

Lawyers Weigh In On High Court's Induced Infringement Ruling

By **Julia Revzin**

Law360, New York (June 02, 2014, 8:03 PM ET) -- The U.S. Supreme Court on Monday set aside a Federal Circuit decision that lowered the standard for proving induced infringement, ruling that induced infringement can be found only when one party performs every, not any, step. Attorneys tell Law360 why the high court's decision in *Limelight Networks Inc. v. Akamai Technologies Inc.* matters.

Michael J. Rye, Cantor Colburn LLP



"Once again, the Supreme Court has reigned in the Federal Circuit's efforts at expanding patent rights. *Limelight* eliminates liability for active inducement of infringement under Section 271(b) if there is no single entity that commits direct infringement. Following *Limelight*, as well as the increased intent requirement for inducement, the number of potential targets for an induced infringement claim is limited. Litigators will still need to find evidence of direct infringement before bringing a claim. Prosecutors should continue to draft claims with a single direct infringer in mind."

Marla Butler, Robins Kaplan Miller & Ciresi LLP

"The Supreme Court acknowledged the concern that, under its holding in the *Limelight* case, a would-be infringer can 'evade liability by dividing performance of a method patent's steps with another whom the defendant neither directs nor controls.' But the court does nothing to address that concern. In fact, the court noted that this concern results from the *Muniauction* opinion, the merits of which the Supreme Court refused to review because such review was not within the question presented to the court. A review of *Muniauction*, properly presented to the Court, should be the next step to close this loophole that has developed in the law related to induced infringement."

Stephen Chow, Burns & Levinson LLP

"A unanimous SCOTUS in *Limelight Networks Inc. v. Akamai Technologies Inc.* yesterday dashed the hopes of patent claimants for methods comprising steps not performed by any one infringer — a situation common in the realm of cloud computing where tasks often are distributed dynamically. The Federal Circuit tried to preserve Akamai's claim on an extended theory of induced infringement, but the court reiterated that there could be no inducement without direct infringement. Method claims have been treated less kindly than apparatus claims, for example, in the earlier network case *NTP Inc. v. Research in Motion Ltd.* (Fed. Cir. 2005)."

Kevin Conneely, Stinson Leonard Street LLP

“Today’s opinion further shrinks the size of the net that patent holders have tried to throw over companies at various stages of the supply chain. The court’s single-infringer requirement for inducement, like the Federal Circuit’s specific intent requirement announced in *Commil v Cisco*, makes sense for businesses. Yet it leaves intact the right to go after those suppliers who really know about and intend that their customers take advantage of a patented component or system. The remedy remains for induced infringement, but after today fewer will be ensnared in the net of uncertainty.”

Monte Cooper, Orrick Herrington & Sutcliffe LLP

“The Akamai decision likely will significantly limit the reach of induced infringement liability, particularly in cases involving software and hardware inventions where the nature of the technology frequently creates problems with divided infringement. However, there also is a subtle subtext to Akamai in which the Supreme Court seems to invite the Federal Circuit to invoke en banc review of its original *Muniauction* decision, and determine if there actually is agreement that divided infringement is a viable defense to direct infringement for purposes of 35 USC Section 271(a). Akamai hints that threshold question may be the real issue that needs further resolution. Today’s opinion thus may not be the last act in the debate as to whether a defendant can be held liable for divided patent infringement — either at the Federal Circuit level, or even at the Supreme Court level.”

Ben Davidson, Davidson Law Group

“The court’s decision today Akamai reinforces the rule that method claims only give inventors the right to prevent a single entity from practicing the combination of claimed steps, either by itself or through another party that it controls. A company that performs only some of the claimed steps and induces its customers to perform the remaining steps does not infringe. As the court recognized, if this is seen as unfair loophole for enforcing software patents, the place to address it is Congress, not the courts. Congress closed a similar loophole in 1984 in response to the Supreme Court’s *Deepsouth* decision, which allowed manufacturers to avoid infringement liability by exporting unassembled parts of a machine for assembly overseas. But that was then. Congress is in no mood now to expand liability for patent infringement, particularly in the area of software patents.”

Patrick Doody, Pillsbury Winthrop Shaw Pittman LLP

“The *Limelight* decision will make it more difficult for patent owners to prove induced infringement in a divided infringement case. While the effect of this decision may decrease the number of patent infringement suits, it could increase the number of declaratory judgment actions.”

