

Providing Conditions May Help Establish Patent Infringement

By David Gorski / Jan 08, 2018

In *Travel Sentry, Inc. v. David Tropp* (Fed. Cir. 2017), the Federal Circuit clarified two or more parties can commit patent infringement of a method patent if one of the parties is conditioning the other(s).

This ruling may open the doors for patent holders to succeed in infringement cases against parties that appeared to be performing only part of a claimed method, which were previously assumed to be out of reach due to the historical limits on divided infringement. For potential defendants, greater care may be required to ensure that method steps performed by associated entities are not attributed to the defendants.

When the Supreme Court last visited the topic of induced patent infringement in *Limelight v. Akamai* (134 S.Ct. 2111 (2015)), the Court clearly decided that induced infringement cannot occur in the absence of direct infringement. However, the Court also provided the Federal Circuit with the opportunity to revisit the scope of what constitutes “direct infringement” by multiple parties (herein “divided infringement”) on remand. On December 19, 2017, the Federal Circuit did just that with its opinion in *Travel Sentry*.

Before *Travel Sentry*, it was largely believed that divided infringement of a method patent claim under 35 U.S.C. §271(a) could occur when:

- one party directs or controls the performance of one or more other parties or
- multiple parties form a joint enterprise such that the joint enterprise controls the performance of the steps of the method.

This rationale was often referred to as the “mastermind” premise because one entity ultimately directed or controlled the performance of all of the method steps.

The Federal Circuit had previously addressed divided infringement on remand in *Akamai v. Limelight* (Fed. Cir. 2015) (en banc) (*Akamai V*), but the federal court in the Eastern District of New York reached a different conclusion resulting in the *Travel Sentry* appeal.

In *Travel Sentry*, the subject of the case was the alleged infringement of methods claimed in two patents for improving airline luggage inspection. The methods include multiple steps, and as implemented by *Travel Sentry*, some of these steps were performed by *Travel Sentry* and some were performed by the Transportation Security Administration (TSA). Thus, no single party performed all of the steps of the claimed methods. The district court granted summary judgment to *Travel Sentry* reasoning that there was no infringement because no single party performed all of the steps. The Federal Circuit disagreed, vacated the summary judgment, and remanded the case.

Here the Federal Circuit emphasized that divided infringement under §271(a) is broad enough to include situations where one party “conditions” the steps performed by another party, echoing its previous statements in *Akamai V* (“direct infringement occurs where all steps of a claimed method are attributable to a single entity.”). However, this ruling does not mean that all steps are attributable to a single entity only when one party directs or controls another or a joint enterprise is performing the method.

The Federal Circuit indicated that summary judgment was not appropriate because the district court had not determined whether the acts of TSA were attributable to *Travel Sentry*. Where there are multiple parties performing method steps, “a court must determine whether the acts of one are attributable to the other such that a single entity is responsible for the infringement”. Thus, a question of fact remained unresolved.

The Federal Circuit reasoned that divided infringement could have occurred even though no single party performed the claimed method steps because a reasonable jury may conclude that *Travel Sentry* and TSA constitute a single actor for the purposes of direct infringement. *Travel Sentry* and TSA had a Memorandum of Understanding (MOU) outlining how TSA could use *Travel Sentry*’s dual lock system to speed up luggage inspections and providing TSA with master keys for the inspection locks. TSA was under no obligation to perform the steps to use the system, and *Travel Sentry* had no control over the TSA. However, to receive the benefit of the use of the system, TSA would need to follow the steps outlined in the MOU including some of the steps allegedly in the patent methods.

The Federal Circuit pointed out that infringement liability could be found when an alleged infringer “conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method” and “establishes the manner or timing of that performance.” (citing *Akamai V*, 797 F.3d 1020, 1023). Thus, there could be “evidence that a third party hoping to obtain access to certain benefits can only do so if it performs certain steps identified by the defendant, and does so under the terms prescribed by the defendant.”

Conditioning does not require a legal obligation such as a contract or a technical prerequisite. Instead, conditioning can occur when a first party defines the steps for a second party that would be necessary to perform if the second party wished to receive the benefits of the product. Since TSA was performing the steps outlined by *Travel Sentry*, TSA and *Travel Sentry* could be construed as having formed a single actor capable of directly infringing the claimed methods.

As a matter of practice, one should be wary of dividing a patented method between parties based upon the assumption that multiple entities performing a method is automatically non-infringing. Conversely, if the novel method can be performed by more than one entity, then it may be difficult to obtain an enforceable method patent without further examination of how the entities interact with one another.