The Federal Circuit’s new rule on divided infringement: a boon for patent owners

By Shawn Hansen and Jennifer Hayes

On August 13, the Federal Circuit sitting en banc in *Akamai v. Limelight* established a new standard for determining when an entity is liable for direct infringement of a method claim when one or more steps of the claimed method are performed by another entity or entities. Prior to this case, such liability could be found only where the accused infringer directed or controlled the performance by others of method steps not performed by the accused infringer itself. That created a loophole rendering many method patents requiring action by multiple actors effectively worthless. In *Akamai*, the Federal Circuit rejected the former rule and held that the “direction or control” standard is broader than previously indicated, encompassing a larger scope of conduct under traditional tort principles of vicarious liability. And the court went further, recognizing an additional basis for holding one entity liable for actions by another: where the actors form a joint enterprise.

This change in the law on divided infringement may prove to be a boon to owners of method patents in areas that often involve multiple actors, such as medical, Internet and wireless technologies. Owners of some such patents have viable infringement theories after *Akamai* that would have previously been found to be frivolous. The implications include not just new enforcement possibilities but also cause for renewed assessment of ongoing prosecution strategies, including potential reissue proceedings for recently issued patents that were claimed unduly narrowly because of the former rule.

In fact, the change is already positively impacting other cases for patent owners. For example, in *Eli Lilly v. Teva*, one district court followed the new guidance of *Akamai* and found that physicians directly infringed an Eli Lilly method-of-treatment claim that required pemetrexed be administered with folic acid and vitamin B12 to reduce the incidence of patient toxicity. This case was particularly interesting because the patients themselves administered the folic acid, while the physicians administered the pemetrexed and vitamin B12. Based on evidence that the physicians specified both the “manner and timing” in detail for taking the folic acid, including prescribing an exact dose of folic acid and directing that it be ingested daily, the court found that the physicians directed the performance of the patients and therefore were responsible for their performance.

In the *Akamai* decision, the Federal Circuit similarly found that Limelight sufficiently controlled its customers who performed the claimed “tagging” and “serving steps” because it provided step-by-step instructions to customers regarding how and when to perform these steps.
In light of these decisions, we recommend patent owners review their method patent portfolios to gain an updated understanding of the current value of their issued patents, adjust strategy for prosecution of pending applications, and consider possibly broadening reissue proceedings for patents issued within the last two years under the former rule. To avoid potential liability, we recommend companies at risk of infringing method claims perform an assessment of their user guides and other instructional materials and consider whether adjustments may be needed to account for the new broader scope of the law of direct infringement.

The full Akamai opinion can be found here. The Eli Lilly v. Teva decision can be found here.

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