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Method Claiming in the United States: The Who, What, and Where of Enforcement

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Patent-eligible subject matter in the United States is defined by statute to include "any new and useful process, machine, manufacture, or composition of matter".[1] The first of these categories has garnered an unusual amount of attention in recent years in the wake of the U.S. Supreme Court's decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*.[2] So-called business methods, which broadly fall into the statutory category of processes, are one of the primary types of subject matter becoming increasingly ineligible for patent protection under §101 jurisprudence. With inventors, patent owners, practitioners, courts, and the Patent Trial and Appeal Board at the USPTO so focused on trying to delineate the threshold that separates an abstract idea from a patent-eligible idea, it is easy to forget that patent eligibility is not the only area of the law under which method claims receive special treatment, particularly in the United States.

Legal doctrines aside, method claims, by their nature, present special problems with enforcement by patent owners. Because these types of patent claims protect a particular manner or way of doing something, they present inherent evidentiary problems that product or composition claims normally do not. For example, a patent owner may find it difficult to know when its patented method of making a product is being performed without permission if the method is performed behind the closed doors of a competitor's factory. This is in contrast to the relative ease of detecting when a patented product is being made, used, sold, or imported. In the case of product claims, a physical item usually exists and can likely be analysed for comparison to the patent claims – if the product in question is present in the United States and includes all of the elements recited in the claim, the patent owner is immediately aware of the existence of an infringing product.

Enforcement of method claims becomes even more complex when individual steps of the method are performed in different locations or by different entities. Patent owners and practitioners are wise to consider these issues when drafting and prosecuting method claims or evaluating the scope of a potential adversary's method claims. This is particularly true in today's global marketplace. With trade accounting for about 20% of U.S. GDP,[3] it is important to recognise implications involved when all or parts of manufacturing methods are performed abroad. For example, is a U.S. patent directed to a method of manufacturing infringed if the product manufactured by that method is imported into the U.S. from China, with various subcomponents being manufactured in other East Asian countries? And if so, where does infringement lie? This is only one realistic hypothetical scenario in which method claims present additional questions of who, what, and where that are not always posed with other types of patent claims.

Watch *Where* You're Stepping

When it comes to infringement of method claims, the location of performance of each recited step of the method matters. Under the direct infringement provisions of 35 U.S.C. § 271(a), courts have strongly suggested that method claims can only be infringed under the "use" prong – thus, to show infringement, a patentee must show that an accused process is used in the U.S.[4] "[A] process cannot be used 'within' the United States . . . unless each of the steps is performed within this country."[5] In *NTP, Inc. v. Research In Motion, Ltd.*, the Federal Circuit drew a line between system and method claims, citing *In re Kollar* for the premise that there is a "distinction between a claim to a product, device or apparatus, all of which are tangible items, and a claim to a process, which consists of a series of acts or steps. . . . [A process] consists of doing something, and therefore has to be carried out or performed".[6] NTP asserted infringement of various system and method claims relating to wireless transmission of emails for mobile devices.[7] The defendant (RIM) successfully argued that, as a matter of law, there was no direct infringement of NTP's method claims under section 271(a) since emails were relayed through Canada.[8] Further, given that one of the method steps was performed extraterritorially, at least in part, there could be no contributory or induced infringement since there was no direct infringement.[9] The court held that given the action-based, step-by-step nature of process claims, if one step is performed outside of the U.S., liability for direct infringement under 271(a) can be avoided, and accordingly, liability for contributory or induced infringement can also be avoided.[10]

The *NTP* decision further highlights how a seemingly subtle difference between a system claim and a method claim can lead to a stark difference in the outcome on the question of infringement: RIM was found to infringe NTP's closely related system claims, even though a part of the accused system was located in Canada.[11] The court found that the infringing activity was "use" of the system by RIM's customers to retrieve emails from the system, and that this use occurred in the United States, regardless of the location of individual system components. In terms of claim language, the system claims required an "interface switch" from which certain information is transmitted to an RF network, while the method claims required the step of "transmitting" the same information to the RF network. Because RIM's alleged interface switch was located outside the United States, the method step of transmitting was performed outside the United States, and the method was not infringed. NTP was fortunate to have pursued claims to a system that was capable of performing its patented method.

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What Can You Make of This?

