Mitigating Joint Infringement Liability After Del. Patent Ruling

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On June 18, in Midwest Energy Emissions Corp. v. Vistra Energy Corp., the U.S. District Court for the District of Delaware granted a request to dismiss joint infringement allegations based on a joint-enterprise theory after finding that the plaintiffs had failed to adequately allege "an equal right to a voice in the direction of the enterprise, which gives an equal right of control."[1]

Indeed, this equal-right requirement is critical for the joint-enterprise theory of joint infringement. Understanding the requirement — and how to potentially avoid satisfying it — can make all the difference for potential infringers.

By way of background, infringement of a patent method claim generally requires that a single entity perform all steps recited in the claim or equivalents thereof.[2] However, a method claim may also be infringed under a joint or divided infringement theory, i.e., where all steps of the claimed method are either performed by or attributable to a single entity.[3]

Thus, "[w]here more than one actor is involved in practicing the 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."[4] Courts "will hold an entity responsible for others' performance of method steps in two sets of circumstances: (1) where that entity directs or controls others' performance and (2) where the actors form a joint enterprise."[5]

Prior to Akamai Technologies Inc. v. Limelight Networks Inc., the direction or control theory of joint infringement had already been viable for several years.[6]

However, the second set of circumstances referenced in Akamai — where the actors form a joint enterprise — was basically new. The U.S. Court of Appeals for the Federal Circuit explained that "where two or more actors form a joint enterprise, all can be charged with the acts of the other, rendering each liable for the steps performed by the other as if each is a single actor."[7]

The court cited the Restatement (Second) of Torts for the proposition that "[t]he law ... considers that each is the agent or servant of the others, and that the act of any one within the scope of the enterprise is to be charged vicariously against the rest."

For a joint enterprise to exist for purposes of joint infringement, courts require proof of four elements:

> (1) an agreement, express or implied, among the members of the group; (2) a common purpose to be carried out by the group; (3) a community of pecuniary interest in that purpose, among the members; and (4) an equal right to a voice in the direction of the enterprise, which gives an equal right of control.[8]

If the court finds a joint enterprise, then each member of the enterprise is "liable for the steps performed by the other, as if each is a single actor."[9]

Thus, unlike the direction or control theory of joint infringement, the joint-enterprise theory of joint infringement does not require that any single entity perform, direct and/or control each and every step of the claimed method. Rather, if the joint enterprise as a whole performs each and every step of the claimed method, then each member of the joint enterprise is liable for direct patent infringement.[10]

Based on the limited case law so far, it appears that a viable way to avoid liability for joint infringement as a joint enterprise may be to ensure that there is no "equal right to a voice in the direction of the enterprise, which gives an equal right of control" as required by the fourth element of the Federal Circuit's test.

For example, courts have found that the fact that all parties to an agreement merely participate in the enterprise is insufficient to show "an equal right to a voice in the direction of the enterprise, which gives an equal right of control."[11]

In CBA Environmental Services Inc. v. Toll Brothers Inc., multiple parties agreed to work together to remediate the soil on certain real estate properties. However, one of these parties, unlike the others, lacked any oversight authority over the joint project. The court therefore found that the parties lacked equal control over the project.[12] Accordingly, there was no joint enterprise for purposes of joint infringement liability.[13]

Similarly, where a defendant only provided technology to another defendant and instructed the second defendant how to use the technology, a court found insufficient evidence of an equal voice in the direction of the enterprise.[14] In finding a lack of a joint enterprise, the U.S. District Court for the Northern District of Illinois in Sonrai Systems LLC v. AMCS Group Inc. found it compelling that defendant AMCS did not have "an equal voice in the conduct of [defendant] Lakeshore's use of the technology."[15]

The court noted that:

> [p]erhaps AMCS exercised more control than is alleged, such as the right to revoke the technology if certain conditions were not met. Without such allegations, however, the fact that AMCS simply provided the technology falls short of the control over Lakeshore that is required to substantiate a joint infringement theory.[16]

On the other hand, courts have found the fourth element of the joint-enterprise test satisfied where multiple parties needed to work together to promote the interoperability of components produced by the parties independently.[17]

In Shure Inc. v. ClearOne Inc., the Northern District of Illinois found that, in order to satisfy the test, the parties did not necessarily need to be found to exercise control over each other.[18] Rather, the issue was whether the parties "both controlled their shared enterprise."[19] In Shure, each party "had control over the decision whether to make their products compatible, and could have opted out of the compatibility efforts at any time."[20]

Thus, based on this fact and others, the court found "an equal right to a voice in the direction of the enterprise, which gives an equal right of control."[21] The analysis in Shure appears consistent with the court's comment in Sonrai that joint infringement liability might have existed there if the accused infringer had had "the right to revoke the technology if certain conditions were not met."

Based on this guidance, one potential way to avoid liability under a joint-enterprise theory

of joint infringement may be to structure an agreement such that there is an expressly unequal right to a voice in the direction of the enterprise.

For example, if the agreement allowed one party or the other — but not both — to back out of the agreement at any time, that would tend to support the idea that there is no equal right of control in any potential joint enterprise because only one side would have the legal right to dissolve the alleged joint enterprise.[22]

Similarly, if the agreement required one side to provide goods or services for a certain period of time but did not require the other side to use any of the goods or services, that might support a lack of joint enterprise because the parties would arguably lack an equal right to a voice in the direction of the shared enterprise.

Given the new risk of patent infringement for joint enterprises post-Akamai, parties should consider the approaches discussed above — and others based on their particular circumstances — in order to mitigate the risk. If an agreement can be structured such that there is a clear lack of "an equal right to a voice in the direction of the enterprise, which gives an equal right of control," that may avoid liability under the joint-enterprise theory because the fourth element of the Federal Circuit's test would not be satisfied.

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[1] Midwest Energy Emissions Corp. v. Vistra Energy Corp., 2020 U.S. Dist. LEXIS 107329, at *27-31 (D. Del. June 18, 2020).

[2] See Akamai Techs., Inc. v. Limelight Networks, Inc., 797 F.3d 1020, 1022 (Fed. Cir. 2015) (en banc).

[3] Id.

[4] Id.

[5] Id.

[6] See, e.g., BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373, 1381-82 (Fed. Cir. 2007).

[7] Akamai, 797 F.3d at 1023.

[8] Akamai, 797 F.3d at 1023.

[9] Id.

[10] See id.

[11] See CBA Envtl. Servs. v. Toll Bros., 2019 U.S. Dist. LEXIS 127244, at *30 (D.N.J.

Jul. 31, 2019).

[12] Id., at *30-32.

[13] Id.

[14] Sonrai Sys., LLC v. AMCS Grp. Inc., 2017 U.S. Dist. LEXIS 159450, at *17-18 (N.D. Ill. Sep. 27, 2017).

[15] Id., at *18.

[16] Id.

[17] See Shure, Inc. v. ClearOne, Inc., 2018 U.S. Dist. LEXIS 43247, at *28-29 (N.D. Ill. Mar. 16, 2018).

[18] Id.

[19] Id. See also Raptor, LLC v. Odebrecht Constr., Inc., 2018 U.S. Dist. LEXIS 16696, at *20 (S.D. Fla. Jan. 31, 2018) ("the Court agrees with Plaintiffs it is possible for two entities to have an equal right of control over a project without one entity having control over the other.").

[20] Id.

[21] Id., at *28-29.

[22] Cf. Shure, 2018 U.S. Dist. LEXIS 43247, at *28-29; Sonrai, 2017 U.S. Dist. LEXIS 159450, at *17-18.