



US Supreme Court: No Induced Patent Infringement Without Direct Infringement

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Limelight Networks, Inc v Akamai Technologies, Inc and others, No 12–786, 572 US __ (2 June 2014) ('Limelight')

Abstract

The US Supreme Court issued a unanimous decision which overturned the leading case from the US Court of Appeals for the Federal Circuit regarding induced infringement under 35 USC § 271(b), but left open the question as to the so-called 'single actor' rule for direct infringement.

Legal Context

The Federal Circuit agreed to take two cases *en banc* in 2011 to address the issue of divided infringement. The issue presented was when, if ever, infringement can be found when all of the steps of a method claim are performed, but some are performed by one entity, and the rest are performed by another entity. The full court of the Federal Circuit was originally intended to address this question in the context of both direct infringement under 35 USC §271(a) and indirect infringement for inducement under 35 USC §271(b). Rather than address both contexts, the Federal Circuit's *en banc* decision addressed solely the issue of indirect infringement by inducement. The majority held 'induced infringement can be found even if there is no single party who would be liable for direct infringement': *Akamai Techs Inc v Limelight Networks Inc*, 692 F3d 1301, 1317–18 (Fed Cir 2012) ('*Akamai IV*').

The Supreme Court was presented with two cross-petitions for *certiorari* from the Federal Circuit's decision. In one petition, filed by Limelight, the accused infringer, the court was asked to reverse the Federal Circuit's decision allowing for a finding of indirect infringement by inducement under 35 USC §271(a), even though the court recognized that there was no one who could be found to directly infringe under 35 USC §271(a). In a cross-petition by Akamai, the Supreme Court was asked to address the question whether, and in what circumstances, there could be direct infringement under 35 USC §271(a), when all of the steps of a method claim are performed, but some are performed by one entity and others are performed by



another entity.

The Supreme Court accepted Limelight's petition, and eventually denied Akamai's petition, with an express instruction to the Federal Circuit that it could reconsider the issue of divided infringement under 35 USC §271(a) on remand.

Facts

The parties

Akamai was the sole licensee of a patent for a method of delivering electronic data using a content delivery network. One step of the method included designating components to be stored on specific servers or 'tagging' the components. Limelight provided a similar service, delivering electronic data via a content delivery network. Limelight required its customers to tag the components they intend to store, rather than doing the tagging itself. Limelight did, however, perform the other steps required by the method claim.

The District Court decision

Akamai sued Limelight for patent infringement in the US District Court for the District of Massachusetts. The District Court held that Limelight had infringed and awarded over US\$40 million in damages. Shortly after the verdict, the Federal Circuit decided *Muniauction, Inc v Thomson, Corp*, 532 F3d 1318 (Fed Cir 2008), in light of which Limelight moved for reconsideration of its earlier motion for judgment as a matter of law. The District Court granted the motion because Limelight did not 'control' the data tagging and so did not perform every step of the patented method: *Akamai Techs, Inc v Limelight Networks, Inc*, 614 F Supp 2d 90 (D Mass 2009) ('*Akamai I*').

Federal Circuit Court of Appeals

On appeal, in view of *Muniauction*, a three-judge panel at the Federal Circuit originally affirmed the District Court's decision (see *Akamai Techs Inc v Limelight Networks, Inc*, 629 F3d 1311 (Fed Cir 2010) ('*Akamai II*'). However, after deciding *Akamai II*, the Federal Circuit decided to rehear the case *en banc* to determine the issue: 'If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?' (*Akamai Techs, Inc v Limelight Networks, Inc*, 419 Fed Appx 989, 989 (Fed Cir 2011) ('*Akamai III*'). Thereafter, the Federal Circuit decided to also hear *en banc* another case, *McKesson Technologies, Inc v Epic Systems Corp*, 692 F3d 1301 (Fed Cir 2012), and heard both cases jointly.

Nonetheless, when it came time to write the opinion, the *en banc* court did not address whether Limelight was liable for a section 271(a) direct infringement: *Akamai IV*, 692 F3d at 1305–19. Rather, the majority of the Federal Circuit side-stepped the issue of divided infringement under 35 USC §271(a) and instead held that 'induced



infringement can be found even if there is no single party who would be liable for direct infringement'. *Akamai IV*, 692 F3d at 1326. Thus *Akamai IV* found that, if Limelight was aware of Akamai's patent, performed all but one of the steps in the method, induced the content providers to perform the final step, and the content providers did in fact perform the final step, then Limelight would be liable for induced infringement.

