Client Alert: New Patent Infringement Decision Could Pose Problems for E-Commerce Business

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Michael J. Garvin

William H. Oldach III

Mark A. Watkins

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In August, the United States Court of Appeals for the Federal Circuit, the federal appellate court with national jurisdiction over patent lawsuits, issued its decision in *Limelight Networks, Inc. v. Akamai Technologies, Inc*. That decision has significantly broadened the circumstances under which a patent holder can prove that a patent is infringed through so-called "joint infringement," where more than one entity performs the steps of a "method" claim of a patent. In a method claim of a patent, the claim is practiced through performing different steps. For example:

- A method for prioritizing a server's responses to HTTP requests received via a computer network from a client, the method comprising:
- receiving notice of an HTTP request of the client; and
- transmitting the one or more data packets based on a predefined flow discipline.

Prior to *Limelight*, the Federal Circuit had held that a method claim can ordinarily only be infringed if a single actor performs each step of the claim.

In *Limelight* the court liberalized the infringement rule, holding that an entity who performs some steps of a method claim can be responsible for another's performance of the other steps under at least two circumstances: (1) where the first entity directs or controls the other's performance, or (2) where the parties form a joint enterprise. Perhaps more importantly, the court also held that this "direction and control" test can be satisfied, among other ways, "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." In *Limelight*, the court found that this test had been satisfied because (i) Limelight's standard contract conditioned its customers' use of its system on their carrying out two steps of the method claim, and (ii) Limelight had established the manner and timing of its customers' performance of those steps by

providing a welcome letter, step-by-step instructions, installation guidelines, and had made its engineers available for troubleshooting problems. Moreover, the court stated that other circumstances may justify attributing the conduct of one actor to another in determining liability for infringement of method claims.

The *Limelight* decision is significant because many patents directed to e-commerce are based on method claims since e-commerce involves a series of actions via computers and the internet to accomplish business purposes. Most such systems involve interaction among multiple entities, such as the system developer and/or host, the merchant and the customer. Suffice it to say, the circumstances under which the court found that the "direction and control" test had been satisfied in *Limelight* are hardly unusual in e-commerce systems.

For e-commerce systems providers, minimizing potential patent infringement liability may involve designing systems that avoid the "direction and control" test under the liberalized standard for finding infringement in *Limelight*. For companies deploying such systems, it will be important to negotiate solid indemnification obligations from providers and to ensure that the providers have the financial wherewithal to stand behind those obligations. Please feel free to contact a member of Vorys' patent group if we can be of assistance with these issues.