

INTELLECTUAL VENTURES I LLC v. MOTOROLA MOBILITY LLC, Appeal No. 2016-1795 (Fed. Cir. September 13, 2017). Before Newman, Dyk, and Taranto. Appealed from D. Del. (Judge Robinson).

Background:

Intellectual Ventures owned U.S. Patent No. 7,810,144 (the '144 patent), including claim 41 directed to a communication device allowing direct file transfers between two computers. Claim 41 included a first device that sends a file and text message, a second device that receives the file and text message, and an authenticating device that generates a delivery report indicating the delivery of the file and text message and the time of the delivery. Intellectual Ventures argued that Motorola's cellphones capable of Multimedia Messaging Service (MMS; i.e. sending text messages with photos) infringed claim 41 under a theory that the customers using the phones were direct infringers.

A jury found claim 41 valid and infringed and the district court denied Motorola's Motion for Judgment as a Matter of Law. The district court analyzed claim 41 as a system claim and applied *Centillion* and *NTP*, reasoning that those cases only required that a user "benefit from the system as a whole," without necessarily using each individual component. The district court held that the MMS users benefited from the system as a whole by being able to send and receive MMS messages, in spite of the fact that they made no direct use of the claimed "authenticating device." Motorola appealed.

Issues/Holdings:

Did the district court err in refusing to overturn a jury verdict of infringement, where the accused infringers did not directly use a component of a claimed system? Yes, reversed.

Discussion:

The Federal Circuit held that the district court's interpretation of *Centillion* and *NTP* was incorrect. Specifically, the Federal Circuit stated that *Centillion* and *NTP* required that a direct infringer use every claimed component of a system, and held that to "use" a component is to control and benefit from it. This control and benefit may be indirect, but must be present for each component of the claimed system.

The Federal Circuit noted that in both *Centillion* and *NTP*, infringement had been found. Specifically, in *Centillion*, customers indirectly controlled and benefitted from back-end processing equipment by requesting services and reports, which produced a response from the back-end equipment. In *NTP*, customers exchanged messages over an allegedly infringing system, and in the process controlled and benefitted from the claim-required relay equipment which was part of what made the messaging system work.

The Federal Circuit distinguished the present case from *Centillion* and *NTP*, because the delivery reports in the accused system were generated by MMS centers that were maintained and operated by the customers' wireless service carriers. There was no evidence in the record that the delivery reports were sent from the MMS centers to the customers' phones. Accordingly, there was no support for a finding that the customers benefited from the alleged "authenticating device," and no infringement of the claimed system under *Centillion* and *NTP*.