ARE Patent Law Alert:
Supreme Court Reverses *Akamai* On Inducement But Leaves Open The Question Of Divided, Direct Infringement

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(June 2, 2014) The U.S. Supreme Court issued a unanimous decision in *Limelight Networks, Inc. v. Akamai Technologies, Inc. et al.,* 572 U.S. __ (June 2, 2014) ("*Limelight*"). reversing and remanding the leading Federal Circuit case on induced infringement under 35 USC § 271(b). Under the Federal Circuit's analysis, in order to establish direct infringement under 35 USC § 271(a) of a method claim, a "single party" must have performed all steps of the method, yet a defendant who performed just some of the steps and encouraged others to perform the remaining steps could still be liable for inducing infringement, even when there was no underlying direct infringement. *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1311 (Fed. Cir. 2012) (en banc) ("*Akamai* "). In *Limelight*, a unanimous Supreme Court (per Justice Alito) reversed the Federal Circuit's holding on inducement and left the question as to the so-called "single actor" rule for direct infringement for another day.

Factual Background

Akamai Technologies, Inc. ("Akamai") is the sole licensee of US Patent No. 6,108,703. The patent protects a method of delivering electronic data using a content delivery network. One step of the method includes designating components to be stored on specific servers or "tagging" the components. Limelight Networks, Inc. ("Limelight") provides a similar service, also delivering electronic data via a content delivery network. Limelight requires its customers to tag the components they intend to store, rather than doing the tagging itself. Limelight does, however, perform the other steps required by the method claim.

Federal Circuit Decision

In *Akamai,* the full Court at the Federal Circuit did not address whether Limelight was liable for a § 271(a) direct infringement, nor did it address whether an underlying direct infringement is necessary for a § 271(b) indirect infringement to occur. *See generally, Akamai* ., 692 F.3d at 1305 - 1319. Rather, the Federal Circuit held that "induced infringement can be found even if there is no single party who would be liable for direct infringement." *Id*. at

1326. Thus, it found that if Limelight was aware of Akamai's patent, performed all but one of the steps in the method, induced the content providers to perform the final step, and the content providers did in fact perform the final step, then Limelight would be liable for induced infringement. *Id.* at 1319. The Court reasoned that enforcing a "single actor" rule creates a regime that allows parties to "knowingly sidestep infringement liability simply by arranging to divide the steps of a method claim between them," and to prevent this loophole, the performance of steps by multiple parties must constitute inducement to infringe. *Id.* at 1318.

Petitions for Certiorari

Both Limelight and Akamai filed petitions for certiorari to the Supreme Court. Limelight's petition focused on the 35 U.S.C. §271(b) inducement issue and was granted, which led to this decision. Meanwhile, Akamai's petition for certiorari focused on the 35 U.S.C. §271(a) issue and is being redistributed for conference on June 5th, 2014.

The Court's Decision in *Limelight*

In *Limelight*, a unanimous Court (per Justice Alito) ruled that a party cannot be held liable for inducing patent infringement when no direct infringement had occurred.

The Court began its opinion with the simple proposition that "our case law leaves no doubt that inducement liability may arise 'if, but only if, (there is) . . . direct infringement.' *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U. S 336, 341 (1961) (emphasis deleted)." Thus, the Court in *Limelight* found that once the Federal Circuit concluded that there was no direct infringement, under its precedent in *Muniauction, Inc.* v. *Thomson Corp.*, 532 F. 3d 1318 (Fed. Cir. 2008) there is therefore no inducement of infringement under 35 U.S.C. §271(a).

Significantly, the Court assumed for purposes of its analysis the correctness of the Federal Circuit's ruling in *Muniauction* that §271(a) direct infringement of a method claim requires ***solely*** one party to perform all steps of the method. However, the Supreme Court expressly did not address whether this rule of law was correct and left room for the Federal Circuit to reconsider the rule, if appropriate, on remand.

Akamai's Petition

Akamai requested that the Supreme Court, both in a separate petition, and in Limelight's petition, also review the §271(a) standard from *Muniauction*. In *Limelight*, the Court expressly declined to do so but indicated the Federal Circuit could revisit the §271(a) question on remand. However, the Court has put Akamai's petition on the calendar for its June 5, 2014 Conference and thus may get another chance to have this issue properly briefed and addressed in the Fall.

Conclusion

When the Federal Circuit was first presented with the opportunity to address the *Muniauction* rule in *Akamai*, it elected to sidestep the issue. When the Supreme Court asked the Solicitor General whether it should reconsider the issue, the Solicitor General recommended against it. At oral argument, it became apparent that the *Muniauction* rule was ripe for consideration but had not been briefed. Perhaps now the Federal Circuit and/or the Supreme Court will address the rigid rule set forth in *Muniauction* and offer a more flexible solution to the divided infringement issue.

Postscript

After the original posting of this Alert, the Supreme Court denied Akamai's petition for certiorari and so will not address the §271(a) question. The Federal Circuit still has the option to do so when it hears this case on remand.

On July 24, 2014, the Federal Circuit issued an order, sua sponte, recalling and vacating its November 5, 2012 judgment. Additionally, the Court dissolved the en banc status of the case, referring it to two remaining panel members and a newly-selected judge.

We will continue to monitor the law on direct and indirect infringement. In the meantime, please feel free to contact one our attorneys regarding issues raised by this case.

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