

## I Didn't Do (All Of) It: The Joint Infringement Defense

Following the Federal Circuit's 2007 decision in *BMC Resources* and its 2008 decision in *Muniauction*, joint infringement (aka divided infringement) has become a popular defense for parties accused of infringing method claims.<sup>1</sup> Direct infringement of a claimed method requires a party to perform each and every step of the claim. However, when the claim requires the joint acts of more than one party in order to perform all of the steps of the claim, it raises the issue of whether a single party is a direct infringer of the claim. If there is no direct infringer, then there is no liability. This is true even for liability under the doctrine of indirect infringement because indirect infringement, such as inducing or contributory infringement, is predicated upon a finding of direct infringement.

In *BMC Resources, Inc. v. Paymentech, L.P.*, it was undisputed that no single party performed every step of the asserted method claims directed to a PINless debit payment method.<sup>2</sup> The asserted claims required the joint actions of debit networks, financial institutions, and the payment service provider, Paymentech. The Federal Circuit noted that, first, infringement requires "a showing that a defendant has practiced each and every element of the claimed invention" and, second, courts have "generally refused to find liability where one party did not control or direct each step of the patented process."<sup>3</sup>

While the Court tempered this position by acknowledging that a party cannot avoid infringement by contracting out steps of a patented process to a third party,<sup>4</sup> it also conceded that "requiring control or direction" to establish joint infringement liability could result in arms-length agreements that legally avoid infringement.<sup>5</sup> Ultimately, the Court held that "Paymentech did not perform or cause to be performed each and every element of the claims"<sup>6</sup> because it found insufficient evidence as to whether Paymentech controlled or directed the activity of the debit networks.<sup>7</sup>

A year later, in *Muniauction, Inc. v. Thomson Corp.*,<sup>8</sup> the Federal Circuit further clarified the standard for finding joint infringement. There, the Court considered a patent directed to electronic methods for conducting original issuer auctions of financial instruments.<sup>9</sup> As in *BMC Resources*, there was no dispute that no single party performed every step of the asserted method claims.<sup>10</sup> While the majority of the steps in the asserted claims were performed by the auctioneer's system, at least one step, the inputting step, was completed by the bidder.<sup>11</sup> Again, the Federal Circuit found that the issue of infringement turned on whether Thomson sufficiently controlled or directed the bidder such that Thomson itself could be said to have performed every step of the asserted claims.<sup>12</sup>

The *Muniauction* district court, relying upon the Federal Circuit's pre-*BMC Resources* caselaw, found that there was a sufficient connection "between defendants, the bidders to whom they charge a fee for their services, and the issuers for whom they facilitate auctions" to hold

Thomson liable for infringement.<sup>13</sup> The Federal Circuit, however, disagreed. The Court explained that under *BMC Resources*, “the control or direction standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of a claimed method.”<sup>14</sup> The Court determined that simply because “Thomson controls access to its system and instructs bidders on its use [, that] is not sufficient to incur liability for direct infringement.”<sup>15</sup> Because Thomson neither performed every step of the claimed methods nor had another party perform the steps on its behalf, there was no liability based on a theory of joint infringement.<sup>16</sup>

Thus, *BMC Resources* set up a two-part inquiry for joint infringement: (1) whether the asserted claims call for more than one entity to perform the steps required by the claims, and (2) if so, whether one party has sufficient control or direction over the entire process such that every step is attributable to the controlling party, *i.e.*, the “mastermind.”

### **Part One: How Many People Are Needed To Perform The Claimed Method?**

Before considering whether there is sufficient direction or control to establish joint infringement, there is the threshold question of whether the claims require more than one entity to carry out the required method steps. In *SiRF Technology, Inc. v. International Trade Commission*,<sup>17</sup> SiRF defended against infringement by arguing that “the claims are only infringed when actions are taken by SiRF’s customers and by the end users of the GPS devices,” who SiRF does not control or direct.<sup>18</sup> There, the Federal Circuit never reached the question of control because “[t]his is not a situation where a method claim specifies performance of a step by a third party, or in which a third party actually performs some of the designated steps, and thus control or direction of the performance of that step by the accused infringer is required.”<sup>19</sup>

Thus, the Court held that the steps of the following representative claim 1 were all performed by a single party (SiRF) and did not require that any of the steps be performed by the customers or the end users:<sup>20</sup>

1. A method of receiving global positioning system (GPS) satellite signals comprising:  
  
receiving satellite ephemeris at a first location;  
  
communication [sic] the satellite ephemeris to a mobile GPS receiver at a second location;  
and  
  
processing satellite signals received at the mobile GPS receiver using the ephemeris to reduce code and frequency uncertainty in the mobile GPS receiver to improve acquisition sensitivity of the mobile GPS receiver.

