; and
  – *Returning* the response to the communication automatically *to the user’s* computer.
McKesson Techs., Inc. v. Epic Sys. Corp.

- Federal Circuit found no infringement where Epic licensed the accused software to healthcare providers who then offered the software to patients.
- Doctor-patient relationship is not an agency relationship
  - “A doctor-patient relationship does not by itself give rise to an agency relationship or impose on patients a contractual obligation such that the voluntary actions of patients can be said to represent the vicarious actions of their doctors.”
System Claims

• Directed to a system for storing records:
  – Storage means for storing transaction records
  – Data processing means for generating summary reports *as specified by a user* from the transaction records;
  – Transferring means for transferring the transaction records and summary reports to a user; and
  – Personal computer data processing means adapted to perform additional processing on the transaction records.
Qwest’s accused system: Who is the direct infringer?

- Qwest, by operating the back-end module, or
- Qwest’s customers, by accessing the front-end module
The Court drew on *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005) for the analytical framework.

Infringement is by the party who “uses” the system:
- “Use” occurs where “control of the system is exercised and beneficial use of the system [is] obtained.” *Centillion*, 418 F.3d at 1317.
• Qwest’s customers put the system as a whole into service and derive a benefit from it

• Qwest was not liable as the “maker” of the system
What Is Divided Infringement After *Limelight Networks v. Akamai*?

- Leaves in place Federal Circuit law on direct infringement.
  - Direction or control. *BMC Resources*
  - Single entity rule. *Muniauction*
  - Contractual obligation. *Akamai I*
  - Agency relationship. *McKesson*
    - Doctor-patient relationship is not an agency relationship
- If plaintiff cannot establish direct infringement under this line of cases, plaintiff cannot seek liability for induced infringement.
  - This alternative relief provided for in *Akamai II* was cut off by *Limelight Networks v. Akamai*
Is Claim Drafting the Solution?

- Already suggested by the Federal Circuit
- *Akamai II*, Judge Linn’s Dissent
  - “[T]he claim drafter is the least cost avoider of the problem of unenforceable patents due to joint infringement, and this court is unwise to overrule decades of precedent in an attempt to enforce poorly drafted patents.”
- *BMC Resources*
  - “A patentee can usually structure a claim to capture infringement by a single party.” *BMC* at 1380.
Claim Drafting Strategies

- Draft method claims with a single actor

<table>
<thead>
<tr>
<th>Multiple Actor:</th>
<th>Single Actor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sending packets over a wide area network to a server;</td>
<td>• Receiving packets sent by a client over a wide area network to a server;</td>
</tr>
<tr>
<td>• Processing data on the server; and</td>
<td>• Processing data; and</td>
</tr>
<tr>
<td>• Sending packets over a wide area network back to a client.</td>
<td>• Sending packets from a server over a wide area network to a client.</td>
</tr>
</tbody>
</table>
Claim Drafting Strategies

• Include Apparatus and System Claims, not just Method Claims
  – Composition and product claims are particularly important in pharmaceutical and medical fields
  – Under *McKesson*, doctor-patient relationship does not give rise to an agency relationship such that the patient’s actions in taking the medication are attributable to the pharmaceutical company
Claim Drafting Strategies

• Control scope of claims to cover components as well as system as a whole.

• Analogous to repair vs. reconstruction law

• Repair of **patented system** by replacing a component ≠ Infringement
  – “[M]ere replacement of individual unpatented parts … is no more than the lawful right of the owner to repair his property” **Aro Mfg. Co. v. Convertible Top Replacement Co.**, 365 U.S. 336, 341 (1961)

• Reconstruction of system by replacing a **patented component** = Infringement
Claim Drafting Limitations

• Method Claims for Computer Networks
  – Problem: Difficult to draft for only one actor?