Hope is not all lost for patentees seeking to enforce method claims when a product is wholly or partially manufactured extraterritorially. Section 271(g) provides for infringement liability when a product made by a process patented in U.S. is used, sold, or offered for sale in the U.S.[12] This section of the U.S. patent infringement statute was part of the Process Patents Amendments Act of 1988 and "was enacted to prevent infringers from avoiding United States patent laws by practicing a patented method in another country and then importing the resulting product into the United States".[13] Section 271(g) has two important caveats, however, and will not allow a patentee to enforce just any method claims. First, method claims asserted under section 271(g) must be directed to a process of making a product.[14] Parties have avoided infringement by arguing that the asserted claims were directed to methods related only to an exchange of information, not the manufacture of a product.[15] Further, methods of testing or refining a particular product may not be covered by section 271(g). In *Momenta Pharmaceuticals, Inc. v. Teva Pharmaceuticals USA Inc.*, the Federal Circuit held that a method of analysing a pharmaceutical sample was not a product "'made by' a patented process within the meaning of § 271(g)".[16] The court described that "the ordinary meaning of 'made' as used in § 271(g) means 'manufacture,' and extends to the creation or transformation of a product, such as by synthesizing, combining components, or giving raw materials new properties".[17] The court relied heavily on *Bayer AG v. Housey Pharmaceuticals Inc.*, in which the Federal Circuit held that "processes of identification and generation of data are not steps in the manufacture of a final drug product".[18]

As opposed to information transmission methods or methods of analysing products, claims directed to methods of use or methods of making a digital product may be able to survive this scrutiny under section 271(g). Method of use claims may be asserted under section 271(g) if the use constitutes significant steps in the manufacture of the product.[19] And, in contrast to methods involving the transmission of information, methods that involve making a digital product, such as an electronic catalog or a three-dimensional model, may be considered a product "made by" a patented process.[20]

A second caveat under section 271(g) involves a limited definition of "product", in which liability may be avoided if the product "is materially changed by subsequent processes" or if the product "becomes a trivial and nonessential component of another product".[21] One strategy which may be used to avoid falling into this 271(g) exception involves providing examples of how a method may be used in the specification, including the types of end products the method is capable of producing. In *OKI America, Inc. v. Advanced Micro Devices, Inc.*, imported semiconductor chips, which were allegedly processed using the patentee's method of cleaning wafer edges, were the subject of section 271(g) litigation.[22] The alleged infringer argued that the product (i.e., a cleaned wafer edge) is not directly involved in the fabrication or manufacture of a product.[23] And further, numerous other wafer processing steps required for manufacture would constitute a material change.[24] The court disagreed, holding that because the patent was directed to the production of a debris-free device, the claimed method of cleaning wafer edges could be asserted under section 271(g).[25]

Notably, because claims to methods of making a product are generally written to recite a series of process steps, they do not necessarily include all of the structural, spatial, or functional limitations of a corresponding product claim, particularly in the United States where a claimed product and a corresponding method of making the product are regularly treated as separate inventions under U.S. restriction practice. At least in theory, this means that the characteristics of the imported product, the sale or use of which is the act of infringement, could be less defined than in a patentable product claim – i.e., as long as that product is made by the patented method, its use or sale in the U.S. could constitute infringement under section 271(g).

*Who*dunnit?

Yet another question that is more complex in the realm of method claims is the question of who the infringer is. While this question is of course important with product claims, at least to identify the party or parties responsible for providing the patent owner with relief from the harm of infringement, direct infringement under section 271(a) can be more difficult to prove when multiple actors separately perform different steps of a patented method. For instance, if one entity performs some of the steps of a patented method, and another different entity performs the remaining steps of the patented method, has the patent been infringed? Presumably, someone has benefited from the completed performance, but neither entity actually performed the entire method.

This very quandary was played out in a decade-long battle between Akamai Technologies and Limelight Networks, culminating in an *en banc* opinion from the Federal Circuit.[26] Throughout the dispute, defendant Limelight admitted that all of the steps of Akamai's patented method were performed. However, at least one of the steps of the patented method was not actually performed by Limelight; rather, it was performed by various individual customers who had purchased Limelight's services.[27] Akamai sought to attribute those customers' actions to Limelight, but Limelight maintained that the customers were acting independently, not under any contractual obligation or any other direction or control by Limelight.[28] Along the way, the U.S. Supreme Court decided that section 271(b) could not be invoked to hold Limelight liable for infringement under a theory of inducement because, even if Limelight literally induced its customers to perform the missing method step, Limelight clearly did not induce its customers to directly infringe under section 271(a) since the customers only performed one step of a multi-step method.[29] This essentially confirmed the long-understood rule that direct infringement must be found under section 271(a) for secondary liability under sections 271(b) or 271(c) to lie.[30]

In the end, Limelight was held accountable for its customers' performance of the method step at issue under a somewhat broadened rule for what constitutes directing or controlling the actions of another entity in the context of method claims.[31] The *Akamai* court finally concluded 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… 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".[32] This updated standard for when one actor's actions are attributable to another appears to be designed to give courts more fact-specific latitude to hold an accused infringer liable when a third party performs a step of a patented method left unperformed by the accused infringer.

