Patent Law Update: Akamai and McKesson Oral Arguments

November 21, 2011

Federal Circuit Hears Arguments in Pair of “Combined Infringement” Cases

By: H. Wayne Porter

On November 18, 2011, the Court of Appeals for the Federal Circuit heard oral arguments in the *en banc* rehearings of the *Akamai*[1] and *McKesson*[2] cases. Both cases involve determining circumstances under which a method patent claim might be infringed if steps of the method are performed by multiple entities. The courtroom was filled to capacity with observers, an indicator of the importance of the court’s decisions in these cases.

Akamai, the *Akamai* case appellant, argued that there is an “unfair loophole” in the current law with regard to infringement of method claims. Akamai urged the court to adopt three tests for infringement of a method patent claim when separate entities perform separate steps. Under one of those tests, a party performing only a portion of a method claim’s steps is liable for infringement if that party knows that all the claimed steps are being carried out. Under this test, that party need *not* know there is a patent in order to be liable as an infringer.

Questioning from the bench suggested judicial concerns about such a test. For example, one judge asked if a party that performed 1% of the steps in a method claim could be liable for infringement. Akamai responded yes, so long as that party knew the other steps would be performed, but without regard to whether the party knew of the patent. Referring to possible liability of that same party for indirect infringement, i.e., if that party performed no steps of the method but induced someone else to perform them, the judge alluded to the requirement that an indirect infringer know of the patent. If Akamai’s proposed test were to be adopted, there could thus be a substantial difference in the knowledge required for liability of an indirect infringer performing 0% versus the knowledge required for liability of a direct infringer performing 1%.

Another question posed a hypothetical in which a clerk at an electronics store sells an off-the-shelf component to a customer. In the hypothetical, the customer tells the clerk what he will do with the component, thereby giving the clerk knowledge of what steps would be performed. However, the clerk has no idea that those steps would infringe a patent. Akamai again stated that there could be strict liability in such a case if the clerk knew of all the steps.

In response to other questions from the panel, Akamai further stated that its proposed test for infringement of method claims would have no implications with regard to apparatus claims. The judges seemed concerned that this would create an inconsistency in how method and apparatus claims are handled. Akamai acknowledged this inconsistency but argued that it is a result of the court's case law and the historically different treatment of method and apparatus claims. It is not clear whether that answer satisfied the judges.

Limelight, the *Akamai* case appellee, argued that the "direction and control" standard of earlier cases should be maintained. Under this standard, a first party could provide a second party with directions on how to perform method claims. However, the steps performed by the second party would not be imputed to the first party if the second party was free to decide whether or not to perform those steps. Because all steps of a method must be performed by (or imputed to) a single party, this would result in no liability for infringement.

The judges also seemed to have trouble with this standard. In response to questioning, Limelight conceded that a party might not be liable for infringement even if it wanted another party to perform method claim steps. Notably, one judge asked about a claim step that was not performed by Limelight in the *Akamai* case, and that was instead performed by another party. In particular, the judge wanted to know whether that step was performed for the joint benefit of Limelight and the performing party. Limelight responded that the parties were acting for their own reasons. Limelight further stated that there was no basis for imputation of conduct to Limelight based on a clear standard set in the law. Again, it was not clear how satisfied the judges felt with that answer.

Another judge posed a hypothetical to Limelight in which a first party encourages a second party to perform method steps and provides information on how to perform those steps (i.e., a copy of the patent). In the hypothetical, however, the first party does not require the second party to act in a particular way. Perhaps recognizing the trouble that the judges were having with its proposed standard, Limelight indicated that the existence of direction and control is a fact question. Limelight conceded that, in the extreme circumstances of the posed hypothetical, a trier of fact might find there to have been direction under such "wink and nod" facts. Indeed, several judges asked if determining whether there is direction and control might be a highly fact specific inquiry.

Limelight also stated there could be infringement liability when parties act in a joint enterprise, e.g., in a partnership or a joint venture.

The *McKesson* case deals with indirect infringement. However, both sides in *McKesson* generally conceded that there can be no indirect infringement unless there is an underlying act of direct infringement. The issue in *McKesson* is thus essentially the same as the issue argued in *Akamai*: under what circumstances can there be direct infringement of a method claim when separate steps are performed by separate parties.

During arguments in both cases, several judges also asked whether most of the problems at issue could be addressed by proper claim drafting. Akamai argued that these problems could not be resolved by better claim drafting. Akamai further suggested that it is almost always possible to divide method claims steps among multiple parties. The claim drafting question was pressed during the *McKesson* argument. When asked for an example of a situation that could not be solved by appropriate claim drafting, McKesson pointed to the claim at issue in *McKesson*. Follow-up questioning suggested that the judge may not have been convinced.

Overall, the judges seemed to struggle with perceived inequities associated with all sides' positions. To put it mildly, the patent bar will eagerly await learning how the court members try to balance their concerns. A decision is expected in Spring 2012.

Banner & Witcoff will continue to monitor these cases and report as more information becomes available.

[1] *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, Case Nos. 2009-1372, -1380, -1416 and -1417.
[2] *McKesson Technologies Inc. v. Epic Systems Corporation*, Case No. 2010-1291.

DOWNLOAD THE ATTACHED NEWS PDF

Posted: November 21, 2011