

# Divided Infringement:

## The Enforceability of Patents (or Not) in the Age of Combined Infringement

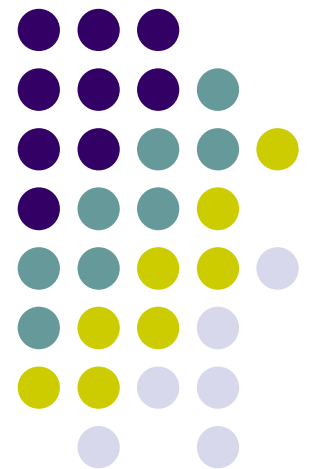
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# What is Direct Infringement?

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## See Section 271(a):

"Except as otherwise provided in this title, **whoever** 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, infringes the patent."

*(emphasis added)*

# What is Divided or Joint Infringement?

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- Under a “joint” or “divided” infringement theory “two related parties are both deemed liable for direct infringement of a method patent when each performs some steps of the claimed method.” *PharmaStem Therapeutics, Inc. v. Viacell, Inc.*, 491 F.3d 1342, 1358, n.1 (Fed. Cir. 2007).
- “Direct infringement requires a party to perform or use each and every step or element of a claimed method or product. . . . For process patent or method patent claims, infringement occurs when *a party performs all of the steps of the process.*” *BMC Resources, Inc. v. Paymentech*, 498 F.3d 1373, 1378-79 (Fed. Cir. 2007).

# What Happens When No Single Party Performs All the Steps of a Patent?

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- A defendant who participates in or encourages infringement, but does not directly infringe, can still be held liable for indirect infringement under Section 271(b). **But**,
- “Indirect infringement requires, as a predicate, a finding that *some party amongst the accused actors has committed the entire act of direct infringement.*” *BMC Resources*, 498 F.3d at 1379. **But**,
- “A party cannot avoid infringement, however, simply by contracting out steps of a patented process to another entity. In those cases, the party in control would be liable for direct infringement.” *BMC Resources*, 498 F.3d at 1381.

# Federal Circuit Adopts the “Control or Direction” Test

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- Under *BMC*, a party is liable for divided infringement only if that party controls or directs each step of the patented process.
- Evidence of a business relationship between the parties is not enough to meet the “control or direction” test.
- Simply providing data to a party without other activities, for example providing instructions or directions regarding the use of that data, does not meet the control or direction test. *BMC Resources*, 498 F.3d at 1381.

# Federal Circuit Expands the “Control or Direction” Test after *BMC* Decision

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- Controlling access to a computer system and providing instructions on how to use it does not satisfy the “control or direction” test: “The control or direction standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party.” *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1330 (Fed. Cir. 2008).
- In 2010, the Federal Circuit further expands the test, holding that divided infringement exists only “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.” *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, 1320 (Fed. Cir. 2010).
- In 2011, the Federal Circuit affirmed the agency or contractual relationship test in *McKesson Technologies, Inc. v. Epic Systems Corp.* (Fed Cir. April 12, 2011).