To date, there are few examples from the Federal Circuit of the types of behaviour considered to meet the new standard for attribution. In *Akamai*, performance of the missing method step was attributed to Limelight because the customers' use of the Limelight service was conditioned on performance of the step, and Limelight instructed customers how to perform it.[33] In a post-*Akamai* Federal Circuit decision, the actions of a patient in performing the step of "administering" a folic acid pretreatment were attributed to a physician who performed the remaining steps of a patented method.[34] In that case, the physician had conditioned

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the patient's subsequent medical treatment on self-administering the folic acid pretreatment and had established the manner and timing by instructing the patient on when and how much folic acid to take.[35] The Federal Circuit has explicitly indicated that the new standard is applicable to "other factual scenarios" not yet encountered.[36]

Whether to Address or Avoid the Questions that Arise with Method Claims

What are practitioners and patent owners to do with all of the additional questions posed by method claims? As always, this depends on which side of the courtroom you will be. In some cases it is prudent to avoid the additional questions when possible. For the attorney drafting or prosecuting method claims, it could pay to be thoughtful about whether a client's potential competitors will actually perform all of the recited method steps to avoid having to attribute some third party's actions to an accused infringer during subsequent litigation. While the Federal Circuit has effectively broadened liability under *Akamai*, the less tortuous path is careful claim drafting. For the attorney drafting a clearance opinion with respect to a method claim, a client's performance of a single method step beyond the U.S. border can make for quick work. And while some of these doctrines can make method claims seem undesirable, section 271(g) offers enforcement options that effectively extend beyond U.S. borders. In any case, understanding the subtle but important differences between product and method claims is useful.

Endnotes

1. 35 U.S.C. § 101.
2. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 573 U.S. __, 134 S. Ct. 2347 (2014).
3. Pankaj Ghemawat, *Globalization: Myth and Reality*, Harvard Business Review (Feb. 24, 2017), *available at* https://hbr.org/ideacast/2017/02/globalization-myth-and-reality.
4. *Cont'l Circuits LLC v. Intel Corp.*, Case No. CV16-2026 PHX DGC, 2017 WL 679116, at *7 (D. Ariz. Feb. 21, 2017) ("[T]he Federal Circuit has repeatedly declined to decide 'whether method claims can be infringed under the 'sells' and 'offers to sell' prongs' of the provision. *W.L. Gore & Assocs. v. Medtronic, Inc.*, 874 F. Supp. 2d 526, 543 (E.D. Va. 2012). The Federal Circuit has, however, strongly suggested in *dicta* that they cannot. *See NTP*, 418 F.3d at 1320 ("[T]he legislative history of section 271(a) indicates Congress's understanding that method claims could only be directly infringed by use.").").
5. *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005), *abrogated with respect to other grounds by Avid Tech., Inc. v. Harmonic, Inc.*, 812 F.3d 1040 (Fed. Cir. 2016); *see also Home Gambling Network, Inc. v. Piche*, Case No. 2:05-cv-00610-DAE-VCF, 2013 WL 5492568 at *6 (D. Nev. Sept. 30, 2013) (holding that there was no infringement since one of the claimed steps was performed in Costa Rica).
6. *NTP*, 418 F.3d at 1317 (Fed. Cir. 2005) (quoting *In re Kollar*, 286 F.3d 1326, 1332 (Fed. Cir. 2002)).
7. *Id.* at 1287.
8. *Id.* at 1318.
9. *Id.*
10. *Id.* (citing *Zoltek Corp. v. United States*, 51 Fed. Cl. 829, 836 (Fed. Cl. 2002)).
11. *Id.* at 1317.
12. 35 U.S.C. § 271(g).
13. *Lubrizol Specialty Prod., Inc. v. Flowchem LLC*, 165 F. Supp. 3d 534, 540 (S.D. Tex 2016) (citing *Kinik v. Co. v. Int'l Trade Comm'n*, 362 F.3d 1359, 1362 (Fed. Cir. 2004)).
14. 35 U.S.C. § 271(g).
15. *Home Gambling Network, Inc. v. Piche*, Case No. 2:05-cv-00610-DAE-VCF, 2013 WL 5492568 at *6 (D. Nev. Sept. 30, 2013) (holding that section 271(g) was inapplicable because the claims were directed to a method of transmitting information); *NTP*, 418 F.3d at 1323 ("[b]ecause the 'transmission of information,' like the 'production of information,' does not entail the manufacturing of a physical product. . . ."); *Phillip M. Adams & Assocs., LLC v. Dell Computer Corp.*, 519 Fed. Appx. 998, 1005-06 (Fed. Cir. 2013) (non-precedential) (claims directed to motherboard certification testing methods were not covered under section 271(g)).
16. *Momenta Pharmaceuticals, Inc. v. Teva Pharmaceuticals USA Inc.*, 809 F.3d 610, 617 (Fed. Cir. 2015).
17. *Id.* at 616.
18. *Id.* at 617.

