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U.S. Supreme Court Rejects Divided Infringement of Method Claims in *Limelight v. Akamai*

In *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, decided on June 2, 2014, a unanimous Supreme Court clarified the standard for induced infringement under 35 U.S.C. § 271(b), holding that liability for inducement may arise only where a patent is directly infringed under 35 U.S.C. § 271(a). In so holding, the Supreme Court rejected the Federal Circuit's reasoning that would have permitted induced infringement where multiple parties collectively performed the steps of a claimed method. Under the tightened standard articulated by the Court's ruling in *Limelight*, a party may be liable for induced infringement only where performance of all steps of the claimed method are attributed to a single actor.

Factual Background and Procedural History

Akamai Technologies, Inc. is the exclusive licensee of U.S. Patent No. 6,108,703, which claims a method of delivering electronic data using a content delivery network, or CDN. Akamai's claimed method requires "tagging" of data files to be stored on its servers to increase the speed by which that data is ultimately accessed by individual internet users. Limelight Networks, Inc. also operates a CDN and carries out some of the steps of the method claimed in the '703 patent, but does not itself tag content. Instead, Limelight's customers perform the tagging step required by the asserted claims.

Akamai filed suit against Limelight in the District of Massachusetts in 2006. A jury returned a verdict of infringement of two independent claims of the '703 patent and awarded Akamai over $40 million in damages. Limelight's motion for judgment as a matter of law was initially denied, but subsequently granted on reconsideration in light of *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), which held that liability for direct infringement could only arise where a single actor (i) performed all steps of the claimed method itself or (ii) exercised "'control or discretion' over the entire process such that every step is attributable to the controlling party." *Id.* at 1329. The Federal Circuit panel affirmed, finding that Limelight neither performed the required tagging step nor controlled its customers' tagging. On en banc review, the Federal Circuit reversed the panel decision, declining to revisit direct infringement and imposing liability for inducement where a single actor carries out some steps of the claimed method and encourages others to perform the remaining steps.

The Supreme Court granted certiorari to determine "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)."

The Supreme Court Decision: Inducement Requires Direct Infringement

Writing for the Court, Justice Alito stated at the outset that "liability for inducement must be premised on direct infringement." Slip Op. at 4-5. The Court assumed that the unchallenged holding of *Muniauction* correctly recited the standard for direct infringement of a method patent: "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." Slip Op. at 6. It follows, according to the Court, that there can be no infringement of a method claim — direct or indirect — where "the performance of all the patent's steps is not attributable to any one person." *Id.* Accordingly, the Court held that "Limelight cannot be liable for inducing infringement that never came to pass." Slip. Op. at 7.

Rejecting a series of arguments set forth by Akamai, the Court addressed the assertion that its interpretation of § 271(b) would permit "a would-be infringer to evade liability by dividing performance of a method patent's steps with another whom the defendant neither directs nor controls." Slip. Op. 10. The Court faulted the Federal Circuit's holding in *Muniauction* for creating this possible outcome, declining to apply "some free-floating concept of 'infringement' both untethered to the statutory text and difficult for the lower courts to apply consistently." *Id.*

The Court declined to reconsider the holding of *Muniauction* in light of its grant of certiorari to address inducement under § 271(b) under the assumption that direct infringement under § 271(a) was not at issue. Slip Op. at 10. The case was remanded, and the Court invited the Federal Circuit invited to reevaluate its standard for direct infringement under § 271(a) at that time.

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If you would like to discuss how the Supreme Court's decision in *Limelight* may affect you, please speak with your regular Bryan Cave contact or any of the members of our Intellectual Property Client Service Group.