Additionally, in a recent opinion from Judge Gottschall of the Northern District of Illinois,

*Intellect Wireless, Inc. v. T-Mobile USA, Inc.*,<sup>21</sup> that court undertook a careful analysis of the claim language to determine whether the claims required more than one actor. Relying on *SIRF*, the court analyzed the claim step of “initiating a message from a message originator.” According to the plaintiff, the defendant’s software, rather than its subscribers, initiated the message.<sup>22</sup> The court conducted a lengthy analysis of relevant case law and ultimately rejected the argument that the claims required the actions of more than one entity.<sup>23</sup> Table I provides a list of additional district court cases in which the asserted claims were also found to require the actions of only one party.<sup>24</sup>

## Part Two: Is There Sufficient Control?

If a court determines that a claim requires more than one actor to perform every step of the claimed method, it must then determine if the accused infringer asserts sufficient control over the parties performing other portions of the claimed method to incur liability for the other parties’ actions. In situations where it is clear that two separate actors are required to perform each of the claimed method steps, the further apart the parties are from one another and the closer their relationship is to an “arms-length” transaction, the more difficult it will be to show joint infringement.

In *Golden Hour Data Systems, Inc. v. emsCharts, Inc.*,<sup>25</sup> the Federal Circuit considered a patent directed to a computerized method of generating a patient encounter record. Infringement was premised on a theory of joint infringement, but the Court found insufficient evidence to infer direction or control.<sup>26</sup> Similarly, in *Aristocrat Technologies v. International Gaming Technology*,<sup>27</sup> the district court considered patents directed to a networked gaming machine that required a step of “activating a user interface” or “making a wager”—steps that were performed by a game user, not the machine. Relying on *BMC Resources* and *Muniauction*, the *Aristocrat* court found insufficient direction or control over players’ conduct, where IGT provided free credits to players to induce them to gamble at IGT’s free credits might encourage some people to gamble at IGT’s machines, but players are not obligated to use the free credits, nor are players acting on behalf of IGT when they use the free credits on IGT’s machines.<sup>29</sup>

On the other hand, in *Rowe Int’l v. Ecast, Inc.*,<sup>30</sup> Judge Kennelly of the Northern District of Illinois considered patents directed to computer jukeboxes and jukebox networks. The court found sufficient direction and control among the defendants to deny summary judgment of no joint infringement.<sup>31</sup> In the *Rowe* case, there were manufacturing and distribution contracts between the defendants.<sup>32</sup> And Ecast regarded View and Rock-Ola as “partners” that, pursuant to these manufacturing contracts, made jukeboxes specifically designed to operate with Ecast’s network service.<sup>33</sup> The court found that “Ecast literally contracted out to Rock-Ola and View the jukebox hardware element of the asserted claims.”<sup>34</sup> Importantly, there was no suggestion that these firms were independently making jukeboxes that would work with the Ecast system.<sup>35</sup> Table II provides a snapshot of cases involving whether there was sufficient control by the “mastermind” in claims requiring multiple infringers.<sup>36</sup>

While courts are following the line of *BMC Resources* and *Muniaction*, it must be noted that Judge Newman's dissent in *Golden Hour* advocates for finding infringement without regard to whether one entity had control over the other when faced with a collaborative partnership<sup>37</sup>: “[H]ere the defendants ‘formed a strategic partnership, enabled their two programs to work together, and collaborated to sell the two programs as a unit.’”<sup>38</sup> A jury found joint infringement where defendants combined their procedures into an integrated system and the panel majority acknowledged the defendants worked in collaboration to infringe the claims, yet the panel overturned the jury verdict without dis“[a] collaborative effort as here, a ‘strategic partnership’ to sell the infringing system as a unit, is not immune from infringement simply because the participating entities have a separate corporate status” could gain traction in later jurisprudence.<sup>40</sup>

### Claim Drafting & Practical Tips for Enforcing Existing Patents

Keeping in mind the two-step inquiry for determining joint infringement, we suggest the following practice tips for patentees in order to avoid even having to argue against a joint infringement defense:

