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Supreme Court Tightens Requirement for Proving Induced Infringement of Method Patents

In a unanimous decision issued on June 2, 2014, the U.S. Supreme Court significantly tightened the requirements for proving inducement of infringement of method patent claims under 35 U.S.C. § 271(b). *Limelight Networks, Inc. v. Akamai Techs., Inc. et al.*, No. 12-786 (U.S. June 2, 2014). The decision, authored by Justice Samuel Alito, rejected the U.S. Court of Appeals for the Federal Circuit's earlier ruling in the case that induced infringement under 35 U.S.C. § 271(b) could occur when a defendant performed some steps of a patented method, and encouraged others to carry out the other patented method steps. 692 F.3d 1301, 1308-09 (Fed. Cir. Aug. 31, 2012) (*en banc*).

The Supreme Court expressly avoided ruling on the Federal Circuit's opinion in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), that direct infringement under 35 U.S.C. § 271(a) occurs when patented method steps are carried out by multiple parties where one party "exercises 'control or direction' over the entire process such that every step is attributable to the controlling party." *Id.* at 1329. The Supreme Court narrowly tailored its ruling in *Akamai* to induced infringement under 35 U.S.C. § 271(b), and held that where "performance of all of the claimed [method] steps cannot be attributed to a single person, [ ] direct infringement never occurred." *Akamai Techs., Inc. et al.*, No. 12-786 at 7.

The *Akamai* Case

Patentee Massachusetts Institute of Technology and its exclusive licensee Akamai Technologies, Inc. filed suit against Limelight Networks, Inc. (Limelight) in the U.S. District Court for the District of Massachusetts in 2006, claiming infringement of U.S. Patent No. 6,108,703 ('703 patent). The '703 patent claims a method of storing and delivering website content to Internet users. The claim at issue involves a "tagging" step, which is not performed by Limelight itself but by its users pursuant to instructions provided by Limelight.

A jury found Limelight infringed the '703 patent and awarded plaintiffs over $40 million in damages. The district court subsequently granted Limelight's motion for reconsideration in light of the Federal Circuit's intervening decision in the *Muniauction, Inc.* case. The district court found that because Limelight did not control or direct its customers' tagging, there could be no direct infringement under 35 U.S.C. § 271(a) under *Muniauction, Inc.* and thus there could be no induced infringement. A Federal Circuit panel initially affirmed the district court's ruling. However, in *en banc* review, the Federal Circuit reversed and found that induced infringement could have occurred under 35 U.S.C. § 271(b). *Akamai Techs., Inc. et al.*, 692 F.3d at 1308-09.

The Supreme Court's Decision

In the *Akamai* decision, the Supreme Court ruled that induced infringement under 35 U.S.C. § 271(b) cannot exist where the patented method steps "cannot be attributed to a single person." *Akamai Techs., Inc. et al.*, No. 12-786 at 7. The Court's decision in *Akamai* accepts as true the Federal Circuit's ruling *Muniauction, Inc.* that direct

infringement under 35 U.S.C. § 271(a) exists where one party "exercises 'control or direction' over the entire [patented] process," but declined to extend the logic to induced infringement under 35 U.S.C. § 271(b) in circumstances where "performance of all of all of the claimed [method] steps cannot be attributed to a single person." *Akamai Techs., Inc. et al.*, No. 12-786 at 7.

Instead, the Court pointed out that "when Congress wishes to impose liability for inducing activity that does not itself constitute direct infringement, it knows precisely how to do so." *Akamai Techs., Inc. et al.*, No. 12-786 at 7. Further, the Court explained that if induced infringement could be premised on acts not attributable to a single party, courts would be required to "develop two parallel bodies of infringement law: one for liability for direct infringement, and one for liability for inducement." *Akamai Techs., Inc. et al.*, No. 12-786 at 6. The Court rejected the tort theories of infringement harm advanced by Akamai, and similarly refused to analogize infringement under 35 U.S.C. § 271(b) with the federal aiding and abetting statute.

Justice Alito acknowledged the concern that the Court's ruling could permit a "would-be infringer to evade liability by dividing performance of a method patent's steps with another whom the defendant neither directs nor controls." *Akamai Techs., Inc. et al.*, No. 12-786 at 10. The Court explained, however, that the issue is the result of the Federal Circuit's opinion in *Muniauction Inc.* In declining to review the Federal Circuit's opinion in *Muniauction, Inc.*, the Court invited the Federal Circuit to address this issue on remand of the *Akamai Techs., Inc.* case. *Akamai Techs., Inc.* marks the fifth unanimous Supreme Court decision on a patent law issue in which the Court has squarely overruled the Federal Circuit.

Implications for Patent Litigants

Although it remains to be seen how district courts and the Federal Circuit will apply this decision, this is a fundamental shift in the requirements for showing liability for induced infringement pursuant to 35 U.S.C. § 271(b). Litigants should consider:

- The requisite showing for induced infringement of method claims has been substantially raised. Litigants should evaluate any pending actions involving claims of induced infringement of method claims under 35 U.S.C. § 271(b).
- The Federal Circuit may revisit the standard for showing direct infringement under 35 U.S.C. § 271(a) as described in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008).
- The Court's decision may be viewed as a call for congressional action to revise 35 U.S.C. § 271(b). Given Congress's recent interest in patent litigation reform, litigants should continue to monitor proposed legislation for provisions regarding induced infringement.

The Supreme Court is expected to issue a ruling soon on the last pending patent case of the term, *Alice Corp. Pty. Ltd. v. CLS Bank International*.

Attorney contacts appear on the next page.

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