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DC CLIENT ALERT

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FEDERAL CIRCUIT EXPANDS DIRECT PATENT INFRINGEMENT LIABILITY

By Scott A.M. Chambers, Ph.D. and Caroline C. Maxwell

On August 13, 2015, the Court of Appeals for the Federal Circuit, sitting en banc, made new law on multi-actor infringement in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, expanding liability under 35 U.S.C. § 271(a). The opinion is available here.

The Court's ruling reinstates a 2008 jury verdict finding Limelight liable for infringement, awarding Akamai over $45 million in damages. The verdict, which was overturned in a post-trial ruling, has been subject to years of appellate proceedings. In June 2014, the Supreme Court held that Limelight could not be liable for indirect infringement under 35 U.S.C. § 271(b) because there was no finding of direct infringement. Where the accused party performed some of the steps of the method patent, with the remaining steps performed by another party, inducement is not a viable legal theory. The Supreme Court declined to review the scope of direct infringement in multi-actor scenarios, remanding the case and noting that "the Federal Circuit will have the opportunity to revisit the Section 271(a) question if it so chooses."

On remand, a divided Federal Circuit panel held that Limelight did not directly infringe under § 271(a). The panel majority found that Limelight did not perform all the steps of the claimed method, and the practice of all of the steps could not be attributed to Limelight because there existed no agency or contractual relationship, nor a joint enterprise, between Limelight and its customers.

Akamai petitioned for rehearing of the decision by all of the Court's judges. The Court granted rehearing and vacated the panel decision.

In its opinion, the Federal Circuit expanded the scope of direct infringement under § 271(a) in situations where all the steps of a claimed method are not being performed by a single party. The Court found that in multi-party scenarios, direct infringement "is not limited solely to principal-agent relationships, contractual arrangements, and joint enterprise, as the vacated panel decision held." The Court set forth additional acts that may confer liability:

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> We conclude, on the facts of this case, that liability under § 271(a) can also 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. *Cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005) (stating that an actor "infringes vicariously by profiting from direct infringement" if that actor has the right and ability to stop or limit the infringement). In those instances, the third party's actions are attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement. Whether a single actor directed or controlled the acts of one or more third parties is a question of fact, reviewable on appeal for substantial evidence, when tried to a jury.

Applying this standard to the facts of the case, the Court held that Limelight directed or controlled the method steps performed by its customers, such that all steps of the method claim were attributable to Limelight, rendering it liable for direct infringement. This holding vacated all earlier precedent that limited § 271(a) to principal-agent relationships, contractual arrangements, and joint enterprise, expanding direct infringement liability in multi-actor scenarios.

Porzio, Bromberg & Newman represented the Biotechnology Industry Organization in filing an amicus curiae brief in support of Akamai's petition for rehearing.

FDA ISSUES WARNING LETTER FOR KARDASHIAN SOCIAL MEDIA POSTS PROMOTING DRUG

By Richard J. Oparil

The Food and Drug Administration (FDA) has issued a warning letter to the maker of an anti-morning sickness drug endorsed by Kim Kardashian in Instagram and Twitter posts. The warning letter is available here.

Kardashian posted a picture of herself with a bottle of Diclegis and wrote that:

> OMG. Have you heard about this? As you guys know my #morningsickness has been pretty bad. I tried changing things about my lifestyle, including my diet, but nothing helped, so I talked to my doctor. He prescribed me #Diclegis, I felt a lot better and most importantly, it's been studied and there was no increased risk to the baby.

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The FDA sent a warning letter to the drug maker, Duchesnay, Inc., complaining that Kardashian's social media posts failed to mention any risks associated with the medicine. The FDA wrote that: "The social media post is false or misleading in that it presents efficacy claims for Diclegis, but fails to communicate any risk information associated with its use and it omits material facts. Thus, the social media post misbrands Diclegis within the meaning of the Federal Food, Drug, and Cosmetic Act (FD&C Act) and makes its distribution violative. These violations are concerning from a public health perspective because they suggest that Diclegis is safer than has been demonstrated."

The FDA's letter also said the "the social media post is misleading because it fails to provide material information regarding Diclegis' full approved indication, including important limitations of use. Specifically, it fails to convey that Diclegis has not been studied in women with hyperemesis gravidarum."

The FDA asked Duchesnay to discontinue the use of the social media posts and to provide an action plan "to disseminate truthful, non-misleading, and complete corrective messages about the issues" raised in the warning letter.

We would point out that the social media posts do not indicate whether Kardashian was paid to endorse the product. The FTC requires that endorsers of a product must disclose if they are connected in some way to the manufacturer of that product. In 2013, the FTC released Guidelines that marketers have to apply the same full disclosure standards for Twitter and other social media that govern traditional media.