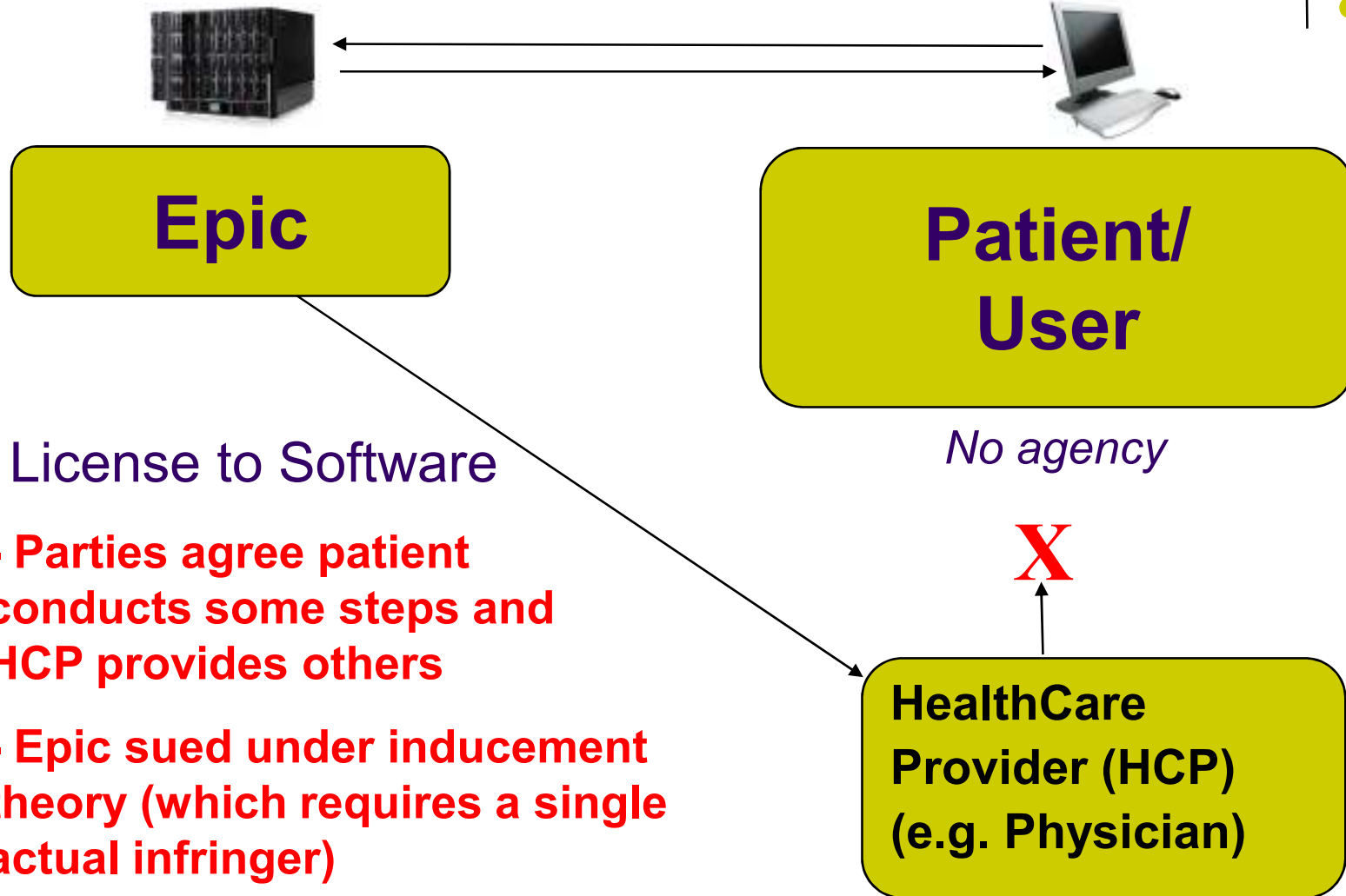
# Who is at fault?

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- Chief Judge Rader: “fault lies with [the patent] prosecuting attorney” in case of older claims since “the general rules and principles propounded [in BMC] were well settled” *PA Advisors v. Google*, 2010 U.S. Dist. LEXIS 28500 at \*28 (E.D. Tex. Mar.11, 2010)
- Judge Newman “strategic partnership to infringe” are proof of unjustness of DID, *Golden Hour v EMSCharts*, 2010 U.S. app. LEXIS 16455 (Fed. Cir. 2010) (unpublished)

# McKesson v. Epic



# Stuck in the Agency/Contract Box?

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“[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.”

**-- *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, 1320 (Fed. Cir. 2010).**

# Questions *En Banc*

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## Akamai

If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?

## McKesson

1. If separate entities each perform separate steps of a method claim, under what circumstances, if any, would either entity or any third party be liable for inducing infringement or for contributory infringement?
2. Does the nature of the relationship between the relevant actors-- e.g., service provider/user; doctor/patient--affect the question of direct or indirect infringement liability?

# What's Next?

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- The in-house lawyer's premonition?
- The litigator's prognostication?
- The prosecutor's prediction?
- The moderator's prophecy?





# Thank You!

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