Client Alert

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Supreme Court to Decide Whether Inducement of Patent Infringement Requires That a Single Entity Be Liable for Direct Infringement

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INTRODUCTION

The Supreme Court granted certiorari today on the question of whether inducement of patent infringement under Section 271(b) of the Patent Act requires that a single entity be liable for direct infringement.[1] *Limelight Networks, Inc. v. Akamai Tech., Inc.*, No. 12-786 (Jan. 10, 2014). The Court's decision on that issue may substantially impact the ability of patent owners in many cases to establish liability for infringement of method claims.

BACKGROUND

Frequently, several entities collectively perform all the steps of a method claim, but no single entity performs every step. In such a case of "divided infringement," a patent owner currently has two potential theories of liability. First, the patent owner may assert that one entity is liable for *direct infringement*, because that entity directs or controls the other entities' performance of those steps that it does not perform itself.[2] Often, however, this theory is not viable, because the entities have an arm's-length relationship to one another. For example, the Federal Circuit has held that a website operator that performed some steps of a claimed method and facilitated its users' performance of the remaining ones was not liable for direct infringement.[3]

Second, under the Federal Circuit's decision in *Akamai*, a patent owner may assert that one entity is liable for *inducement of infringement*, because that entity in some way induced the other entities to perform the steps it does not perform itself.[4] (See our Client Alert (Sept. 6, 2012).) To prevail on this theory, a patent owner need not establish that the accused infringer exercises direction or control over the others, because one entity can induce an act of another even if the two entities are in an arm's-length relationship. For example, a company may, in some instances, induce a customer to perform steps of a method claim simply by selling a product intended to perform those steps.[5]

Accordingly, under the Federal Circuit's *Akamai* decision, a patent owner can prove inducement of infringement even when no single entity is liable for direct infringement. This significantly expands a patent owner's ability to establish liability in divided-infringement cases.

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[1] The Court has yet to rule on Akamai's conditional cross-petition for certiorari on the issue of the standard for proving *direct* infringement under Section 271(a) of the Patent Act when multiple actors perform the steps of a method claim.

[2] *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), cert. denied, 556 U.S. 1105 (2009); *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).

[3] *Muniauction*, 532 F.3d at 1328–30.

[4] *Akamai Tech., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012).

[5] *See, e.g.*, *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365 (Fed. Cir. 2001).

LIMELIGHT'S PETITION FOR CERTIORARI

Limelight, the defendant in *Akamai*, petitioned the Supreme Court for certiorari on the issue of whether inducement of infringement requires that some entity be liable for direct infringement. Before ruling on Limelight's petition, the Supreme Court sought the views of the Solicitor General. The Solicitor General in turn submitted a brief siding with Limelight's position, urging the Court to grant certiorari and reverse the Federal Circuit's *Akamai* decision.[6] The Solicitor General asserted that the decision is inconsistent with both the text of the Patent Act and prior Supreme Court rulings.[7] He recognized, however, that reversal could allow a potential infringer to avoid liability through the unusual expedient of performing one method step itself instead of inducing another to perform that step.[8] He observed that there is "no obvious reason" for this result as a matter of patent policy, and attributed the result to a "statutory gap," but declared that it is the responsibility of Congress, not the courts, to fill any such perceived gap.[9]

The Court subsequently granted certiorari.

CONCLUSION

The Supreme Court's review of the *Akamai* case should be closely watched by owners of patents containing method claims and litigants in pending cases involving divided-infringement issues. If the Supreme Court reverses the Federal Circuit's *Akamai* decision, it may become substantially harder for plaintiffs in divided-infringement cases to prove liability under an inducement-based theory. This could have a significant effect on pending matters, particularly where fact and expert discovery may already have been completed based on legal standards that are no longer applicable, or where a matter has already gone to trial using jury instructions that may no longer reflect the law. Further, a decision significantly tightening the standards for divided infringement has the potential to render many method claims effectively unenforceable, and might also significantly impact decisions regarding whether and how best to seek method claims going forward.

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[6] http://sblog.s3.amazonaws.com/wp-content/uploads/2013/12/12-786-12-960-Limelight-v.-Akamai.pdf.

[7] *Id.* at 9–14.

[8] *Id.* at 9.

[9] *Id.* at 9–10.

Because of the generality of this update, the information provided herein may not be applicable in all situations and should not be acted upon without specific legal advice based on particular situations. Prior results do not guarantee a similar outcome.