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A BRIEF BREAK

Due to a patent infringement trial I first-chaired in Alabama and the DRI Business Litigation & Intellectual Property Annual Seminar (I chair the Committee), *IpQ* took a brief break from publication. I am happy to be back writing about IP quirks and questions in *IpQ*. Thank you for your patience during this hiatus, and keep those queries coming. - *Peter*

KEY IDEAS:

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WHAT'S THE *USE*? UNDERSTANDING METHOD VS. APPARATUS *USE* INFRINGEMENT

Every patent lawyer knows unauthorized *use* of a patent is infringement. *Use,* therefore, may sound simple enough, but it's not. Just what does constitute infringing *use* may vary, depending on whether a method/process or system/apparatus claim is involved. Plus, *use* may affect the damages a patent owner can recover. Savvy patent litigators must understand the sometimes-subtle differences to properly position a claim or defense.

Statutory Infringement by "Use"

By statute, a patent owner has the "right to exclude others from making, using, offering for sale, or selling" a patented invention.[1] As a consequence, 35 U.S.C. § 271(a) (2000) provides that, "[W]hoever 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 therefore, infringes the patent."

Courts Define "Use"

Case law appears obvious: "[T]he *use* of a patented invention, without either manufacture or sale, is actionable."[2] The statute does not define *use*, so its meaning has become a matter of judicial interpretation.[3] The Federal Circuit's definition of *use* is "to put into action or service."[4]

Historically, however, courts have interpreted *use* broadly.[5] "'The inventor of a machine is entitled to the benefit of *all the uses* to which it can be put, no matter whether he had conceived the idea of the use or not.'"[6] But at least one Federal Circuit opinion concludes, "[T]he word "use" in section 271(a) has never been taken to its utmost possible scope."[7]

Meaning of "Use" Depends on Nature of Claim-in-Suit

Importantly, rules governing *use* infringement depend on the nature of the claim-in-suit. Infringing *use* of a patented *method or process* is fundamentally different from infringing *use* of a patented *system or device*.[8] For example, a rule that governs infringement of a method

1 35 U.S.C. § 154(a)(1) (2000).

2 *Roche Prods., Inc. v. Bolar Pharm. Co., Inc.,* 733 F.2d 858, 861 (Fed. Cir. 1984), *cert. denied,* 469 U.S. 856 (1984) (superseded by Hatch-Waxman statute) (emphasis by the court); *see Aro Mfg. Co. v. Convertible Top Replacement Co., Inc.,* 377 U.S. 476, 484 (1964).

3 *Roche Prods., Inc.,* 733 F.2d at 861.

4 *NTP, Inc. v. Research in Motion, Ltd.,* 418 F.3d 1282, 1316-17 (Fed. Cir. 2005).

5 *See Bauer & Cie. v. O'Donnell,* 229 U.S. 1 (1913); *Centillion Data Sys., LLC v. Qwest Commc'ns Int'l, Inc.,* 631 F.3d 1279, 1283-84 (Fed. Cir. 2011); *NTP, Inc.,* 418 F.3d at 1316; *Renhcol Inc. v. Don Best Sports,* 548 F. Supp. 2d 356, 360 (E.D. Tex. 2008).

6 *Paragon Solutions, LLC v. Timex Corp.,* 566 F.3d 1075, 1091 (Fed. Cir. 2009) (citing *Roberts v. Ryer,* 91 U.S. 150, 157 (1875)).

7 *Roche Prods., Inc.,* 733 F.2d at 861 (citations omitted).

8 *NTP, Inc.,* 418 F.3d at 1317 (citations omitted).

claim may not govern infringement of an apparatus claim.[9] The critical factor for determining which type of *use* infringement has occurred is whether the patent claim covers a process and not the apparatus itself used to implement that process.[10]

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Distinguishing Types of Patents

Understanding differences in *use* infringement requires a basic understanding of how courts view differences between types of claims:

- There is a "distinction between a claim to a product, device, or apparatus, all of which are tangible items, and a claim to a process, which consists of a series of acts or steps."[11]
- "[A]pparatus claims cover what a device *is*, not what a device *does*."[12] Any *use* of a device that meets all of the limitations of an apparatus claim clearly infringes.[13] Mere possession of a product covered by a subsequently issued patent, however, does not infringe that patent until the product is used, sold or offered for sale.[14]
- A process, however, is a different kind of invention. It consists of acts or steps, rather than tangible things. A process, therefore, has to be carried out or performed.[15] Thus, a process/method claim is directly infringed *only* if each step of the claimed method is performed.[16]
- Importantly, the sale of an apparatus capable of performing the patented method is *not* a sale of the method. A method claim is *directly* infringed only by the entity usurping the patented method.[17]

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"Use" Infringement of Method/Process Patents

Two Federal Circuit opinions reinforce that *use* infringement of method or process patents is more limited in scope than *use* infringement of a system or apparatus patent.

