Greenblum & Bernstein, P.L.C.
LITIGATION NEWSLETTER
Recent Litigation News in Intellectual Property

September 2015

In This Issue

- **Federal Circuit Expands Direct Divided Infringement Analysis Of Method Claims**
- **Federal Circuit Clarifies That ITC May Adjudicate Claims Of Induced Infringement In Section 337 Actions**

Contact Us:
P. Branko Pejic
www.gbpatent.com
bpejic@gbpatent.com
703-716-1191 (phone)
703-716-1180 (fax)

Federal Circuit Expands Direct Divided Infringement Analysis Of Method Claims

On remand from the Supreme Court, the Federal Circuit recently clarified *en banc*, *in Akamai Technologies, Inc. v. Limelight Networks, Inc.*, that an entity may be held liable for direct infringement under 35 U.S.C. §271(a) even if that entity does not perform all of the steps of a claimed method. When the Federal Circuit first heard the case, it held that the defendant, Limelight, could be liable for indirect infringement under 35 U.S.C. §271(b) even though no single entity was liable for direct infringement of the asserted patent(s) under 35 U.S.C. §271(a). Thereafter, the Supreme Court reversed the Federal Circuit, holding that there can be no indirect infringement of a method claim without direct infringement, which requires performance of the claimed steps by a single entity.

The Federal Circuit's initial decision was based upon its previous holdings that a third-party's conduct may be attributable to a "single entity" in the event of a joint venture/enterprise and/or the third-party is directed or controlled by the single entity through an agency or contractual relationship relating to the claimed method.

After the Supreme Court remand, the Federal Circuit clarified the analysis, and expanded direct infringement, under Section 271(a), to include scenarios wherein the accused entity conditions: (i) participation by a third-party in an activity; or (ii) receipt of a benefit by such third-party upon performance of a step(s) of a claimed method and establishes the manner or timing of such performance. The Federal Circuit also reiterated that whether the third-party's relationship with the single entity is sufficient to satisfy the expanded analysis for direct infringement of a method claim is a question of fact for the jury. While the *Akamai* decision involves electronics, the decision will have implications for other technologies as well, when method claims are involved.

Federal Circuit Clarifies That ITC May Adjudicate Claims Of Induced Infringement In Section 337 Actions

In an *en banc* decision on appeal from the International Trade Commission ("ITC"), the Federal Circuit overturned the previous panel holding that the ITC may exercise jurisdiction to adjudicate claims of induced infringement. Specifically, the Federal Circuit held that, although 19 U.S.C. §337 does not expressly permit the ITC to exclude imports based upon a finding of induced infringement, the ITC's interpretation that the statute confers such jurisdiction on the ITC should be accorded deference under the *Chevron* analysis.

By way of background, Cross Match Technologies, Inc. filed an ITC complaint alleging infringement of U.S. Patent No. 7,203,344 ("the '344 patent") by: (i) Mentalix, the domestic importer of scanners at issue; and (ii) Suprema, the Korean developer of the scanners. The ITC found direct infringement of the '344 patent based upon the scanners' use of Mentalix' software when imported,

and further that Suprema induced Mentalix to infringe directly by actively encouraging the use of Mentalix' software with the scanners.

On appeal of that finding, the first Federal Circuit panel overturned the ITC on the grounds that Section 337 remedies may not be based upon a claim of induced infringement where the underlying direct infringement does not occur until importation. The Federal Circuit also observed that the ITC's authority to adjudicate patent infringement claims extends to "articles that-infringe" a U.S. patent, and conducted an infringement analysis based upon the the scanners when imported as follows: "The focus is on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods." The first Federal Circuit panel accordingly held that direct infringement claim occurred after importation such that the scanners were not within the ambit of Section 337. Upon the request for rehearing *en banc*, the Federal Circuit held *en banc* that under the *Chevron* analysis the ITC's interpretation that it may adjudicate induced infringement claims should be accorded deference given that Section 337 is silent on the issue.

By way of further explanation, the *Chevron* analysis governs what (if any) deference a court analyzing agency decisions should accord that agency's interpretation of the statue at-issue. Under the two step *Chevron* analysis, a court first looks to the express language of the statute to determine whether it address the issue. If the answer is affirmative, no deference is given the agency's interpretation, but if negative, the court looks to see if the agency's decision "is based on a permissible construction of the statute." Here, the Federal Circuit noted that Section 337 was silent on the issue of induced infringement and held that the ITC's interpretation should be accorded deference given that the ITC was created to address a broad spectrum of acts constituting unfair competition, including patent infringement.

While this decision is particularly important for cases involving the software and high-tech industries, which are often predicated upon induced infringement claims, it shows that the Federal Circuit is inclined to broadly construe the ITC's jurisdiction such that commentators have opined that various other causes of action, in addition to allegations of patent, trademark, and copyright infringement, could likely be brought at the ITC.