

2009-1372, -1380, -1416, -1417

**United States Court of Appeals
for the Federal Circuit**

AKAMAI TECHNOLOGIES, INC.,
MASSACHUSETTS INSTITUTE OF TECHNOLOGY, THE,

Plaintiffs-Appellants,

v.

LIMELIGHT NETWORKS, INC.,

Defendant-Cross-Appellant.

*Appeals from the United States District Court for the District of Massachusetts
in Case Nos. 06-CV-11109 and 06-CV-11585, Judge Rya W. Zobel*

**BRIEF OF INTELLECTUAL PROPERTY OWNERS ASSOCIATION
IN SUPPORT OF REHEARING EN BANC**

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June 26, 2015

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT
Akamai Technologies, Inc. v. Limelight Networks, Inc.,
Nos. 2009-1372, -1380, -1416, -1417

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None

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

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INTEREST OF *AMICUS CURIAE*

Intellectual Property Owners Association (IPO) is a non-profit, national trade association representing companies and individuals in all industries and fields of technology who own or are interested in U.S. intellectual property rights.¹ IPO's membership includes more than 200 companies and a total of over 12,000 individuals who are involved in the association, either through their companies or as inventor, author, executive, law firm, or attorney members. Founded in 1972, IPO represents the rights and interests of all owners of intellectual property, including patents. IPO regularly represents the interests of its members before Congress and the U.S. Patent and Trademark Office, and has filed numerous *amicus* briefs in this Court and other courts on significant issues facing intellectual property law. The association adheres to a policy of submitting *amicus* briefs on issues affecting intellectual property ownership, including the ability of owners to enforce their rights and obtain redress for infringement. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the Appendix.²

¹ No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission.

² IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

IPO submits this brief because its members share a significant interest in the formulation and implementation of the legal standards governing patent infringement. To that end, IPO believes that the Federal Circuit should rehear en banc the panel's decision in this matter.

SUMMARY OF ARGUMENT

IPO believes that this Court should make clear that direct infringement of a method claim under 35 U.S.C. § 271(a) requires conduct that is the sole responsibility of a single actor, either because the single actor performed all of the steps of the method claim itself, or because the steps were performed at the direction or under the control of the single actor. *See BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007). In the latter scenario, only the single actor (sometimes referred to as the mastermind) should be held liable for direct infringement.

IPO believes that the panel in this case adopted an overly rigid rule governing joint patent infringement of method claims under § 271(a). The panel held that where two parties split the performance of all of the steps of a patented method, there can be no direct infringement in the absence of a formal principal-agent relationship, an unconditional contractual obligation, or the creation of a formal joint enterprise.

The Federal Circuit should grant the petition for rehearing en banc for three reasons. First, process or method claims are ubiquitous in all areas of technology

and constitute one of the fundamental classes of patent rights. 35 U.S.C. §101. All stakeholders that use and rely on the patent system would benefit from a clear and definitive statement from this Court concerning the standard for direct infringement of method claims.

Second, the rigid rule adopted by the panel will deprive owners of method patents of any remedy for infringement of their proprietary processes in situations where a competitor performs all but one step of the patented method and then directs or controls another party (e.g., its customer) to perform the last step, but stops just short of establishing one of the formal arrangements required by the panel opinion. This rigid rule will substantially devalue method patents and upset the longstanding expectations of method patent owners and investors. *See, e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) (rejecting “another bright-line rule that would have provided more certainty in determining when [prosecution history] estoppel applies but at the cost of disrupting the expectations of countless existing patent holders.”).