In *Joy Technologies, Inc. v. Flakt, Inc.,*[18] the patent owner argued that making or selling to a third party an industrial plant designed to use the patented system could constitute a *sale* within the meaning of § 271(a).[19] Rejecting this argument, the Federal Circuit cited the rule that a process claim is directly infringed only when the process is performed and held that the sale of equipment necessary to perform a process is *not* a sale of the process within the meaning of § 271(a).[20] Simply put, when the patent is on a process, "It does not give the [patent owner] a monopoly in the appliances by which the process is operated."[21]

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9 *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.,* 424 F.3d 1293, 1311 (Fed. Cir. 2005) (citing *NTP, Inc.,* 418 F.3d at 1317-18).

10 *See Joy Techs., Inc. v. Flakt, Inc.,* 6 F.3d 770, 774 (Fed. Cir. 1993).

11 *In re Kollar,* 286 F.3d 1326, 1332 (Fed. Cir. 2002) (discussed in the context of a sale, but applicable here).

12 *Hewlett-Packard Co. v. Bausch & Lomb Inc.,* 909 F.2d 1464, 1468 (Fed. Cir. 1990) (emphasis by the court), *cert. denied,* 493 U.S. 1076 (1990); *Paragon Solutions, LLC v. Timex Corp.,* 566 F.3d 1075, 1090 (Fed. Cir. 2009).

13 *Cross Med. Prods., Inc.,* 424 F.3d at 1311-12; s*ee Paragon Solutions,* 566 F.3d at 1091.

14 *Johns Hopkins Univ. v. Cellpro, Inc.,* 152 F.3d 1342, 1366 (Fed. Cir. 1998).

15 *In re Kollar,* 286 F.3d at 1332.

16 *Muniauction, Inc. v. Thomson Corp.,* 532 F.3d 1318, 1328 (Fed. Cir. 2008), *cert. denied,* ___ U.S. ___, 129 S. Ct. 1585 (2009); *BMC Res., Inc. v. Paymentech, L.P.,* 498 F.3d 1373, 1380 (Fed. Cir. 2007) (citations omitted).

17 *Joy Techs., Inc. v. Flakt, Inc.,* 6 F.3d 770, 775 (Fed. Cir. 1993).

18 6 F.3d 770 (Fed. Cir. 1993).

19 *Id.* at 773.

20 *Id.*

21 *Id.* (citing *Philad Co. v. Lechler Labs., Inc.*, 107 F.2d 747, 748 (2d Cir. 1939)).

In *NTP, Inc. v. Research in Motion, Ltd.*,[22] (*NTP*) the Federal Circuit rejected claims of method use infringement. The court distinguished a method claim from a system claim, observing that, while earlier precedent focused on the whole operable assembly of a *system* claim for infringement, there is no corresponding focus when a *method/process* claim is at issue.

Because a process or method is merely a sequence of actions, such a claim is infringed only when every operative step is performed.[23] Thus, "[A] process cannot be used 'within' the United States as required by section 271(a) unless each of the steps is performed within this country."[24] In *NTP*, one step of the asserted method claim was performed outside the United States, and thus it could not be infringed merely by *use* of the system.[25]

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"Use" Infringement of a System Claim

Two recent Federal Circuit cases clarify rules relating to *use* infringement of a system claim.

In *NTP*, the Federal Circuit also addressed issues related to system *use* infringement and came out a different way. A system comprises multiple distinct components that are effective only when *used as a whole*.[26] Addressing whether an infringing *use* of the accused system occurred in the United States, the court wrote, "The use of a claimed system under section 271(a) is the place at which the system as a whole is put into service, *i.e.,* the place where control of the system is exercised and beneficial use of the system obtained."[27]

Finding infringement, the court concluded that *use* of the system as a whole occurred when the defendant's customers sent and received messages in the United States.[28] Unlike method claims, courts analyze the invention *as a whole* to determine where the claimed system as a whole is put into service, and do not focus on the situs of use of each claimed element within the claimed invention.[29]

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Centillion Data Systems, LLC v. Qwest Communications Int'l, Inc.,[30] turned on what constitutes *use* of a system or apparatus claim under § 271(a). The court had never directly addressed the issue of infringement for *use* of a system claim that includes elements in the possession of more than one actor. The court defined the term, however, in a very similar scenario in *NTP*.[31] Relying on *NTP*, the court decided that *use* of a system required the infringing party to put the invention into service, *i.e.,* control the system as a whole and obtain benefit from it.[32] The court held that on-demand operation was *use* of the system as a matter of law.[33]

"Use" Infringement of Apparatus Claims

There is generally no reason to differentiate between the legal definition of *use* relating to a system as opposed to *use* when it relates to a device/apparatus with components used as a whole.[34] But *use* of a patented apparatus presents a few twists:

- An accused device may infringe if it is reasonably capable of satisfying claim limitations, even though it may also be capable of non-infringing modes of operation.[35]

