



Alerts

Supreme Court Decision Leaves Patent Law on Divided Infringement in Flux

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Intellectual Property Update

On June 2, 2014, the U.S. Supreme Court unanimously held in *Limelight Networks, Inc. v. Akamai Technologies, Inc.* that liability for inducement of patent infringement under 35 U.S.C. § 271(b) can only be found if the patent has been directly infringed, i.e., direct infringement can be attributed to a single party. The Supreme Court's holding, reversing that of the Court of Appeals for the Federal Circuit, was based on the principle that there could be no inducement of infringement without direct infringement, citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*

It was undisputed that neither Limelight, a leader in digital content delivery, nor its customers performed all of the steps of the claimed method. Rather, Limelight placed some of its customers' content on its network of servers, according to part of the claimed method, and instructed its customers on the steps needed to modify their web pages to direct web browsers to Limelight's servers for the content, according to another part of the method. See *Akamai Technologies, Inc., et al. v. Limelight Networks, Inc.* (Fed Cir. 2012). Consequently, the Federal Circuit found no liability for direct infringement pursuant to *Muniauction, Inc. v. Thomson Corp.*, which allows a finding of direct infringement of a method patent in divided infringement cases only when all steps of the claimed method are performed under the control or direction of a single party. The Supreme Court therefore held that there could be no inducement of infringement in this case, because there was no direct infringement under the *Muniauction* rule.

In so holding, the Supreme Court reversed the Federal Circuit's holding that inducement liability could be based on inducing multiple parties to practice the claimed method collectively, without any single party performing the entire method. However, the Supreme Court took care to note that it was "[a]ssuming without deciding that the Federal Circuit's holding in *Muniauction* is correct." Furthermore, the Supreme Court acknowledged the Federal Circuit's concern that a would-be infringer could evade liability by dividing performance of a claimed method with another party not under its direction or control. The court explained that this result, though anomalous, was nonetheless required by the Federal Circuit's interpretation of direct infringement in *Muniauction* and noted that, "on remand, the Federal Circuit will have the opportunity to revisit the § 271(a) [direct infringement] question if it so chooses."

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Service Areas

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Patent

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Practical Implications for Patentees

Patent Applicants Should Consider Adapting Their Prosecution Strategy to Avoid Multi-Actor Pitfalls

This case illustrates the need for patent applicants to adopt a multifaceted approach to avoid having their right to exclude circumvented by multiple parties collectively performing a claimed method or operating a claimed system. In particular, patent applicants should recite method or system claims to include only steps or components that would normally be performed or owned/operated by the same actor and would be difficult to divide among multiple actors deliberately to avoid infringement liability. To this end, it can be helpful to submit multiple claim types — in addition to method claims, applicants seeking protection for a method should also consider submitting claims to a device or system used to implement the method, and where applicable, claims to a computer readable storage medium storing software for implementing the method. Also, while it is rarely desirable to enforce a patent against end users or consumers, it may be advantageous to present different claim sets directed to facets of a system or method operated or performed by different commercial actors, such as that of a manufacturer and a distributor, or that of a service dispatcher and a service provider.

Patentees Should Consider Filing Reissue Applications If Issued Claims Can Be Easily Avoided by Multi-Party Activity

Owners of patents having method claims whose steps may easily be divided between/among separate actors should consider filing a reissue patent application reciting the claimed method differently to read on actions performed exclusively by a single actor.

Practical Implications for Avoiding Infringement

Defendants and Potential Defendants Should Exercise Caution and Avoid Relying Solely on Akamai

In the short term, *Limelight* is good news for current and potential infringement defendants who perform or direct fewer than all the steps of a claimed method and do not induce a single actor to perform the entire method. However, such defendants are not necessarily "off the hook" for several reasons.

First, the Supreme Court expressly invited the Federal Circuit to revisit its own precedent in *Muniauction* regarding direct infringement, which could result in extending direct infringement liability to joint infringers. Indeed the Federal Circuit did so in August 2015 as discussed in "[Three Recent Cases Make It Easier to Establish Liability for Multiparty Patent Infringement.](#)"

Second, where a claimed method produces a product, there can be liability under 35 USC § 271(g) for the unlicensed sale, offer to sell, import or use of the product. In *Zoltek Corp. v. United States* (Fed. Cir. 2012) (*en banc* in part), the Federal Circuit held that a defense contractor could be liable for use of a product of a patented process even though part of the process was practiced outside the U.S. by another party except for the immunity provided to government contractors under 28 U.S.C. § 1498. While it did not squarely address the apparent divided infringement issue, *Zoltek* suggests that it does not matter for 35 USC § 271(g) whether one party alone or two separate parties in combination practice the patented method because the grant of a patent under 35 U.S.C. § 154(a)(1) includes the right to exclude "others from using or selling . . . or importing . . . products made by that [patented] process."

Third, the Federal Circuit has already found it possible for one party to be liable for infringing a system claim by using a system having a portion owned by a third party. Specifically, in *Centillion Data Systems, LLC v. Qwest Communications International, Inc.* (Fed. Cir. 2011), the Federal Circuit found customers potentially liable for infringing a system claim by using a system having a first part owned by the customers such as a personal computer and a second part including a server owned by a service provider. The service provider was found not vicariously liable for the customer's infringement due to *Muniauction*. *Limelight* does not affect the liability of system users like the customers in *Centillion*, but it could expand liability to parties that provide part of the system like the service provider in *Centillion* because of *Limelight's* invitation to the Federal Circuit to review its law on direct infringement under *Muniauction*.

In view of the state of flux of the law of divided infringement, commercial actors should obtain a freedom-to-operate opinion where divided infringement concerns are significant rather than relying on the *Limelight* rule. In particular, *Limelight* does not eliminate the risk of infringement by separate parties, even if the parties do not direct or control each other's actions.



For more information on how Hinshaw can help you address potential divided infringement issues as well as other strategic considerations, please contact one of [Hinshaw's intellectual property lawyers](#) or your regular [Hinshaw attorney](#).

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