- Carefully review the claims of the patent to determine whether or not the claims require the actions of more than one entity. Rely on the *SiRF* case and its progeny to argue that even if the use of a system or method involves the actions of more than one party, the claims themselves may be directed to the actions of only one party.
- Draft claims from the perspective of each potential actor involved in the use of the system or method. For example, some claims should be directed to the actions of the end user of a computer system, whereas other claims should exclude any action of the end user, *i.e.*, “receiving data” from an end user, as opposed to “inputting data” by an end user. *BMC Resources* recommends “structur[ing] a claim to capture infringement by a single party.”<sup>41</sup> For example, the claims can be drafted to focus on one entity by reciting “a single party’s supplying or receiving each element of the claimed process.”<sup>42</sup>
- Draft method claims, system claims, as well as product claims. Method claims may be more susceptible to requiring the actions of more than one entity, whereas system claims may provide a better mechanism for limiting claims to the actions of a single user.
- For patent applications that are still pending, review the pending claims to assess whether the existing claims present a divided infringement problem, and consider filing a continuation or divisional application to pursue claims more clearly directed to the actions of a single actor.
- For issued patents, it may be possible to file for a broadening reissue application within two years of patent issuance to pursue claims crafted to require the actions of only a single entity.
- In the event that you are stuck with claims that require the actions of more than one entity, marshal evidence directed to one party having direction or control over the other party/parties to establish a mastermind theory of joint infringement expressed in *BMC Resources*. At a minimum, seek to establish evidence of a collaborative relationship

mentioned in Judge Newman's dissent in *Golden Hour Data Systems*, or try to establish that performance of a step has been merely contracted out to a third party, therefore falling within the exception recognized by the Federal Circuit in *BMC Resources*.

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#### Endnotes

1. System claims are also subject to the defense of divided infringement. See, e.g., *Uniloc USA, Inc. v. Microsoft Corp.*, 640 F. Supp. 2d 150, 162 (D.R.I. 2009).
2. 498 F.3d 1373, 1377-79 (Fed. Cir. 2007).
3. *Id.* at 1380 (citations omitted).
4. *Id.* at 1379.
5. *Id.* at 1381.
6. *Id.* at 1382.
7. *Id.* at 1381.
8. 532 F.3d 1318 (Fed. Cir. 2008).
9. *Id.* at 1321.
10. *Id.* at 1328-29.
11. *Id.*
12. *Id.* at 1329.
13. *Muniauction, Inc. v. Thomson Corp.*, 502 F. Supp. 2d 477 (W.D. Pa. 2007).
14. 532 F.3d 1318, 1330 (citations omitted).
15. *Id.* at 1330.

- 16. *Id.*
- 17. 601 F.3d 1319 (Fed. Cir. 2010).
- 18. *Id.* at 1329.
- 19. *Id.*
- 20. *Id.* “Here, it is true that the ‘communicat[ing]’ or ‘transmitting’ can only occur if the customer forwards the data to the end user and the end user downloads the data. However, the actions of ‘forwarding’ or ‘downloading’ are not required by the claims, and, therefore, the fact that other parties perform these actions does not preclude a finding of direct infringement. By analogy, if a claim for a method of making a telephone call included the limitation: ‘placing a telephone call to a telephone at a second location,’ the fact that the call must first be routed through a switched telephone network, and then eventually to the eventual recipient, would not prevent this claim limitation from being satisfied. Therefore, we conclude SiRF indirectly transmits or communicates the files to the GPS receivers and thereby meets these claim limitations.” *Id.* at 1330.
- 21. -- F. Supp. 2d -- , 2010 WL 3257924 (N.D. Ill. Aug. 13, 2010).
- 22. *Id.* at \*5.
- 23. *Id.* at \*6. See also *Chemfree Corp. v. J. Walter, Inc.*, No. 04-CV-3711-JTC (N.D. Ga. June 18, 2010) (order rejecting argument that end user did not perform step of “providing a parts washer . . .” and finding that by purchasing the parts washer, the end user had “chosen to ‘provide’ a parts washer”).
- 24. See Table I on p. 8.
- 25. 614 F.3d 1367 (Fed. Cir. 2010).
- 26. *Id.* at 1380-81.
- 27. 2010 U.S. Dist. LEXIS 47290 (N.D. Cal. May 13, 2010).
- 28. *Id.* at \*7-9, \*21.
- 29. *Id.* at \*9, \*21.
- 30. 586 F. Supp. 2d 924, 930 (N.D. Ill. 2008).
- 31. *Id.* at 932-33.
- 32. *Id.*
- 33. *Id.*
- 34. *Id.* at 933.
- 35. *Id.*
- 36. See Table II on p. 9.
- 37. 614 F.3d 1367, 1382-83.
- 38. *Id.* at 1382 (quoting Maj. Op. at 8).
- 39. *Id.* at 1383.
- 40. *Id.*
- 41. 498 F.3d 1373, 1381 (Fed. Cir. 2007).
- 42. *Id.*