Michael A. Erbele, Merchant & Gould PC

“The patent at issue in *Akamai Techs. v. Limelight Networks Inc.*, owned by Akamai, involved a method for delivering videos to consumers via the Internet. In an en banc decision, the Federal Circuit expanded potential liability for induced infringement. The court held that a party may be liable for inducing infringement of a method claim where multiple parties perform different steps of the claim as long as each step is performed by at least one party. This case is particularly relevant to the software and electronics industries, where performance of multiple operations by different parties is common. It could also impact the life sciences industry, especially with respect to patents covering the co-administration of drugs.”

Bob Fischer, Fitzpatrick Cella Harper & Scinto LLP

“The Supreme Court reversed the Federal Circuit’s en banc decision, unanimously holding that there can be no inducement of infringement absent direct infringement under 271(a). The tone of the opinion is

sharp in places, at one point asserting that the Federal Circuit ‘fundamentally misunderstands’ what it means to infringe a method patent. The court declined to assess whether the Federal Circuit’s Muniauction decision was properly decided, and indeed invited the Federal Circuit to revisit whether there was infringement under 271(a), should it so choose. So the ultimate scope of liability in multi-party infringement situations still remains a very live question.”

Ann Fort, Sutherland Asbill & Brennan LLP

“This ruling is significant because it provides a safe harbor for avoiding any kind of method patent that can be performed by multiple actors, not just software patents. Method patents that can be performed by multiple actors without the ‘direction or control’ required by the court have arisen in the medical diagnostics field, for example. Although I would not call this an ‘anti-troll’ decision, there will be some negative impact on some non-practicing patent owners. Many of the software patents that have been acquired for monetization purposes fall into this category; this decision could marginally reduce the universe of patents that offer value to patent assertion entities.”

Shawn Hansen, Nixon Peabody LLP

“I anticipate that Limelight will inspire the Federal Circuit to replace the Muniauction rule with a more flexible one more grounded in traditional tort law principles. In general, the Supreme Court is pressuring the Federal Circuit to conform patent law more to traditional tort law principles rather than crafting specialized rules subject to the Federal Circuit’s exclusive interpretation. This should promote predictability and uniformity across substantive areas of law as well as bring the Federal Circuit’s relative authority more in line with that of the regional circuits.”

Barry Herman, Womble Carlyle Sandridge & Rice LLP

“In Limelight, the court continues its assault on the Federal Circuit, accusing it of ‘fundamentally misunderstand[ing] what it means to infringe a method patent.’ In so doing, the court seemed to go too far, inferring that the appellate court would find infringement of a method claim ‘if a defendant pays another to perform just one step of a 12-step process, and no one performs the other steps.’ I do not think that is a fair characterization. In any event, the court seemed to invite the Federal Circuit to revisit its interpretation of 271(a) in Muniauction (probably on remand in this case) and its definition of a single actor. This would allow the Federal Circuit to address the policy concerns of allowing would-be infringers to avoid liability by dividing performance of a method patent’s steps.”

J. Michael Huget, Honigman Miller Schwartz and Cohn LLP

“With the Limelight decision the court is sending a clear message to the Federal Circuit to address the underlying issue of direct infringement. In the short term it will make more challenging for holders of method patents with multiple steps to enforce those patents, which are common in a broad range of sectors from life sciences to automotive. This is certainly not the end of this issue and we will need to continue to monitor for long term impacts.”

Cynthia Kernick, Reed Smith LLP

“The Supreme Court’s opinion in Limelight will help to reduce the ever growing allegations of induced infringement that have been predicated upon assertion of infringement based upon a handful of, but not all, claim elements. Too often, recently, the so-called ‘troll’ has cobbled together infringement claims by suing multiple parties instead of a single part, because no single party engages in acts that infringe. Limelight will put an end to that.”

Antoinette Konski, Foley & Lardner LLP

“The decision limits the ability of patent holders to protect technologies that are increasingly relevant in today’s economy. We are in an era of specialization and collaboration. Digital technology moves information among users. Patient samples may be taken in the home or in a physician’s office, analyzed in a laboratory and transmitted to a treating physician who prescribes therapy. Thus, in many instances, more than one individual or entity can be involved in providing a digital service or medical method. To enforce a patented method that covers multiple actors under a theory of inducement, the patentee must find one actor who performs all steps of the method.”

