

## The Changing Law of Multiparty Patent Infringement in the U.S. and How It Differs from Europe: Part One

*Bloomberg Law Reports*  
September 12, 2011



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In both the United States and Europe, most practitioners and commentators tend to focus on patent litigation involving single-party infringement. In those cases, the primary question is whether the accused took some action that meets all the limitations of a claim.<sup>1</sup> But the situation becomes more complex when multiple parties are involved. In other words, the question becomes whether two or more entities acted together in some way to meet all the limitations of a patent claim.

Because of this heightened complexity, patentees and businesses should understand the law behind multiparty infringement suits for a variety of reasons. For a patentee, the distinction between single and multiparty suit is significant because the legal requirements for proving infringement differ. In addition, the law governing multiparty suits will determine the identity of the actual liable party. Moreover, patent applicants should consider these situations when drafting and prosecuting applications. In other words, a patentee should try to anticipate the issues that can arise in multiparty litigation *before* obtaining a patent.

For businesses, multiparty infringement suits can arise unexpectedly—for example, when one is practicing a single element in a patent claim. Moreover, companies may choose to alter their business relationships because of the law regulating multiparty infringement cases.

Further complications arise from multiparty patent infringement because of the increasingly global environment in which businesses operate. In such cases, businesses should at least attempt to understand the standards in the various nations where they do business.

### Single-Party Direct Infringement

In the United States, a party is liable for direct infringement if he "without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor."<sup>2</sup> Similarly, under the European Community Patent Convention (CPC), direct infringement stems from (a) making, offering, putting on the market, using, importing, or stocking a patented product; (b) using or offering to use a patented process; and (c) offering, putting on the market, using, importing, or stocking a product obtained directly by a patented process.<sup>3</sup> Thus, single-party infringement in both the United States and Europe is a relatively straightforward inquiry: did the accused make, use, offer, sell, stock, import, or practice a patented invention? There is no need to consider actions by other parties, nor is there a need to consider the intent or

knowledge on the part of the accused.<sup>4</sup> The answer is simply yes or no.

### **Theories of Infringement in the Context of Multiparty Suits**

Patent laws in both the United States and Europe recognize that some form of infringement, other than traditional single-party infringement, may be needed to provide a patentee with adequate patent protection. For example, assume one has a patent directed to a method for producing bicycles, which requires, as a final step, installation of bicycle tires. In a country with only single-party infringement liability, a company making bicycles could avoid infringement by selling the frame and tires to a second company who simply installs the tires. In another case, a pharmaceutical company could avoid liability for distributing a drug when a patent claims a method or use of a drug for treating cancer by administering that drug to a patient. In those cases, the doctors perform the administration and thus would be liable. But enforcing intellectual-property rights against a large number of end users would be impractical and ineffective for a patentee whose real target is the competing company.

In the United States, multiparty infringement suits can fall into any of three categories: joint infringement, induced infringement, and contributory infringement. Joint infringement is considered a type of direct infringement, even though it involves multiple parties. Induced and contributory infringement, by contrast, are collectively known as "indirect" infringement. Importantly, a key difference between direct and indirect infringement is that the latter requires the patentee to show knowledge or intent to infringe on the part of the accused.

Under the CPC, European law is silent on whether multiple parties can be liable for direct infringement. But the CPC specifically includes an indirect-infringement provision.<sup>5</sup> This law appears to include provisions directed to both contributory and induced infringement, though the latter is explicitly connected to the former rather than being a separate doctrine. As with U.S. law, the CPC requires a showing that the accused had some form of knowledge of the patent.

### **Joint Infringement in the United States**

Joint infringement is viewed differently in the United States as compared with most other jurisdictions. A form of direct infringement, it requires that the accused parties made, used, offered to sell, or sold a patented invention in the United States or imported a patented invention into the United States.<sup>6</sup> In addition, because joint infringement is a form of direct infringement, liability is strict. In other words, there is no requirement that the patentee show the accused possessed an intent to infringe. This makes joint infringement a powerful tool for a patentee.

Joint infringement can arise in cases of system and method claims. For system claims, the U.S. Court of Appeals for all patent-law disputes (the Federal Circuit) recently clarified that joint infringement requires that the accused infringer place the entire invention into service, i.e., the accused controls the system as a whole and obtains benefit from it. For example, in *Centillion Data Systems, LLC v. Quest Communications Int'l*,<sup>7</sup> the court considered claims directed to a system for delivering information by a service provider to its customers. Each claim included a "back-end" system maintained by the service provider and a "front-end" system maintained by the end-user (i.e., the customer).<sup>8</sup> In this case, the Federal Circuit found that Quest's operation of the "back-end" system did not infringe the asserted claims because it was their consumers who put the claimed invention into service.<sup>9</sup> More specifically, even though the customers had no physical access to the back-end" system, it was the customer who requested the data, thereby causing Quest's back-end system to operate.<sup>10</sup> Thus, because Quest's customers controlled the system as a whole, the customers could be liable for infringing the patent.<sup>11</sup> Conversely, because Quest never put the "front-end" system into operation, Quest did not control the whole system and did not infringe the asserted system claims.<sup>12</sup> Further, because Quest did not control or direct the actions of its customers, it was not vicariously liable for any infringement by its customers.<sup>13</sup>

