

## DIVIDE AND CONQUER

### *Handling Claims Involving Multiple-Party Collective Infringement*

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**B**usiness method patents, patents for a way to do business, are the current rage — particularly Internet/networking patents, which relate to computer methods of doing business. Inventors have filed almost 60,000 applications since 2000, with more than 10,000 filed in 2006 alone, according to the Patent and Trademark Office Web site. Many of these patents have issued, and more are in the pipeline.

However, in some instances, more than one unrelated entity may be needed to perform the steps in these patents. For example, a patent may require one computer to transmit data across the Internet and for an independent party to process that data. This type of patent claim would require “divided infringement” since no one entity performs both steps. Can a court find infringement in such situations?

On Sept. 20, 2007, the Federal U.S. Circuit Court of Appeals issued *BMC Resources Inc. v. Paymentech L.P.*, which

analyzed patent claims with multiple steps that, as asserted, required multiple, unrelated participants to infringe collectively, termed “divided infringement.” The *BMC* decision has its roots in the patent statute, 35 U.S.C. §271, regarding direct infringement, which states: “whoever without authority makes, uses, offers to sell, or sells any patented invention . . . infringes the patent.” In the context of method claims, courts have interpreted this to mean a single defendant must perform each and every step of an invention to infringe.

The *BMC* case considered an interesting wrinkle: patent claims where no single entity performs all the steps, i.e., unrelated actors cumulatively perform all the steps of a patent claim. In most instances, such claims are the result of technology evolving beyond a claim drafter’s perception of the invention at the time the patent was written.

In asserting this type of divided claim, BMC attempted to expand the standards for infringement to include the independent actions of multiple entities. As BMC argued in the district court, the defendants would be joint infringers and each would be jointly liable for patent infringement. The

critical ramification of a successful assertion of those claims would be to impose liability on each entity for their participation in a collective act of infringing. Thus, a successful assertion would have allowed BMC to sue a deep pocket that did not perform all of the steps of a patent claim.

In *BMC*, the invention included steps for processing debit transactions. These steps required the com-



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bined actions of multiple entities to infringe. As the court noted, BMC's patent required that "four different parties [each] perform different acts within one claim." The party accused of infringement, Paymentech, simply served as a conduit for data, which was only one step in the invention. Thus, as BMC asserted throughout the litigation, since Paymentech completed one of the steps, it was liable for infringement.

In its ruling, the Federal Circuit refused to expand direct infringement to cover the actions of only one entity in patent

drafter, it is important to draft patent claims with an eye to the actions of a single entity. Take a simple two-step example: 1. A user computer transmits data to a server and 2. the server processes the data. In this situation, two entities perform the steps, a user computer and a server. However, it is possible to restructure the claim such that only the server performs both steps: 1. A server receives data and 2. the server processes the data. For claims pending before the Patent and Trademark Office, it would be worthwhile to consider amending those that fall under the divided infringement rubric of *BMC* to focus on only one entity.

For those that are enforcing these types of patent claims, focus attention on establishing direction or control by one entity with respect to other entities. Establishing such direction or control may meet the "performed or cause to be performed" requirement of direct infringement under

the patent laws. Conversely, those defending against divided infringement should focus on showing no relationship between the parties and no exertion of control by any party.

The Federal Circuit's ruling in *BMC* has effectively rendered useless claims drafted to cover the actions of multiple unrelated entities. Considering the thousands of Internet-based patents filed over the past few years, and that it takes about four years for these patents to issue, the repercussions of *BMC* will no doubt be felt in the patent world well into the future. ■■■

## *The BMC case considered an interesting wrinkle: patent claims where no single entity performs all the steps.*

cases where the asserted claims cover the collective actions of multiple unrelated parties. Although Paymentech provided data to other entities, the court noted that Paymentech did not provide any instructions or directions regarding the use of that data in the transaction chain, e.g., debit networks and financial institutions. Because no one entity, including Paymentech, masterminded the actions of others, and did not direct or control the other parties, no single participant performed or caused to be performed each and every element of the claims. Accordingly, since there was no single direct infringer, there was no liability under the patent laws — regardless of whether all of the unrelated actors together performed all of the steps in the claim. The court noted that BMC could have drafted its "ill-conceived" patent claims to focus on one entity. In sum, the court quashed the idea of divided infringement and stated a simple principle: Draft better claims.

### **How to Proceed**

*BMC* has immediate ramifications for those applying for, enforcing or defending against method patents. For the patent

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