Client Alert: Supreme Court Issues Ruling Limiting Liability for Induced Infringement

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On June 2, 2014, the Supreme Court issued a unanimous decision in the case of *Limelight Networks, Inc. v. Akamai Technologies, Inc.* (Case No. 12-786), that will have the immediate impact of limiting liability for inducement to infringe under 35 U.S.C. § 271(b) where no party is liable for direct infringement under §271(a). In at least the short-term future, defendants accused in a patent suit of inducing infringement of a method claim, where no one party has performed or controlled the performance of all steps of the method, should have a solid basis for seeking dismissal of that suit for failure to state a cause of action. However, the Supreme Court also invited the Federal Circuit to reassess its criteria for determining when direct infringement can be found, raising the possibility that the relief accorded to accused infringers by the *Limelight* opinion may be more limited than hoped.

An understanding of the procedural history of this case is at least as important as a detailed review of the reasoning the Supreme Court followed in reaching its decision. Akamai Technologies (Akamai) is the exclusive licensee of U.S. Patent No. 6,108,703 (the '703 Patent), which claims a method whereby a service provider, such as Akamai, delivers electronic data, such as a content provider's website, using a content delivery network. The claimed method includes "tagging" components of the content provider's website that are to be stored on the service provider's servers for delivery to end users. Limelight operates such a content delivery network, but instead of tagging components of the content provider's website itself, it instructs its customers on how to do the tagging.

Akamai sued Limelight in 2006, accusing it of infringing the '703 Patent directly, and the jury returned a verdict against Limelight and assessed over $40 million in damages. However, in 2008, a Federal Circuit panel decided the case of *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, in which it was held that no party could be liable for direct infringement of a method claim under §271(a) unless it performed each step in the method itself or exercised "control or direction over its customers' performance of those steps of the patent that the defendant itself did not perform." Id. at 1330.

Based on the *Muniauction* case, Limelight asked the district court to do away with the jury's verdict and enter judgment as a matter of law in Limelight's favor, arguing that the record showed that Limelight did not exercise "control or direction" over its customers' actions. The district court agreed and entered judgment for Limelight. This judgment was affirmed by a panel of the Federal Circuit. The Federal Circuit then, however, granted en banc review and reversed the panel in a 6-5 per curiam opinion in 2012. The Court held that even where no one party is liable for direct infringement, this does not mean that direct infringement has not occurred, and where direct infringement has occurred, a party can be found liable for inducement to infringe. Limelight petitioned for certiorari to the Supreme Court on the question, "Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. §271(b) even though no one has committed direct infringement under §271 (a)?"

The Supreme Court, in an opinion by Justice Alito, made rather quick work of this question, reversing the Federal Circuit en banc opinion and holding that unless a person has committed direct infringement under §271(a), there has been no cognizable injury to the patentee's rights justifying a holding of liability for inducement under §271(b). In strikingly direct terms, the Supreme Court characterized the Federal Circuit's en banc opinion as "fundamentally misunderstand[ing] what it means to infringe a method patent" (slip op. at 5.) and stated that the Federal Circuit's view "would deprive §271(b) of ascertainable standards." *Id.* at 6. Thus, the Supreme Court concluded that "the reason Limelight could not have induced infringement under §271(b) is not that no third party is *liable* for direct infringement; the problem, instead, is that no direct infringement was *committed*." (Slip op. at 8 (emphasis in original).)

The Supreme Court took care to note several times throughout its opinion that it was analyzing the case assuming that the Federal Circuit's *Muniauction* decision, addressing direct infringement, was correct. The Supreme Court noted that Akamai had asked the Court to review the *Muniauction* ruling, arguing that *Muniauction* was inconsistent with the understanding of patent law prior to the passage of the 1952 Patent Act. However, the Supreme Court stated, "the possibility that the Federal Circuit erred by too narrowly circumscribing the scope of §271(a) is no reason for this Court to err a second time by misconstruing §271(b) to impose liability for inducing infringement where no infringement has occurred." (Slip op. at 9-10.)

The Court went on to state that it would not reexamine the *Muniauction* case, which dealt with direct infringement, because it was not part of the question on which certiorari was granted. The Court then, however, said that the Federal Circuit would have the opportunity, on remand, "to revisit the §271(a) question if it so chooses." (Slip op. at 10.)

The Supreme Court's ruling has timely import for defendants accused of inducing infringement of method claims in similar circumstances. The *Limelight* ruling, combined with the Federal Circuit's 2008 *Muniauction* opinion, means that ***as of today***, a defendant accused in a patent suit of inducing infringement of a method claim, where no one party has performed or controlled the performance of all steps of the method, should have a solid basis for seeking dismissal of that suit for failure to state a cause of action. In the coming months, however, either in further proceedings in the *Limelight* case or in other cases, the Federal Circuit may well respond to the Supreme Court's rebukes and overturn *Muniauction* or modify its holding so as to make it simpler to find such defendants liable for direct infringement. Accused infringers described above, therefore, may be well advised to take aggressive action in the near term to dismiss or resolve any such claims before the Federal Circuit revitalizes them.

For more information, or if you have questions regarding this decision, please contact Bill Oldach (202.467.8880 or wholdach@vorys.com),

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