Third, the Supreme Court has repeatedly held in other areas of patent law that the rigid, bright-line tests previously adopted by the Federal Circuit are improper. *See, e.g., KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (rejecting the teaching, suggestion or motivation test as the sole test for obviousness); *Bilski v. Kappos*, 561 U.S. 593 (2010) (rejecting the machine or transformation test as the sole test for patentable subject matter); *Teva Pharma USA, Inc. v. Sandoz, Inc.*, 135

S. Ct. 831 (2015) (rejecting de novo review of claim construction). The concern for reversal is especially pointed here because the Supreme Court, in its prior decision in this case, noted “the possibility that the Federal Circuit erred by too narrowly circumscribing the scope of § 271(a).” *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S. Ct. 2111, 2119 (2014). IPO believes that the law of “divided” infringement would be best served by a clear restatement by this Court sitting en banc.

ARGUMENT

IPO believes that the Federal Circuit should clarify the law in this important area by adopting the flexible standard stated in *BMC* and by overruling the panel decision in this appeal as well as the panel decision in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008). IPO believes that the “direction or control” test articulated in *BMC* provides a workable legal standard for addressing this issue. However, the “direction or control” test should not turn solely on rigid categories of formal agency or contract, as the panel decision here does. To the contrary, IPO believes that the determination of whether someone has acted under the “direction or control” of a single actor should be a factual inquiry, decided by the finder of fact based on the totality of circumstances.

Given the variety and complexity of business arrangements that can be created today, we encourage the Court to set a standard that looks beyond the “technicalities of patent law” and adheres to the general principle articulated in

Dawson Chem. Co. v Rohm & Haas, 448 U.S. 176, 188 (1980) in the context of contributory infringement:

[The doctrine] exists to protect patent rights from subversion by those who, without directly infringing the patent themselves, engage in acts designed to facilitate infringement by others. This protection is of particular importance in situations ... where enforcement against direct infringers would be difficult, and where the technicalities of patent law make it relatively easy to profit from another's invention without risking a charge of direct infringement.

The Supreme Court's decision in *Limelight*, 134 S. Ct. 2111 (2014), only increases the stakes for the owners of method patents by eliminating liability for induced infringement under 35 U.S.C. § 271(b) in most situations of joint infringement. In reaching that decision, the Supreme Court "acknowledge[d]" the "concern" with "permitting a would-be infringer to evade liability by dividing performance of a method patent's steps with another," but stated that "[a]ny such anomaly ... would result from the Federal Circuit's interpretation of § 271(b)." *Limelight*, 134 S. Ct. at 2120. The Court also noted "the possibility that the Federal Circuit erred by too narrowly circumscribing the scope of § 271(a)," *Id.* at 2119, and said that "on remand, the Federal Circuit will have the opportunity to revisit the § 271(a) question if it so chooses," *Id.* at 2120.

Unfortunately, IPO believes that the panel majority missed this opportunity and, instead, reinforced an overly rigid interpretation of § 271(a). Accordingly, IPO believes that it is important that the en banc Federal Circuit take up the question of joint infringement under § 271(a) in order to prevent the "anomaly"

identified by the Supreme Court and to restore a balanced interpretation of the statute.

The issues in this case are becoming more important as interactive systems and interactive methods are rapidly developing in the healthcare, e-commerce, financial and other industries, as these industries respond to the need for greater efficiency and as they develop new methods of using the Internet and other network systems to lower costs. The Court should recognize that the incentives for investment and disclosure of these new methods will be adversely affected by an overly restrictive approach to the issues in the case at bar.

In *BMC*, this Court clarified a balanced, effective and workable standard for infringement of a claim based on the combined actions of multiple parties. If a party attempts to avoid infringement by having another entity carry out one or more steps of a patented process, the party nonetheless can be liable for direct infringement if it is a “mastermind” who exercises “control or direction” over another entity such that every step is attributable to the controlling party. IPO believes that the current panel decision in this case (and the panel decision in *Muniauction*) erred in applying the *BMC* standard in an overly restrictive way by holding that the control or direction standard can only be satisfied “in a principal-agent relationship, a contractual relationship or in circumstances in which parties work together in a joint enterprise functioning in a form of mutual agency.” *Akamai Tech., Inc. v. Limelight Networks, Inc.*, No. 2009-1372, slip op. at 8 (Fed.