Stephen G. Kunin, Oblon Spivak McClelland Maier & Neustadt LLP

“The Supreme Court decision in *Limelight Networks Inc. v. Akamai Technologies Inc.* has raised the bar to prove inducement to infringe a patent when it takes multiple actors to practice a claimed invention where no one actor has control or direction over the other actors. Now inducement to infringe cannot be proven when there is no direct infringer in such situation. The decision comes as no surprise when historically it was understood that there could be no inducement to infringe without a direct infringer. The Federal Circuit opinion that was overruled by the Supreme Court was viewed by many commenters as an aberration that has now been eradicated.”

Benjamin B. Lieb, Sheridan Ross PC

“The Supreme Court’s decision in *Limelight* today correctly narrows the circumstances under which one can be liable for inducing infringement under 35 USC Section 271(b). Prior to the *Limelight* decision, one could be liable for inducement where one performed some steps of a patented method and induced another to perform the remaining steps. It was not necessary for a single actor to perform all steps of the claimed method and thus there could be liability for inducing infringement even without a direct infringer. The *Limelight* decision now makes clear that one may be liable for inducing infringement of a method patent only if there is direct infringement of that patent, meaning there must be at least one third party who has practiced all steps of a claimed method.”

David Long, Kelley Drye & Warren LLP

“This ruling sends the Federal Circuit back to the drawing board to fashion a rule for direct patent infringement liability involving multiple actors where all steps of a claimed invention are performed, but some of those steps are performed by different actors. The Federal Circuit’s prior *Muniauction* decision provided only narrow circumstances for finding direct infringement liability, ruling that a single defendant must exercise sufficient control and direction over the entire process such that every step — including steps performed by others — may be attributed to that single defendant. Complaints that the *Muniauction* rule created undesirable loopholes led the Federal Circuit in this case to broaden circumstances covered by induced infringement. But the Supreme Court would have nothing to do with what it considered a ‘two-wrongs-make-a-right’ approach. The Supreme Court would not stretch induced infringement to cover whatever problems the *Muniauction* rule may have created. The case is remanded back to the Federal Circuit where it may once again consider when multiple actor infringement leads to direct infringement liability. Whether the Federal Circuit will keep or revamp the *Muniauction* direct infringement rule will have a significant impact in telecommunications and other dispersed-system technologies.”

Gaby L. Longworth, Sterne Kessler Goldstein & Fox PLLC

“According to the Supreme Court, for direct infringement to occur, the performance of all the steps of a patented method must be attributed to a single party or person. Thus, if the steps of a patented method are performed by more than one party or person, direct infringement under Section 271(a) did not occur and there is no liability for induced infringement. This is so because in the absence of direct

infringement, there is no inducement of infringement under Section 271(b). The court indicated that they were not asked to address direct infringement but that on remand, the Federal Circuit could revisit the Section 271(a) question. This decision could make it more difficult for patent owners to prove inducement of infringement, especially in the case of certain pharmaceutical or diagnostic patents, where the steps in the claimed methods — assuming they pass 101 muster — could involve actions taken by a combination of testing laboratories, doctors and patients, and not by any single party. The high court's decision could also allow active pharmaceutical ingredient manufacturers to avoid liability for inducing patent infringement where the claimed steps in a process patent are performed by two or more API suppliers."

Ralph Loren, Edwards Wildman Palmer LLP

"In *Limelight*, the Supreme Court unanimously reversed the Federal Circuit, holding that a direct infringement was a requirement for a finding of induced infringement. Interestingly, the court specifically declined to decide whether the Federal Circuit decision in *Muniauction*, which held that direct infringement can be found if one party 'exercises "control or direction" over the entire process such that each step is attributable to the controlling process.' The court implies that it might reverse that rule but that the issue was not before it."

Thomas R. Makin, Kenyon & Kenyon LLP

"*Limelight v. Akamai* reverses the CAFC's opinion that no direct infringement need be found before determining liability for indirect infringement of a method claim. The Supreme Court's ruling should reassure companies that they can review method claims and estimate the infringement risk. However, the court indicated its decision is narrow and reliant on the CAFC's *Muniauction* decision that direct infringement of a method claim requires a single actor — or that actor and its agent. The court broadly hinted that the CAFC might reconsider *Muniauction* and whether two parties merely cooperating to perform the steps of a method claim may directly infringe."

James Morris, Wolf Greenfield & Sacks PC

"Attorneys and their clients may spend significant time trying to divine if the Supreme Court is sending a message to the Federal Circuit or debating the proper interpretation of the statute, but the law is now clear. To prove induced infringement, there must be direct infringement by a single actor. For defendants, this may avoid a finding of infringement where this standard is not met. More importantly, the decision encourages patent attorneys and their clients to have clear, carefully crafted method claims where all recited steps are performed by a single economically important actor or potential competitor."

