



## ARE Patent Law Alert: On Remand in Akamai, Federal Circuit Reaffirms Single Entity Rule for Divided, Direct Infringement

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*Akamai Techs., Inc. v. Limelight Networks, Inc.*, Nos. 2009-1372, -1380, -1416, -1417 (Fed. Cir. May 13, 2015)

On May 13, 2015, in the most recent decision of the *Akamai Techs., Inc. v. Limelight Networks, Inc.* saga, a split panel of the Federal Circuit upheld the standard for divided, direct infringement under 35 U.S.C. § 271(a) that was set forth in its prior decisions in *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007) and *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008). The majority decision reaffirmed that, for there to be direct infringement of a method patent, all of the steps must be performed by a single actor, either by the actor itself or by others under the actor's "direction or control" (the "*Muniauction* rule"). As the accused infringer Limelight Networks, Inc. ("Limelight") did not perform all of the steps of the asserted method claims, and was not vicariously liable for the actions of its customers who carried out the missing steps, the majority affirmed the district court's finding of noninfringement.

### Factual Background

Akamai Technologies, Inc. ("Akamai") is the sole licensee of US Patent No. 6,108,703, which covers a method of delivering electronic data using a content delivery network ("CDN"). Limelight operates a CDN and carries out the steps of the asserted method claims, except for one of the steps which requires "tagging" a portion of a web page to be stored on a specific server. Under Limelight's service, Limelight does not perform this "tagging" step; instead, its customers carry out that step.

### Prior Supreme Court Decision

As we [previously reported](#), the Supreme Court issued a unanimous decision last year in *Limelight Networks, Inc. v. Akamai Technologies, Inc. et al.*, 134 S. Ct. 2111 (June 2, 2014) ("*Limelight*") on the issue of induced infringement under 35 U.S.C. § 271(b). In *Limelight*, the Supreme Court ruled that a party cannot be held liable for



inducing patent infringement under § 271(b) when no direct infringement had occurred under 271(a). 134 S. Ct. at 2115. It expressly declined to review the merits of the *Muniauction* rule for direct infringement under § 271(a), but stated that the Federal Circuit could choose to revisit the rule on remand. *Id.* at 2120.

## Federal Circuit Majority Decision

In a 2-1 decision, the majority upheld and expounded on the *Muniauction* rule. In the majority opinion authored by Judge Linn, the court summarized the state of divided infringement law under 35 U.S.C. § 271(a) as follows:

For method patent claims, direct infringement only occurs when a single party or a joint enterprise performs all of the steps of the process. . . . Encouraging or instructing others to perform an act is not the same as performing the act oneself and does not result in direct infringement. . . . In circumstances in which one party, acting as “mastermind” exercises sufficient “direction or control” over the actions of another, such that those actions may be attributed to the mastermind, the combined performance of the steps of a method claim will directly infringe under § 271(a).

Slip Op. at 7-8. In light of the arguments advanced by Akamai and the dissent—which asserted that § 271(a) should include “joint tortfeasor liability”—the Court also clarified that the “control or direction” standard is based on the theory of “vicarious liability,” which “may occur in a principal-agent relationship, a contractual relationship or in circumstances in which parties work together in a joint enterprise functioning as a form of mutual agency.” *Id.* at 8. The majority explained that:

In a principal-agent relationship, the actions of the agent are attributed to the principal. Similarly, when a contract mandates the performance of all steps of a claimed method, each party to the contract is responsible for the method steps for which it bargained. However, this type of contractual arrangement will typically not be present in an arms-length seller-customer relationship. Finally, in a joint enterprise, the acts of each participant are, by definition, imputed to every member. . . .

*Id.* at 19.

Because Limelight’s customers were not acting as “agents” for Limelight, nor were they contractually obligated to perform the tagging step nor acting in a joint enterprise, Limelight was not vicariously liable for the actions of its customers. *Id.* at 26-28. Thus, as Limelight did not perform all of the steps of the asserted claims and was not liable for the actions of its customers, the majority affirmed the district court’s finding of noninfringement. *Id.* at 6.



## Dissent

In a lengthy dissent, Judge Moore took issue with the majority's holding that "the actions of multiple parties can only result in direct infringement of a method claim in three circumstances: in a principal-agent relationship, in a contractual arrangement, or in a joint enterprise functioning as a form of mutual agency," insisting that it left a "gaping hole" and was inconsistent with the statute and earlier precedent. Dissenting Op. at 1-2. She asserted that the single entity rule was a judicial creation of *BMC*, and that infringement under § 271(a) also includes "parties who act in concert to collectively perform the claimed process pursuant to a common plan, design, or purpose. *Id.* at 16.

Judge Moore praised the underlying invention of the patent-at-issue, and asserted that Limelight should be found to have infringed the asserted patent, as Limelight acted in concert with its customers by directing its customers to perform the final step of the patent, in part via Limelight's contracts with its customers that *require* the customers to perform the tagging step when they elect to use Limelight's CDN service. *Id.* at 4, 26.

At the end of her dissent, however, Judge Moore asserted that to change the law in under either the majority's opinion (by, allegedly, adding joint enterprise liability to the *Muniauction* rule), or her dissenting opinion (by adding liability under joint tortfeasor concerted action), *en banc* action would be required. *Id.* at 31-32.

## Conclusion

As Judge Moore astutely noted, the Federal Circuit was not able expand liability under § 271(a) beyond the *Muniauction* "single entity rule" in this decision, as this case was only heard by a panel of the Court on remand. Yet, in view of Judge Moore's vigorous dissent and the previous sidestepping of this divided, direct infringement issue by both the *en banc* Federal Circuit and the Supreme Court, perhaps the Federal Circuit or the Supreme Court will now decide to address the issue by granting the petition for *en banc* rehearing or *certiorari* to the U.S. Supreme Court that is likely to follow this decision.

We will continue to monitor the law on direct and indirect infringement. In the meantime, please feel free to contact one of our attorneys regarding issues raised by this case.

\* [Charles R. Macedo](#) and [Jessica Capasso](#) submitted an [amicus curiae brief](#) on behalf of Double Rock Corporation, Island Intellectual Property, LLC, and Broadband iTV, Inc. in support of an *en banc* review of this case on remand.

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