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WHEN IT TAKES TWO TO TANGLE
SEVEN THINGS ABOUT JOINT INFRINGEMENT

When considering "joint infringement," the mental gymnastics can challenge even the most logical among us—including a "thinking" computer. Take a hypothetical "Jeopardy" exchange between IBM's masterpiece Watson and host Alex Trebek:

IBM's Watson: "I'll take 'Who Needs a Statute' for \$2,000."

Trebek: "Answer: With this new infringement theory, sometimes two equals one."

Trebek: "Watson, you buzzed in first."

Watson: "Does not compute. Two cannot equal one."

Trebek: "No. The correct question is: What is 'Joint Infringement'?"

In a remarkably short time, theories of "joint" or "divided" infringement¹ have morphed from novelty and the source of "considerable debate"² to accepted Federal Circuit law.

Patentees now have a new weapon to use when pursuing infringers, while accused infringers have something more to watch for and, in the right case, a potential defense to infringement. On whichever side of the "v." you find yourself, now is a good time to enhance your IP IQ with this introduction to "joint infringement."

1. The Rule of Joint Infringement of Method Claims

Direct infringement is a creature of statute.³ Joint infringement occurs when a method claim requires a third party to perform at least one step, or because a third party actually performs one or more of the steps.⁴ In other words, joint infringement takes at least two parties to tangle with the patent at issue.

"It is well settled that direct infringement requires a **single party** to perform every step of a claimed method."⁵ Thus, it might seem that there is a "loophole for a party to escape infringement by having a third party carry out one or more of the claimed steps on its behalf."⁶

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1 The Federal Circuit has equated "joint" and "divided" infringement. *Pharmastem Therapeutics, Inc. v. Viacell, Inc.*, 491 F.3d 1342, 1358 n.1 (Fed. Cir. 2007), cert. denied, 552 U.S. 1258 (2008). Here, we will use the term "joint" infringement.

2 *Id.*

3 35 U.S.C. § 271(a) ("Whoever without authorization 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 [directly] infringes the patent.").

4 See *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1329 (Fed. Cir. 2010).

5 *Akami Techs., Inc. v. Limelight Networks, Inc.*, No. 2009-1372, 2010 WL 5151337, at *5 (Fed. Cir. Dec. 20, 2010) (emphasis added) (citing *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1378-79 (Fed. Cir. 2008) (citing *Warner-Jenkinson Co., Inc. v. Hilton Davis Corp.*, 520 U.S. 17, 40, 117 S. Ct. 1040, 137 L. Ed. 2d 146 (1997))).

6 *BMC Res., Inc.*, 498 F.3d at 1379.

Where the combined actions of multiple parties are alleged to [directly] infringe process [method] claims, the patent holder must prove that one party exercised “control or direction” over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the “mastermind.”

The rule of joint infringement closes the potential loophole by providing:

Where the combined actions of multiple parties are alleged to [directly] infringe process [method] claims, the patent holder must prove that one party exercised “**control or direction**” over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the “mastermind.”⁷

2. History of the Rule

An early reference to joint infringement came in *On Demand Machine Corp. v. Ingram Industries, Inc.*⁸ The district court gave the following joint infringement instruction to the jury:

It is not necessary for the acts that constitute infringement to be performed by one person or entity. **When infringement results from the participation and combined action(s) of more than one person or entity, they are all joint infringers and jointly liable for patent infringement.** Infringement of a patented process or method cannot be avoided by having another perform one step of the process or method. Where the infringement is the result of the participation and combined action(s) of one or more persons or entities, they are joint infringers and are jointly liable for the infringement.⁹

While declining to find joint infringement, the Federal Circuit in *On Demand* could “discern no flaw in this instruction as a statement of law.”¹⁰ Ultimately, however, the Federal Circuit did not adopt this formulation of the joint infringement rule.

In 2008, now Chief Judge Randall Rader clarified the joint infringement rule in *BMC Resources, Inc. v. Paymentech, L.P.*¹¹ In *BMC*, the district court determined that Paymentech had not infringed because it performed some, but not all, of the steps of the asserted method claims. The court entered summary judgment of non-infringement, and *BMC* appealed.