John Murphy, BakerHostetler

"The decision rolls back the law on inducement to where it was two years ago: there must be a direct infringer under Section 271(a). And it goes further, by focusing attention on the Federal Circuit's 'direction or control' test for divided infringement. The Supreme Court effectively remanded the case back to the Federal Circuit for consideration of the very question that the en banc Circuit set out to review back in 2011, but then avoided: 'If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?' A thorough answer to this question will likely involve serious consideration of vicarious liability principles from general tort law that have not previously been deployed in the *Muniauction* line of cases."

Kevin Nelson, Duane Morris LLP

"The court's return to the *Muniauction* standard harmonizes the law on direct infringement and inducement. It was odd indeed that, where multiple actors are needed to practice the claimed method,

defendants could be liable for inducement without a showing that the predicate act of actual infringement was ever committed. Defendants can now focus on testing the scope of the agency concept and on what constitutes ‘responsibility’ for carrying out each step of a claimed method. And perhaps this decision will lead to more careful drafting of method patent claims.”

William H. Oldach III, Vorys Sater Seymour and Pease LLP

“The Supreme Court took some surprisingly direct shots at the Federal Circuit, including its statement that the Federal Circuit fundamentally misunderstands what it means to infringe a method claim, before inviting the Federal Circuit to reconsider its 2008 Muniuction decision. If the Federal Circuit does so, then the arrows taken away from patentees today may be given back to them in the coming months. But as of today, a defendant accused 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. Such accused infringers 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.”

Charles S. Rauch, Hodgson Russ LLP

“In an unsurprising decision, the case highlights the importance of drafting method claims such that a single entity performs all steps. If there is an opportunity for the single-entity rule to be expanded, it will be with respect to the meaning of a single defendant exercising ‘control or direction’ under Section 271(a) — an issue which the court explicitly left open for the Federal Circuit to consider.”

P. Anthony Sammi, Skadden Arps Slate Meagher & Flom LLP

“Limelight represents a tectonic shift — not because it reaffirms the single-entity rule, but because it specifically acknowledges and, in a way, accepts what had previously been considered unintended consequences of the single-entity rule: namely, the ability for a defendant to avoid liability by performing only some elements, knowing that the other elements will be performed by its customers or by a business partner who is not directly under their control.”

Michael A. Sartori, Venable LLP

“The decision is very significant as it rolls back the Federal Circuit law on induced infringement to that in BMC Resources and Muniuction. The BMC Resources and Muniuction cases were very helpful for their clear demarcation regarding induced infringement — if no direct infringement, then no induced infringement. Further, BMC Resources and Muniuction helped by reiterating guideposts for determining single-actor direct infringement. However, the Supreme Court left the door open for the Federal Circuit to revisit the single-actor standard in Muniuction for direct infringement. As such, this story might not yet be concluded.”

Joseph E. Shipley, Fitch Even Tabin & Flannery LLP

“By providing a clear safe harbor for certain types of ‘divided infringement,’ the Supreme Court’s Limelight decision will be helpful to many businesses. It also provides welcome guidance to those who write and prosecute patent applications, making clear that the extra effort involved in drafting claims to avoid ‘divided infringement’ defenses — where possible — has paid off, and will continue to do so.”

Mike Turner, Neal Gerber & Eisenberg LLP

“The original question presented to the Federal Circuit in Akamai was whether, by passing off performance of a method claim step to a client, the server-side actor exhibits the necessary ‘direction and control’ to be seen as taking that step themselves, thus fulfilling the all-elements rule and committing direct infringement. The Federal Circuit avoided this question by sidestepping the all-

elements rule and finding indirect infringement under a vicarious liability theory. Today, the Supreme Court has unanimously rejected the Federal Circuit's move to indirect liability while ignoring the question of direct liability it faced. The Federal Circuit will ultimately have to take on the question of what constitutes sufficient 'direction and control' in scenarios where multiple actors are involved."

Aaron Van Oort, Faegre Baker Daniels

"The opinion in *Limelight* clarifies the law by tying liability for induced infringement directly to the existence of direct infringement. Now the question is whether the Federal Circuit or Supreme Court will relax the test for finding direct infringement of a method claim. The test currently requires that all the steps of a method claim be performed either by the defendant itself or by entities directed or controlled by the defendant. The Supreme Court hinted that it may think the last half of that test is too restrictive."

--Editing by Emily Kokoll.