![Diagram showing a computer connected to two other users](image-url)
### Claim Drafting Limitations

#### Method Claims for Computer Networks

- **Possible Solution:** Separate client-side and server-side claims

<table>
<thead>
<tr>
<th>Client Side:</th>
<th>Server Side:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• receiving, from a first user, requests to establish electronic relationships with a plurality of other users;</td>
<td>• receiving, from a computing device, requests to establish electronic relationships with a plurality of other users;</td>
</tr>
<tr>
<td>• providing data corresponding to the requests to a server system; and</td>
<td>• receiving communications from a plurality of other users;</td>
</tr>
<tr>
<td>• receiving from the server system communications posted by the one or more other users.</td>
<td>• determining whether the first user has a defined relationship with the other users; and</td>
</tr>
<tr>
<td></td>
<td>• providing the communications based on a determination that the first user has a relationship with the other users</td>
</tr>
</tbody>
</table>
Claim Drafting Limitations

• Method Claims for Biotechnology
  – Problem: May be difficult to draft for only one actor

• US 4,237,224: Method for Replicating DNA

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**Step 1**
Cleaving bacterial plasmid DNA

**Step 2**
Combining foreign DNA segment with plasmid

**Step 3**
Growing bacteria with transformed plasmid

**Step 4**
Isolating transformed plasmids
Claim Drafting Limitations

• Invention of ‘224 Patent led to Nobel Prize in Chemistry for its inventors

• Problems with ‘224 Patent:
  – Single steps not patentable
  – Simple to circumvent infringement

Actor 1

Step 1
Cleaving bacterial plasmid DNA

Step 2
Combining foreign DNA segment with plasmid

Step 3
Growing bacteria with transformed plasmid

Actor 2

Step 4
Isolating transformed plasmids
• Method Claims for Medical Industry
  – Problem: Method claims for diagnostic methods may involve more than one actor: lab + patient
Claim Drafting Limitations

• Method Claims for Medical Industry
  – Possible Solution: Draft for one actor
  – Beware of conflicts with § 101

Patient

Lab/Doctor

Step 1
Receiving information and/or fluids from patient

Step 2
Analyzing information from patient for diagnosis
Consider § 101 When Drafting Method Claims

**Mayo v. Prometheus, 566 U.S. ____ (2012)**

- Claims at issue: method of optimizing drug efficacy, by measuring metabolite concentration in patient’s blood
- Result: Not patentable subject matter
- Relationship between concentration and efficacy is a “Law of Nature” and therefore not patent-eligible
Claim Drafting Limitations

• Consider § 101 When Drafting Method Claims

  – If the claims implicate an abstract idea or law of nature, the question is whether the claims add “significantly more” to make them patent-eligible.
  – Could this scenario be patent-eligible under *Mayo*?

![Diagram](image-url)

**Step 1**
Receiving information and/or fluids from patient

**Step 2**
Analyzing information from patient for diagnosis
“Direction or Control” Test

• Obliging one party to perform certain steps of a method may result in liability for infringement

• “Mere instructions” will not

• Are there specific patents of concern at the time of contract?
Contract Drafting Strategies

• Ensure contract is result of arms-length negotiations

• Avoid Agency Relationship
  – Contract can expressly disclaim the creation of any agency relationship
  – Federal Circuit has emphasized that a party is not liable for acts of an independent contractor unless it controls the details of the work to the point where the contractor cannot exercise independent judgment
Contract Drafting Strategies

• Create Non-Exclusive Contract

• Provide that each party retains its own property
“May vs. Shall” Language Not Dispositive

• Contract at issue in *Limelight*:
  • “Customer **shall** be responsible for identifying [i.e., tagging] … Customer Content to enable such Customer Content to be delivered by [Limelight].”

• Federal Circuit held that this did not constitute a “contractual obligation”
  – “The form contract does not **obligate** Limelight’s customers to perform any of the method steps. It merely explains that the customer will have to perform the steps **if** it decides to take advantage of Limelight’s service.” *Akamai I* at 1321.
Contract Drafting Issues

• Indemnification clauses
  • Indemnification usually reflects the relative bargaining power of the contracting parties
  • Which party bears the burden of indemnification might be a sign of direction or control?

• Covenants
  • What if one party requires the other to covenant to obtain all necessary third-party rights?