Akamai IV reasoned that enforcing a 'single actor' rule creates a regime that allows parties to 'knowingly sidestep infringement liability simply by arranging to divide the steps of a method claim between them', and to prevent this loophole, the performance of steps by multiple parties must enable induced infringement.

Petitions for certiorari

Limelight and Akamai both filed petitions for certiorari to the Supreme Court. Limelight's petition focused on the 35 USC §271(b) induced infringement issue. Akamai's petition focused on the 35 USC §271(a) issue. The Supreme Court asked the US Solicitor General to weigh in on the dispute. The Solicitor General recommended that the Court grant Limelight's petition for *certiorari* and reverse the Federal Circuit's decision, but deny Akamai's petition because the *Muniauction* rule was correct.

The Supreme Court followed the Solicitor General's recommendation, granting Limelight's petition on 10 January 2014 and denying Akamai's petition only after the release of the opinion described herein.

Analysis

Justice Alito delivered the unanimous opinion of the Supreme Court for *Limelight* holding that a party cannot be held liable for inducing patent infringement when no direct infringement had occurred.

Limelight began with the simple proposition that 'our case law leaves no doubt that inducement liability may arise "if, but only if, [there is] ... direct infringement"'. *Limelight*, slip op at 5 (quoting *Aro Mfg Co v Convertible Top Replacement Co*, 365 US 336, 341 (1961)). Thus *Limelight* reversed *Akamai IV*. By assuming that there is no direct infringement under the rule of law set forth in *Muniauction*, there could be no induced infringement under 35 USC §271(b).

Significantly, *Limelight* made clear, for purposes of its analysis, that the Supreme Court assumed (without confirming) that the Federal Circuit's ruling in *Muniauction* regarding 'single party' direct infringement was correct. However, the Supreme Court expressly did not address whether this rule of law was correct and left room for the Federal Circuit to reconsider the rule, if appropriate, on remand.



In rejecting Akamai's argument, *Limelight* disagreed with the rationale that tort law imposes liability on a defendant who harms another through a third party, even if the third party is not liable. *Limelight* reasoned that the major distinction between tort law and the circumstances in this dispute is not that the third party is not liable, but rather that no infringement was committed whatsoever. Specifically, if no single party undertakes all the steps in the patent, then the patent holder's rights have not been violated.

Limelight disagreed with the similar argument that sometimes, in tort law, liability can attach when multiple defendants inflict an injury. In particular, the court reasoned that Akamai's interests had not been 'invaded' because its patent has not been infringed and so there was no injury. The court also rejected Akamai's argument that the circumstances were comparable to the federal aiding and abetting statute, 18 USC §2. While recognizing that, in the past, the Supreme Court found a comparison between patent law and criminal law to be persuasive, *Limelight* distinguished these circumstances because it is inconsistent with the 1952 Patent Act's 'cornerstone principle that patentees have a right only to the set of elements claims in their patents and nothing further'.

Limelight rejected Akamai's argument that patent law principles indicated that Congress intended combined infringement to be classified as induced infringement. In so doing, the court observed that *Muniauction* may 'too narrowly circumscrib[e] the scope of § 271(a)' but compensating for that error by misinterpreting section 271(b) is not an acceptable correction.

Limelight acknowledged the concern that this ruling may create a loophole for infringers, but that the correct way to remedy that loophole is to address the direct infringement rule created in *Muniauction*. The Supreme Court chose not to address the substance of the *Muniauction* rule in *Limelight* because it was not briefed, and it was not the question presented. But *Limelight* left room for the Federal Circuit to reconsider the *Muniauction* rule on remand, or in a later case.

Practical Significance

The issue addressed in this case was squarely framed as whether divided infringement could constitute direct infringement and how the liability would be divided. The efforts to avoid addressing that squarely proved ineffective at the Federal Circuit and Supreme Court level, but will, it is hoped, be addressed by the Federal Circuit on remand.

Mr. Macedo is also the author of *The Corporate Insider's Guide to US Patent Practice*. He is also counsel, along with Jessica Capasso, from Amster, Rothstein & Ebenstein LLP, in an *Amicus Curiae* Brief to the Federal Circuit to encourage the full Federal



Circuit to consider the *Muniauction* rule on remand from *Limelight*.

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