**Table I**

Case	Sufficient Direction or Control
<b>1st Circuit</b>	
<i>Akamai Technologies, Inc., et al. v. Limelight Networks, Inc.</i> , 614 F. Supp. 2d 90 (D. Mass. 2009)	No
<b>2nd Circuit</b>	
<i>Travel Sentry, Inc. v. Tropp</i> , No. 06-CV-6415 (ENV)(RLM), 2010 U.S. Dist. LEXIS 94137 (E.D.N.Y. Sept. 10, 2010)	No
<i>Desenberg v. Google, Inc.</i> , No. 08 Civ. 10121, 2009 U.S. Dist. LEXIS 66122 (S.D.N.Y. July 30, 2009)	Dismissed complaint for failure to state a claim as it did not allege sufficient direction or control
<b>3rd Circuit</b>	
<i>Gammino v. Cellco P'ship</i> , 527 F. Supp. 2d 395 (E.D. Pa. Oct. 4, 2007)	No
<b>4th Circuit</b>	
<i>Netscape Commc'ns Corp. v. Valueclick, Inc.</i> , 684 F. Supp. 2d 699 (E.D. Va. 2010)	Undecided
<b>5th Circuit</b>	
<i>Epicrealm Licensing, LP v. Franklin Covey Co.</i> , 644 F. Supp. 2d 806 (E.D. Tex. 2008)	No

<i>PA Advisors, LLC v. Google, Inc.</i> , No. 2:07-cv-480 (RRR), 2010 U.S. Dist. LEXIS 28500 (E.D. Tex. Mar. 11, 2010)	No
<i>Emtel, Inc. v. Lipidlabs, Inc.</i> , 583 F. Supp. 2d 811 (S.D. Tex. 2008)	No
<b>7th Circuit</b>	
<i>Qwest Corp. v. Centillion Data Sys., LLC</i> , No. 1:04-cv-73-LJM-WTL, 2008 U.S. Dist. LEXIS 18707 (S.D. Ind. Mar. 10, 2008)	No
<i>Fisher-Barton Blades, Inc., v. Blount, Inc.</i> , 584 F. Supp. 2d 1126 (E.D. Wis. 2008)	No
<b>8th Circuit</b>	
<i>The Friday Group v. Ticketmaster</i> , No. 4:08CV01203 JCH, 2008 U.S. Dist. LEXIS 100529 (E.D. Mo. Dec.12, 2008)	No
<i>Advanced Software Design v. Fiserv</i> , 650 F. Supp. 2d 924 (E. D. Mo. 2009)	No
<b>9th Circuit</b>	
<i>Medtronic, Inc. v. AGA Med. Corp.</i> No. C-07-0567 MMC, 2009 U.S. Dist. LEXIS 36168 (N.D. Cal. Apr. 28, 2009)	No
<i>Ormco Corp. v. Align Tech., Inc.</i> , 609 F. Supp. 2d 1057 (C.D. Cal. 2009)	Undecided
<i>Phoenix Solutions, Inc. v. The DirecTV Group, Inc.</i> , No. CV 08-984 MRP (SSx), 2009 U.S. Dist. LEXIS 114977 (C.D. Cal. Nov.23, 2009)	No
<i>Privasys, Inc., v. Visa Int'l</i> , No. C 07-03257 SI, 2007 U.S. Dist. LEXIS 86838 (N.D. Cal. Nov. 14, 2007)	Yes
<i>Katz Tech. Licensing, L.P. v. The DirecTV Group, Inc.</i> , No. 07-ML-1816-B-RGK (FFMx), 2009 U.S. Dist. LEXIS 72134 (C.D. Cal. May 1, 2009)	Undecided
<i>Zinus, Inc. v. Simmons Bedding Co.</i> , No. C 07-3012 PUT, 2008 U.S. Dist. LEXIS 30791 (N.D. Cal. Mar. 11, 2008)	Yes
<i>Keithley v. The Homestore.Com, Inc.</i> , 636 F. Supp. 2d 978 (N.D. Cal. 2008)	No
<b>11th Circuit</b>	
<i>Global Patent Holdings, LLC v. Panthers BRHC LLC</i> , 586 F. Supp 2d 1331 (S.D. Fla 2008)	No
<i>McKesson Information Solutions LLC v. Epic Sys.Corp.</i> , No. 1:06-CV-2965-JTC, 2009 U.S. Dist. LEXIS 88158 (N.D. Ga. Sept. 6, 2009)	No