A Close Look At High Court Decision In Limelight V. Akamai

Law360, New York (June 02, 2014, 5:04 PM ET) -- On June 2, 2014, the U.S. Supreme Court handed down its decision in Limelight Networks Inc. v. Akamai Technologies Inc. This case has been closely followed by various industries because it considers the reach of liability for inducing infringement under 35 U.S.C.§271(b). 35 U.S.C.§271(b) simply states, "Whoever actively induces infringement of a patent shall be liable as an infringer." The Limelight decision considers whether there can be liability for inducement of infringement under 35 U.S.C.§271(b) if there is no act of direct infringement under 35 U.S.C.§271(a).

Background

Akamai is the exclusive licensee of a patent directed to a method of delivering electronic data using a “content delivery network” (“CDN”). One recited step of the claimed method is “tagging” the data components to be stored on a server. Defendant Limelight operates a CDN and carries out all of the recited steps of the claimed method, except the tagging step, which Limelight requires be done by the end user customer.

Interestingly, the U.S. District Court for the District of Massachusetts originally held in 2006 that Limelight was liable for direct infringement. However, shortly after the initial jury verdict the CAFC held in Muniauction Inc. v. Thomson Corp.,232 F. 3d 1318 (2008), that for there to be direct infringement under 35 U.S.C.§271(a) a single party must be responsible (either themselves or through the control of a third party), for the complete infringement of the claimed invention.

Based on the Muniauction decision, the district court reversed its decision of direct infringement, finding that Limelight does not control the tagging by the customers so as to meet the requirements set forth in Muniauction. The district court decision finding no direct infringement under 35 U.S.C.§271(a) by Limelight was affirmed by the Federal Circuit. (Akamai v. Limelight, 629 F. 3d 1311, Fed. Cir. 2011) However the Federal Circuit later held in a per curiam decision that even though no one party may be liable for direct infringement, there can nonetheless be liability for inducing infringement. (Akamai v. Limelight, 692 F. 3d 1301, Fed. Cir. 2012). This appeal considered this latter decision of the Federal Circuit regarding liability for inducing infringement in the absence of any liability by any party for direct infringement.

Analysis of Supreme Court Decision

The Supreme Court noted initially that it was undisputed by Akamai and the Federal Circuit that for liability for inducing infringement to arise there must first be direct infringement. However, it would appear that the seminal point upon which the court disagreed with the Federal Circuit is whether there was, in fact, direct infringement.

The Federal Circuit found that direct infringement can occur even if no one party is liable under 35 U.S.C.§271(a). Thus, the Federal Circuit separated the analysis for liability for direct infringement under 35 U.S.C.§271(a) from the analysis for direct infringement for purposes of liability of inducing infringement. The Federal Circuit found that direct infringement can occur for purposes of inducing infringement even if there is no direct infringement for liability under 35 U.S.C.§271(a).

Pointing to the Federal Circuit Muniauction decision, the Supreme Court disagreed with this premise and reversed the 2012 Akamai decision of the Federal Circuit. The court noted that "The Federal Circuit held in Muniauction that a method's steps have not all been performed as claimed by the patent unless they are all attributable to the same defendant, either because the defendant actually performed those steps or because he directed or controlled others who performed them." The court then held that, in following Muniauction, if there is no direct infringement under 35 U.S.C.§271(a) because no one party has performed or controlled all of the required claimed steps, there is simply no direct infringement and there can be no inducement for infringement under 35 U.S.C.§271(b).

The court noted that the Federal Circuit position regarding inducement "would deprive 271(b) of ascertainable standards" and raised the questions, "If a defendant can be held liable under §271(b) for inducing conduct that does not constitute infringement, then how can a court assess when a patent holder's rights have been invaded? What if a defendant pays another to perform just one step of a 12 step process, and no one performs the other steps, but that one step can be viewed as the most important step in the process?"

However, the author notes that it may be argued that the hole in this analysis is that in the scenario raised by the Supreme Court all of the claimed method steps are not completed; however, with the facts present in Limelight, all of the steps of the claim were wholly completed, just not by a single party. Nonetheless, the Supreme Court held that the analysis applied by the Federal Circuit in the 2012 Limelight decision was incorrect. The court held that for purposes of finding liability for inducing infringement the same standard applies as was set for in Muniauction for determining whether liability for direct infringement is present under 35 U.S.C.§271(a). As such, "performance of all the claimed steps cannot be attributed to a single person, so direct infringement never occurred. Limelight cannot be liable for inducing infringement that never came to pass."

The court tied the decision to the Federal Circuit holding in Muniauction stating:

But 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. Muniauction (which, again, we assume to be correct) instructs that a method patent is not directly infringed—and the patentee's interest is thus not violated—unless a single actor can be held responsible for the performance of all steps of the patent.

Importantly, the decision reached by the court was predicated by the earlier Federal

Circuit decision in Muniauction. The Supreme Court not only emphasized this point several times in the decision, they also went on to suggest that the Federal Circuit decision in Muniauction is possibly incorrect and should be revised upon remand of Limelight to the Federal Circuit, with the concluding remarks by the court of:

We granted certiorari on the following 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)." Pet. for Cert. i. The question presupposes that Limelight has not committed direct infringement under §271(a). And since the question on which we granted certiorari did not involve §271(a), petitioner did not address that important issue in its opening brief. Our decision on the§271(b) question necessitates a remand to the Federal Circuit, and on remand, the Federal Circuit will have the opportunity to revisit the §271(a) question if it so chooses.

Thus, the question of whether liability for inducing infringement may be found even if a single party cannot be found liable for direct infringement possibly remains open for further consideration by the Federal Circuit, if the Federal Circuit so chooses. However, for the decision reached by the Supreme Court in Limelight to be modified, the Federal Circuit would first need to reverse the decision in Muniauction.

It would seem that the only definitive answer that has come out of the Supreme Court decision in Limelight is that direct infringement and inducing infringement are tied together, and the same standard for finding liability for direct infringement must also be applied for finding the prerequisite direct infringement for inducing infringement. In addition, unless the Federal Circuit chooses to reverse the Muniauction holding, if there is no direct infringement under 35 U.S.C. §271(a), there can be no inducement of infringement under 35 U.S.C. 271(b).

The Limelight decision is based on a patent pertaining to Internet/computer technology. However, the decision has broader implications for considerations of liability for inducing infringement. For example, without getting into the issue of the patentability of diagnostic method claims or method of treatment claims under 35 U.S.C. §101, this decision also has implications for patents directed to diagnostic methods. With diagnostic methods, the steps performed are typically split between several parties, with different entities performing the steps of sample collection, performing the assay steps and performing the diagnostic step. Arguably there may not be any liability for inducing infringement for a party selling the assay to testing facility, since the testing facility is not performing the entire claimed method, even though the patentable feature of the invention is likely the assay.

The Limelight decision has ramifications for any industry where claimed methods are an important aspect to a patent portfolio and those steps may be performed by different entities.

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