22 418 F.3d 1282 (Fed. Cir. 2005).
23 *Id.* at 1318.
24 *Id.*
25 *Id.*
26 *See NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1313, 1317 (Fed. Cir. 2005).
27 *Id.* at 1317 (citing *Decca Ltd. v. United States,* 210 Ct. Cl. 546, 544 F.2d 1070, 1083 (1976)).
28 *Id.*
29 *Renhcol Inc. v. Don Best Sports,* 548 F. Supp. 2d 356, 362 (E.D. Tex. 2008).
30 631 F.3d 1279 (Fed. Cir. 2011).
31 *Id.* at 1283.
32 *Id.* at 1284 (citing *NTP, Inc.*, 418 F.3d at 1317).
33 *Id.* at 1285.
34 *See Renhcol Inc. v. Don Best Sports,* 548 F. Supp. 2d 356, 361 n.3 (E.D. Tex. 2008).
35 *Hilgreave Corp. v. Symantec Corp.*, 265 F.3d 1336, 1343 (Fed. Cir. 2001) (citations omitted), *cert. denied,* 535 U.S. 906 (2002).

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Shook, Hardy & Bacon offers expert, efficient and innovative representation to our clients. We know that the successful resolution of intellectual property issues requires a comprehensive strategy developed in partnership with our clients.

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- A defendant may be found liable for direct infringement when he "intended to finesse [the patentee] out of a sale of a machine on which [the patentee] held a valid patent during the life of that patent."[36]

- A patent owner can recover for ongoing unauthorized *use* of a patented apparatus reasonable royalty damages that exceed lost profit damages which would have resulted from a *sale* of the same device. In *Powell v. Home Depot U.S.A., Inc.,* the court considered a "use-based reasonable royalty."[37] Defendant had an infringing saw guard made for its use, then used the device in its stores. Eschewing lost profit damages, the plaintiff patent owner sought and recovered reasonable royalty damages for each *use* the defendant made of the infringing devices. The court rejected arguments that a reasonable royalty cannot exceed lost profits, finding that the jury's award was supported by substantial evidence.[38] As a consequence, damages based on *use* of the patented apparatus far outstripped damages recoverable for *making* (or implicitly *selling* the devices). That the *sale* of a patented apparatus carries an implied license to use the device and exhausts the patent rights is well established.[39] In effect, the result in *Powell* converts an apparatus patent to a method patent. This result appears to be at odds with the Federal Circuit's observation in an earlier case that "[i]n the present case, the patent contains only method claims, which . . . are directly infringed only when the method is practiced. [The patent owner] is basically seeking to convert its method claims into apparatus claims."[40]

Conclusions

Here are five practical pointers to consider regarding *use* infringement claims:

1. To avoid limitations on *use* infringement of method claims, assert infringement of method *and* system/apparatus claims whenever possible.

2. Don't miss opportunities when defending *use* infringement claims. Determine early the nature of the claims asserted and whether only method claims are asserted. In *Advanced Software Design Corp. v. Fiserv, Inc.,*[41] the district court did not analyze the difference between making and *using* a claimed system. The parties did not raise the issue on appeal, so the Federal Circuit did not address it.

3. Patent owners should analyze potential benefits from seeking reasonable royalty damages based on infringing *use* of an apparatus patent as opposed to lost profit damages from the *sale* of infringing products.[42]

4. Defendants should be mindful of risks posed by use-based reasonable royalty damages from infringement of apparatus claims and be prepared to defend against those claims.

5. Be aware of potential indirect infringement issues even if direct infringement is not present.[43]

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36 *Joy Techs., Inc. v. Flakt, Inc.,* 6 F.3d 770, 775 (Fed. Cir. 1993) (discussing *Paper Converting Machine Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 19 (Fed. Cir. 1984), where defendant infringer sold a patented disassembled, but otherwise infringing, machine subject to an agreement with the purchaser that the machine would not be finally assembled until two days after the patent expired).

37 663 F.3d 1221 (Fed. Cir. 2011).

38 *Id.* at 1237 *et seq.*

39 *See Aro Mfg. Co. v. Convertible Top Replacement Co.,* 377 U.S. 476, 484 (1964).

40 *Joy Techs., Inc.,* 6 F.3d at 775 (distinguishing *Paper Converting Machine Co.,* 745 F.2d 11).

41 641 F.3d 1368, 1374 (Fed. Cir. 2011).

42 *See Powell v. Home Depot U.S.A., Inc.,* 663 F.3d 1221 (Fed. Cir. 2011).

43 *See Joy Techs., Inc.,* 6 F.3d at 774 ("Although not direct infringement under section 271(a), a party's acts in connection with welling equipment may, however, constitute active inducement of infringement or contributory infringement of a method claim under 35 U.S.C. § 271(b) and (c)."); *Centillion Data Sys., LLC v. Qwest Commc'ns Int'l, Inc.,* 631 F.3d 1279 (Fed. Cir. 2011) (discussing indirect infringement of a system claim).