

Litigation Alert: Supreme Court Revives “Divided Infringement” Defense to Inducement

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Limelight Networks, Inc. v. Akamai Technologies, Inc., No. 12-786, Slip Op. (June 2, 2014)

The United States Supreme Court has revived “divided infringement” as a defense to claims for inducement of patent infringement. In *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, the Court held—contrary to the Federal Circuit’s earlier *en banc* ruling in the case—that a defendant cannot be held liable for inducing infringement of a patent method claim when no single entity has directly infringed the claim, even if all steps of the claim are performed by multiple entities.

Akamai had sued Limelight for infringing U.S. Patent No. 6,108,703 (“the ’703 patent”). The ’703 patent “claims a method of delivering electronic data using a ‘content delivery network,’ or ‘CDN.’” Limelight performs several steps claimed in the ’703 patent, but its customers perform a step of the patent known as “tagging.” The jury found Limelight liable for infringement.

But shortly after the jury verdict, the Federal Circuit decided *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (2008), which held that where different steps of a method claim are performed by different entities, direct infringement requires a defendant to exercise “control or direction” over the steps the defendant itself does not perform. In light of *Muniauction*, the *Limelight* District Court entered judgment as a matter of law, and found Limelight not liable for infringement because “Limelight does not control or direct its customers’ tagging.” *Limelight*, Slip Op. at 3. A Federal Circuit panel affirmed the District Court’s ruling.

The Federal Circuit then granted *en banc* review, and the *en banc* court reversed on inducement without addressing the issue of direct infringement, holding that liability for inducement “arises when a defendant carries out some steps constituting a method patent and encourages others to carry out the remaining steps—even if no one would be liable as a direct infringer in such circumstances.” *Id.* at 4.

In other words, the *en banc* court effectively held that inducement requires only underlying direct infringement, even if no single direct infringer exists.

The Supreme Court rejected the Federal Circuit’s view and held that a finding of inducement requires a single entity to be responsible for the underlying direct infringement, either by performing all steps of the claimed method itself or by exercising control or direction over any steps performed by someone else. The Court noted that the Federal Circuit’s approach would “deprive [the inducement statute] §271(b) of ascertainable standards,” and would have led to “two parallel bodies of infringement law: one for liability for direct infringement, and one for liability for inducement.” *Id.* at 6.

The Court acknowledged Akamai’s criticism that the Court’s view of §271(b) would permit “a would-be infringer to evade liability by dividing performance with another.” *Id.* at 10. But the Court pointed out that this anomaly results from the Federal Circuit’s decision regarding direct infringement in *Muniauction*, and the rules of inducement liability should not be altered in light of that decision. Despite this acknowledgement, the Supreme Court declined to reach the merits of the Federal Circuit’s decision in *Muniauction*. The Supreme Court explained that the question presented in the current case is about inducement under §271(b), not direct infringement under §271(a), and made it clear that its decision “presupposes that Limelight has not committed direct infringement under §271(a).” *Limelight*, Slip Op. at 3.

The Federal Circuit, as the Supreme Court pointed out, is free to revisit *Muniauction*. Until then, direct infringement requires every step of the claimed method to be attributable to one actor, and no inducement can be found when no direct infringement has been committed. “Divided infringement”—where different entities perform different steps of a method claim—will therefore resume its place in the patent litigator’s toolbox, as a viable defense to an assertion of infringement by inducement.

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