Cir., May 13, 2015) (citing *Muniauction*, 532 F.3d at 1330.) While these types of formal relationships would be sufficient to find infringement, they should not be a necessary condition.

Requiring a patent owner asserting joint infringement to show that the defendant directed or controlled the missing steps of the claim will eliminate the possibility that mere customer relationships, or loosely connected enterprises, such as existed in the *BMC* case, will be found to infringe. At the same time, the direction or control test has sufficient flexibility to protect the patent owner from subversion of its patent rights through cleverly designed schemes to avoid infringement while taking full advantage of the invention claimed in the patent.

If left intact, IPO believes that the Panel's decision would create an incentive for potential infringers to evade liability simply by performing a subset of the required steps in a patented process and directing others to perform the rest, but stopping just short of establishing the type of formal agency or contractual relationship required by the panel opinion. The end result would deprive these patentees of any effective remedy for infringement of their proprietary processes.

It is no answer to this concern to observe that patentees can employ claim drafting to capture infringement by a single party. First, not all process patents can be reliably parsed at the claiming stage in order to predict whether or how the claimed steps might be practiced by multiple entities. Second, this advice on better claiming is cold comfort for the owners of the many hundreds of thousands of

already-issued patents containing method claims. IPO believes that there is no principled reason for upsetting the settled expectations of the patent community in this regard.

IPO also believes the Federal Circuit should adopt a more flexible approach, i.e., whether or not “direction or control” exists should be treated as a factual inquiry based on the totality of the circumstances. This flexibility will dovetail with the approach that the Supreme Court has followed recently in reviewing the decisions of the Federal Circuit in other contexts. To that end, the “direction or control” issue should be determined by the trier of fact and should be reviewed on appeal based on the “substantial evidence” standard. *See e.g., Smith & Nephew, Inc. v. Rea*, 721 F3d 1371, 1380 (Fed. Cir. 2013).

Whether the direction or control test is met should depend on a variety of factors that will be different in each case. The opportunity today for collaborative interaction among companies for their mutual benefit is almost limitless, and it is likely that direction or control questions will arise in many different settings. A properly instructed finder of fact might consider, for example, (1) the closeness of the relationship between the defendant accused of direct infringement and the other entity that performed the missing steps of the claim; (2) the right of the defendant, by contract or otherwise, to demand performance of the missing steps by the other entity; (3) whether performance of the missing steps is an integral part of the relationship between the defendant and the other entity; (4) the extent to which the

relationship between the defendant and other entity establishes the manner, details, timing or other features that lead to performance of the missing steps; (5) whether the defendant receives compensation at the time or as a result of performance of the missing steps; (6) whether the defendant receives compensation for any other part of the relationship that does not include performance of the missing steps; and (7) whether the defendant offers technical support and guidance to the other entity in connection with performance of the missing step. In addition, the trier of fact can draw upon vicarious liability jurisprudence, which is longstanding and well-developed, to assess particular fact patterns so that entities seeking to ensure that they are not deemed to be exercising "direction or control" can rely upon that body of law to guide their activities and business relationships.

Finally, with respect to infringement liability, IPO believes that only the controlling or directing entity should be held liable for direct infringement under §271(a). As the mastermind, the controlling or directing entity is the only one who fulfills the role of the single actor necessary to support a finding of direct infringement under the statute.

CONCLUSION

For the foregoing reasons, IPO respectfully requests the Court to rehear this case en banc. IPO believes that this Court should adopt a practical “single entity” rule for joint direct infringement, whereby direct infringement can be found in situations where one party “directs or controls” the actions of another. This should be determined based on the totality of the circumstances and not solely on rigid categories of contract or agency. Finally, IPO believes that this Court should clarify that in joint infringement scenarios, direct infringement liability lies solely with the controlling or directing party.

Respectfully submitted,

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I, Elissa Matias, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

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Additionally, 16 copies will be filed with the Court within the time provided in the Court's rules.

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