    Id. at 616-17 (quoting *Bayer AG v. Housey Pharm., Inc.*, 340 F.3d 1367, 1377 (Fed. Cir. 2003)).
19. *Anvik Corp. v. Sharp Corp.*, Case No. 07-cv-0825 (SCR), 2010 WL 11416949 at *5-*6 (S.D.N.Y. Aug. 11, 2010).
20. *See CNET Networks, Inc. v. Etilize, Inc.*, 528 F. Supp. 2d 985, 992-94 (N.D. Cal. 2007) (denying a motion for summary judgment where the alleged infringer argued that a method for automatically creating an electronic catalogue was not covered under 271(g)); *Ormco Corp v. Align Technology, Inc.*, 609 F. Supp. 2d 1057, 1076 (C.D. Cal. 2009) (denying a motion for summary judgment under 271(g) because a three-dimensional digital representation of teeth could be considered a creation produced by practising each step of a patented process); *McRO, Inc. v. Namco Bandai Games America, Inc.*, 23 F. Supp. 3d 1113, 1121-23 (C.D. Cal. 2013) (an animation may constitute a product made by a method of manufacturing); *but see Yangaroo inc. v. Destiny Media Technologies Inc.*, 720 F. Supp. 2d 1034 (E.D. Wisc. 2010) (distinguishing "a method of creating or manufacturing the digital content that is received in servers and then transmitted to authorized recipients" as in *CNET* or *Ormco* with the asserted "method of distributing content" and holding no infringement under section 271(g)).
21. 35 U.S.C. § 271(g)(1)&(2).
22. *OKI America, Inc. v. Advanced Micro Devices, Inc.*, Case No. C-04-03171 CRB, 2006 WL 27115555 at *12-*15 (N.D. Cal. Sept. 21, 2006).
23. *Id.* at *15.
24. *Id.*
25. *Id.*
26. *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020 (Fed. Cir. 2015).
27. *See*, *e.g.*, *id.* at 1024.
28. *Id.*
29. *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S.Ct. 2111 (2014).
30. *See*, *e.g.*, *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005).
31. *Akamai*, 797 F.3d at 1023 (Fed. Cir. 2015).
32. *Id.*
33. *Id.* at 1024–25.
34. *Eli Lilly and Co. v. Teva Parenteral Medicines, Inc.*, 845 F.3d 1357 (Fed. Cir. 2017).
35. *Id.* at 1365–67.
36. *Akamai*, 797 F.3d at 1023 (Fed. Cir. 2015); *Eli Lilly*, 845 F.3d at 1368 (Fed. Cir. 2017).

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Scott works together with clients to help them identify and protect their intellectual property while respecting the intellectual property of others. Having hands-on work experience across a broad spectrum of fields, from biopolymers and polymer solution chemistry to electric generators and automotive components, he is as at home at a university research symposium as he is on a manufacturing shop floor. With several U.S. and foreign patents to his name, he knows how exciting it can be to be an innovator or a small business owner because he has been both. Scott has been with Reising Ethington since 2007 and has developed expertise in a variety of technologies, including laser-based manufacturing processes, nanomaterials and nanotechnology, microfabricated devices, and automotive components, to name a few. His practice also encompasses other aspects of intellectual property with experience in trademark prosecution, opposition, and litigation, as well as copyright registration and licensing.

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