For method claims, the Federal Circuit has held that a claim is directly infringed only if one party exercises "control or direction" over the entire process such that every step can be attributed to the controlling party, i.e., the mastermind.<sup>14</sup> In other words, while system claims require control over the entire system, infringement of method claims requires control over the other party. For example, in *Golden Hour Data Systems, Inc. v. emsCharts, Inc.*,<sup>15</sup> the claims at issue were directed to methods for generating a patient-encounter record, which required integrating dispatch and clinical services data. In that case, the court noted that the two defendant companies "formed a strategic partnership, enabled their two programs to work together, and collaborated to sell the two programs as a unit."<sup>16</sup> Nonetheless, the court found that this evidence was not enough to prove joint infringement because the patentee did not prove that either company exercised "control or direction" over the entire method.<sup>17</sup>

More recently, the Federal Circuit has taken a renewed interest in joint infringement of method claims. In *Akamai Technologies, Inc. v. Limelight Networks, Inc.*,<sup>18</sup> the asserted claims were directed to a method for delivering a "base document" of a website. Each method claim required a "tagging" step.<sup>19</sup> Limelight operated a content-delivery service but required that its consumers perform the tagging step in order to use its service.<sup>20</sup> A three-judge panel of the Federal Circuit held that no agency relationship existed because there was no evidence that the actions of Limelight's customers could be attributed to Limelight.<sup>21</sup> The court explained that, even though Limelight provided instructions on how to tag, there was no obligation in their contract *requiring* the customers to tag anything.<sup>22</sup> Rather, the court found that the contract "merely explain[ed] that the customer will have to perform the steps *if* it decides to take advantage of Limelight's service."<sup>23</sup> As such, the panel found there was no joint infringement.<sup>24</sup> This holding was reaffirmed by a second three-judge panel in the *Centillion* case discussed above.<sup>25</sup> Nonetheless, on April 20, 2011, the Federal Circuit as a whole granted Akamai's request for rehearing en banc.<sup>26</sup> Thus, the entire court will soon consider (1) the circumstances that lead to direct infringement of a method claim when separate entities perform separate steps of the claim, and (2) the extent of liability of each party.<sup>27</sup>

Even though the law in this area continues to evolve, there are at least two other options for bringing a suit against multiple parties in the United States. More specifically, as noted above, the United States provides for two types of indirect infringement, which may provide a patentee an alternative theory or theories for suing an accused infringer. Part two of this article will consider the current status of "indirect" infringement law in the United States and compare that to European law. Further, the implications of multiparty infringement as a whole are discussed with a particular eye toward patentees and businesses.

## **Endnotes**

<sup>1</sup> In this article (the first of two), the authors consider the evolving law of "joint" multiparty patent infringement in the United States, which is of importance particularly because it has no counterpart in European law. Part two of this article will then focus on "indirect" multiparty patent infringement as recognized in both the United States and Europe.

<sup>2</sup> 35 U.S.C. § 271(a).

<sup>3</sup> *Convention for the European Patent for the Common Market* ("CPC"), Part II, Chapter 1, Art. 25 (1989). Most European states embrace some form of direct infringement based on the CPC.

<sup>4</sup> The CPC has one direct infringement provision that requires knowledge of a patent. In particular, Art. 25(b) states that direct infringement from *offering* to use a patented process requires that the offeror knows about the patent or it was obvious from the circumstances that the process is patented. However, all other direct infringement provisions, including the actual *use* of a patented process, do not require any intent or knowledge.

<sup>5</sup> CPC at Art. 26.

<sup>6</sup> See 35 U.S.C. § 271(a).

<sup>7</sup> 631 F.3d 1279, 1281 (Fed. Cir. 2011).

<sup>8</sup> *Centillion*, 631 F.3d at 1281.

<sup>9</sup> *Id.* at 1286.

<sup>10</sup> *Id.* at 1285.

<sup>11</sup> Whether Quest's customers actually infringed was to be determined by the district court on remand because that court had not previously considered whether the accused system met all the limitations of the claims.

<sup>12</sup> *Centillion*, 631 F.3d at 1286.

<sup>13</sup> *Id.* at 1286.

<sup>14</sup> *Muniauction, Inc. v. Thomas Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008).

<sup>15</sup> 614 F.3d 1367, 1370 (Fed. Cir. 2010).

<sup>16</sup> *Golden Hour*, 614 F.3d at 1371.

<sup>17</sup> *Id.* at 1380-1381. As an aside, *Golden Hour* also found that the asserted system claims were not infringed based on the same "control or direction" theory. *Id.* However, the *Centillion* case slightly altered the standard for system claims, as noted above.

<sup>18</sup> 629 F.3d 1311, 1315, 1317 (Fed. Cir. 2010).

<sup>19</sup> *Akamai*, 629 F.3d at 1316-1317.

<sup>20</sup> *Id.* at 1316.

<sup>21</sup> *Id.* at 1320.

<sup>22</sup> *Id.* at 1321.

<sup>23</sup> *Id.* (emphasis original).

<sup>24</sup> *Id.* at 1322.

<sup>25</sup> *Centillion*, 631 F.3d at 1287.

<sup>26</sup> *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, Nos. 2009-1372, – 1380, – 1416, – 1417 (Fed. Cir. April 20, 2011).

<sup>27</sup> *Id.*

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