Both parties agreed the defendant did not perform every step of the method claim. With other parties performing some claimed method steps, the Federal Circuit had to determine if the accused infringer was still liable for direct infringement under 35 U.S.C. § 271(a).¹² The Federal Circuit upheld the lower court’s finding, stating, “Because the record contains **no basis** to hold Paymentech **vicariously responsible** for the actions of the unrelated parties who carried out the other steps, this court affirms the finding of non-infringement.”¹³

Reaching this conclusion, Judge Rader formulated a standard for joint infringement requiring the alleged infringer to **control or direct** the activity of the other entities performing the method claim.¹⁴ The court concluded that, without direct “control,” the defendant could not be found liable for direct infringement under 35 U.S.C. § 271(a).

Just a few months later, the Federal Circuit clarified and confirmed the new rule when it stated:

[W]here the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises “**control or direction**” over the entire process such that **every step is attributable** to the controlling party, i.e., the “mastermind.” . . . At the other end of this multi-party spectrum, mere “arms-length cooperation” will not give rise to direct infringement by any party.¹⁵

7 *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1380 (Fed. Cir. 2010) (citing *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008) (citing *BMC Res., Inc.*, 498 F.3d at 1380-81)) (emphasis added); see *Akami Techs., Inc.*, 2010 WL 5151337, at *5.

8 442 F.3d 1331, 1344-45 (Fed. Cir. 2006).

9 *Id.* (emphasis added).

10 *Id.*

11 498 F.3d 1373 (Fed. Cir. 2008); see *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008), *cert. denied*, ___ U.S. ___, 129 S. Ct. 1585 (2009).

12 *Id.* at 1378.

13 *Id.* at 1375 (emphasis added).

14 *Id.* at 1381-82.

2 | 15 *Muniauction, Inc.*, 532 F.3d at 1328 (emphasis added).

“For an agency relationship to exist . . . both parties must consent that the agent is acting on the principal’s behalf and subject to the principal’s control.”

Merely giving instructions on how to perform a step of the patented method does not constitute joint infringement.

It is well-settled that an accused infringer cannot avoid liability for direct infringement by contracting to have someone else carry out one or more claimed steps on its behalf.

The issue of joint infringement, therefore, turns on whether the accused infringer controls or directs other parties to such an extent that the accused infringer itself can be said to have performed every step of the asserted claims.¹⁶ Elaborating on this standard, the court said in *Muniauction*, “[T]he 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 that are required to complete performance of a claimed method.”¹⁷

3. Control by Agency or Contract

The Federal Circuit also provided guidance on the level of control necessary for joint infringement. The court said “as a matter of Federal Circuit law that there 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.”¹⁸

“For an agency relationship to exist . . . both parties must consent that the agent is acting on the principal’s behalf and subject to the principal’s control.”¹⁹

The Federal Circuit also decided, “[I]mplicit in the court’s holdings in *BMC Resources* and *Muniauction*, is that joint infringement occurs when a party is **contractually obligated** to the accused infringer to perform a method step.”²⁰ But, the court continued, the term “independent contractor” is equivocal and one in that position may or may not be an agent.²¹

4. Mere Instructions Are Not Enough to “Control”

Merely giving instructions on how to perform a step of the patented method does not constitute joint infringement. Where a customer is given instructions, but the customer, and not the accused infringer, decides whether to perform a step in the method patent, no joint infringement occurs.²² Absent control, there is simply no agency relationship and no joint infringement. This is particularly true where the form contract between the accused infringer and the customer does not *obligate* the customers to perform any of the method steps, but merely explains that the customer will have to perform the steps *if* it decides to take advantage of allegedly infringing service.²³

5. Can’t End Run the Rule

It is well-settled that an accused infringer cannot avoid liability for direct infringement by contracting to have someone else carry out one or more claimed steps on its behalf. “In those cases, the party in control would be liable for direct infringement.”²⁴

The Federal Circuit acknowledges that, in some circumstances, the rule of joint infringement may allow parties to enter into arms-length agreements to avoid infringement. But “this concern does not outweigh concerns over expanding the rules governing direct infringement. For example, expanding the rules governing direct infringement to reach independent conduct of multiple actors would subvert the statutory scheme for indirect infringement.”²⁵

¹⁶ *Id.*

¹⁷ *Id.* at 1330 (citing *BMC Res., Inc.*, 498 F.3d at 1379).

