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Fed. Circ. Joint Infringement Ruling Could Expand Liability

By **Ryan Davis**

Law360, New York (December 21, 2017, 8:04 PM EST) -- The expansive view taken in a recent Federal Circuit decision about when multiple parties can be found to have infringed a patent together could lead to greater liability for joint infringement, attorneys say, and likely means such decisions will have to be made by jurors, not judges.

In a decision Tuesday, the appeals court vacated a district judge's decision to grant summary judgment of noninfringement to lockmaker Travel Sentry Inc., and said that the company may be liable for jointly infringing a lock patent with the Transportation Security Administration.

Travel Sentry makes "dual-access" luggage locks that can be opened by the owner and by TSA workers who use the company's master keys to screen bags. The Federal Circuit said the relationship could be sufficient to find that the company and the agency jointly infringed patents asserted by rival lockmaker Safe Skies LLC, since they each perform some steps of the patents.

The panel relied on the court's 2015 en banc decision known as Akamai, which held that joint infringement can be found when one party "conditions participation in an activity or receipt of a benefit" on another party performing some steps of a patent and "establishes the manner or timing of that performance."

The Akamai decision made it less difficult to prove joint infringement, which could previously be found only when the allegedly infringing parties had a contractual relationship or other close ties, but the Travel Sentry ruling may have potentially expanded liability even further, attorneys say.

"I think this decision is definitely breaking new ground. The court's read here seems so much broader to me," said Mark Scarsi of Milbank Tweed Hadley & McCloy LLP.

The benefits that TSA got from using the keys and Travel Sentry's control of the agency's activities are "pretty weak here," suggesting ways for patent owners in future cases to make creative arguments that multiple actors without close ties jointly infringe patents, Scarsi said.

"This case is going to make it much easier for plaintiffs lawyers to argue divided infringement," he said. "You don't need that much control or that much direction, and you don't even need a firm contractual relationship."

Moreover, the holding that the district judge was wrong to resolve the issue on summary judgment will likely discourage lower courts from making such rulings, leaving decisions on joint infringement to juries.

"As long as the patent owner can come forth with specific facts to show there is a joint infringement issue, that's likely enough to survive summary judgment," said Brad Luchsinger of Harness Dickey & Pierce PLC.

In the Akamai case, the Federal Circuit found that accused infringer Limelight Networks Inc. jointly infringed Akamai Technologies Inc.'s patent on delivering web content with its customers because Limelight conditioned the customers' use of a content delivery network on their performance of certain steps.

The Federal Circuit has since applied that ruling to drug patents, finding that Teva Pharmaceutical Industries Ltd. jointly infringed an Eli Lilly and Co. patent because doctors administer one vitamin in the drug and patients self-administer another under the direction of doctors, who can decline treatment if patients don't comply.

The arrangement between Travel Sentry and the TSA, where the agency agreed to use the company's master keys to open luggage, seems somewhat removed from the scenarios in those other cases, since the benefits the TSA receives and the direction Travel Sentry provides the agency are less clear-cut, attorneys say.

The Federal Circuit said that the benefit the TSA received from its arrangement with Travel Sentry was that it didn't have to cut the locks off travelers' bags to conduct security screenings and that Travel Sentry directs or controls the agency's actions by providing the keys and training on how to use them.

The court's definition of both a benefit and control is quite broad, said Charan Brahma of Troutman Sanders LLP, who noted that at a high level, a lock company can't really be said to direct the actions of a government agency. The court's reasoning could be used by patent owners to argue for joint infringement liability in other scenarios, he said.

"This decision should be pretty concerning to alleged infringers, particularly those in industries where this typically comes up," he said, noting that high-tech and pharmaceutical products often involve multiple actors performing some steps of a patent.

The Akamai ruling appeared to suggest more concrete benefits and control than were present in the Travel Sentry case, Scarsi said, so "this decision seems to really give enough wiggle room so that anytime two parties are working together as one enterprise, you can find joint infringement."

He noted the ruling could also encourage patent owners to argue that their patents are directly infringed by multiple actors, rather than alleging that one party induced or contributed to another's infringement, since those scenarios are more difficult to prove and require knowledge of the patent.

Other attorneys said the decision was itself less of a broadening of an infringement liability than a recognition of how the Akamai standard had changed the rules for joint infringement.

"It could be considered an expansion, but I'm not really sure it is," said John Campbell of McKool Smith PC. "The court really took the same test it established in Akamai and followed the same two prongs to the letter."

The decision is a recognition that the situations found in the Akamai and Eli Lilly cases "aren't the limit of what fits the two-prong test" of providing a benefit and establishing performance, he said.

Luchsinger of Harness Dickey said that the decision "is just a natural progression" from the earlier rulings, and the fact that the court just vacated a grant of summary judgment means that "this decision does not necessarily blow the doors open on joint infringement."

By ruling that summary judgment was not appropriate, the Federal Circuit is just saying that it's not clear that under these facts, joint infringement could never be found, Brahma said.

After numerous U.S. Supreme Court rulings that have rebuked the Federal Circuit for creating bright-line rules, the court may have been trying to avoid doing that in this case and to ensure that all the facts are weighed by a jury before a decision is made, he said.

The appeals court did not hold that Travel Sentry and the TSA did jointly infringe, and on remand, "you could easily see a jury saying there's not really the direction or control required here," Brahma said.

If there is uncertainty about whether the Travel Sentry actually expanded joint infringement liability, attorneys said the court made it quite clear that it is not an issue for judges to decide on summary judgment.

"The court said this issue is a fact-based inquiry and context is key," Scarsi said. "That makes it difficult to imagine that a district court will grant summary judgment, which is huge."

Prior to the Akamai ruling, joint infringement cases were often stopped on summary judgment, he noted, since if there was no close, controlling relationship between the parties performing the steps of the patent, "it was game over." With a broader range of scenarios where joint infringement can now be found, that's no longer the case.

Given the importance of the rules for finding joint infringement, and the fact that the panel took a broader view than is evident from the en banc Akamai ruling, this week's ruling may not be the last word, Scarsi said.

"I can certainly see this going en banc," he said. "We've got three judges interpreting an en banc decision without any equivocation. I can see members of the en banc panel thinking, 'This isn't what I intended the decision to mean.'"

The case is Travel Sentry Inc. et al. v. David Tropp, case number 16-2386, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Katherine Rautenberg and Breda Lund.