¹⁸ *Akami Techs., Inc.*, 2010 WL 5151337, at *6 (emphasis added).

¹⁹ *Id.*

²⁰ *Id.* at *6.

²¹ *Id.*

²² *Id.* at *7.

²³ *Id.* at *8.

²⁴ *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2008); *Akami Techs., Inc. v. Limelight Networks, Inc.*, No. 2009-1372, 2010 WL 5151337, at *6 (Fed. Cir. Dec. 20, 2010).

²⁵ *BMC Res., Inc.*, 498 F.3d at 1381.

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6. Ounce of Good Claim Drafting Worth a Pound of Litigation Cure

The problems a patentee faces in proving joint infringement can be avoided by adroit claim drafting. In *BMC*, the Federal Circuit succinctly stated both the problem and the cure when it wrote, “BMC could have drafted its claims to focus on one entity. The steps of the claim might have featured references to a single party’s supplying or receiving each element of the claimed process. However, BMC chose instead to have four different parties perform different acts within one claim.”²⁶

Cross Medical Products, Inc. v. Medtronic Sofamor Danek, Inc., is another example of where the claim was drafted to require action by two parties and thus caused problems with proof of joint infringement.²⁷ And, when faced with claim drafting issues, the court will not “unilaterally restructure the claim or the standards for joint infringement to remedy these ill-conceived claims.”²⁸ Alternatively, *Uniloc USA, Inc. v. Microsoft Corp.*,²⁹ represents a case where joint infringement was asserted as a defense to infringement, but failed because the language of the disputed claim required only one actor to perform all the elements.

7. Joint Infringement of System Claims Differs From Method Claims

In *Centillion Data Systems, LLC v. Qwest Communications International, Inc.*, the Federal Circuit addressed the novel issue of infringement for “use” of a system claim that included elements possessed by more than one actor.³⁰ The court concluded that, “to ‘use’ a system for purposes of infringement, a party must put the invention into service, *i.e.*, control the system as a whole and obtain benefit from it.”³¹

But the Federal Circuit also found that, to “use” a system under § 271(a), a party needn’t exercise physical or direct control over each individual element of the system. “The ‘control’ contemplated in *NTP* is the ability to place the system as a whole into service. In other words, the customer in *NTP* remotely ‘controlled’ the system by simply transmitting a message.”³²

“Use” underlying infringement of a method or process claim is fundamentally different.³³ “[T]he use of a process necessarily involves doing or performing each of the steps recited. This is unlike use of a system as a whole, in which the components are used collectively, not individually.”³⁴

Conclusion

When thinking about “joint infringement,” there are five key questions:

1. Is a method claim involved?
2. Does the claim require action by more than one party (including the accused infringer)?
3. Does a third party perform one or more of the steps?
4. Does the third party have a choice on when or how to perform the steps of the claim?
5. Is the third party the agent of the accused infringer (under agency law) or contractually obligated to perform the steps of the claim at the accused infringer’s direction?

²⁶ *Id.*; see *Akami Techs.*, 2010 WL 5151337, at *8.

²⁷ 424 F.3d 1293, 1310-11 (Fed. Cir. 2005).

²⁸ *BMC Res., Inc.*, 498 F.3d at 1381.

²⁹ No. 2010-1035, 2011 WL 9738, at *13 (Fed. Cir. Jan. 4, 2011).

³⁰ No. 2010-1110, 2011 WL 167036, at *4 (Fed. Cir. Jan. 20, 2011).

³¹ *Centillion Data Sys., LLC*, 2011 WL 167036, at *4, (citing *NTP, Inc.*, 418 F.3d at 1317).

³² *Centillion Data Sys., LLC*, 2011 WL 167036, at *4.

³³ *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006).

³⁴ *Id.* at 1318.