

## **LIMELIGHT V. AKAMAI: LIMITING INDUCED INFRINGEMENT**

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In *Limelight Networks, Inc. v. Akamai Technologies, Inc.*,<sup>1</sup> the Supreme Court addressed the relationship between direct infringement under § 271(a)<sup>2</sup> of the Patent Act and induced infringement under § 271(b).<sup>3</sup> The Court held that a defendant could be liable for inducing infringement of a patented process only if a single party would have been liable for performing all of the steps constituting direct infringement. In this short article, I provide the background to the opinion, discuss the ruling, and offer four lessons.

### I. BACKGROUND

Respondent Akamai was the exclusive licensee of U.S. Patent No. 6,108,703 (the '703 patent), which “claims a method of delivering electronic data using a ‘content delivery network’” (CDN).<sup>4</sup> Web site content providers entered into arrangements with Akamai to deliver content to users, and “[t]he '703 patent provides for the designation of certain components of a content provider’s Web site . . . to be stored on Akamai’s servers and accessed from those servers.”<sup>5</sup> This process is called “tagging.”<sup>6</sup>

Petitioner Limelight “also operates a CDN and carries out several of the steps claimed in the '703 patent.”<sup>7</sup> But “instead of tagging those components of its customers’ Web sites that it intends to store on its servers[,] . . . Limelight requires its customers to do their own tagging.”<sup>8</sup>

Akamai sued Limelight, and a jury found Limelight liable for infringement.<sup>9</sup> Shortly afterwards, the Federal Circuit, in *Muniauction*,

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1. 134 S. Ct. 2111 (2014).

2. 35 U.S.C. § 271(a) (2012) (“[W]hoever without authority makes, uses, offers to sell, or sells any patented invention . . . infringes the patent.”).

3. § 271(b) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”).

4. *Akamai*, 134 S. Ct. at 2115. The other respondent, the Massachusetts Institute of Technology, was the assignee of the patent. *Id.* This article refers to respondents as “Akamai.”

5. *Id.*

6. *Id.*

7. *Id.*

8. *Id.*

9. *Id.* at 2115–16.

*Inc. v. Thomson Corp.*,<sup>10</sup> held that “direct infringement requires a single party to perform every step of a claimed method.”<sup>11</sup> This requirement could be satisfied if multiple parties carry out the steps, but only if a single defendant “exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party.”<sup>12</sup>

Limelight moved for reconsideration, which the district court granted on the grounds that “*Muniauction* precluded a finding of direct infringement under § 271(a) because infringement . . . required tagging and Limelight does not control or direct its customers’ tagging.”<sup>13</sup> A Federal Circuit panel affirmed, reasoning that “a defendant that does not itself undertake all of a patent’s steps can be liable for direct infringement only when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.”<sup>14</sup>

The Federal Circuit then granted en banc review and reversed, finding that “the evidence could support a judgment in [Akamai’s] favor on a theory of induced infringement.”<sup>15</sup> In particular, the court found that “§ 271(b) liability 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, because those who performed the remaining steps did not act as agents of, or under the direction or control of, the defendant.”<sup>16</sup> The court further stated that “[r]equiring proof that there has been direct infringement . . . is not the same as requiring proof that a single party would be liable as a direct infringer.”<sup>17</sup>

## II. RULING

The Supreme Court began its analysis by explaining that “liability for inducement must be predicated on direct infringement.”<sup>18</sup> To the contrary, “[t]he Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent,”<sup>19</sup> which is a patent that “claims a number of steps . . . [and] is not infringed unless all the steps

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10. 532 F.3d 1318 (Fed. Cir. 2008).

11. *Id.* at 1329.

12. *Id.*

13. *Akamai*, 134 S. Ct. at 2116.

14. *Id.* (internal quotation marks omitted).

15. *Id.* (internal quotation marks omitted).

16. *Id.*

17. *Id.* at 2116–17 (alteration in original) (internal quotation marks omitted).

18. *Id.* at 2117.

19. *Id.*

are carried out.”<sup>20</sup> Such a conclusion “follows ineluctably from what a patent is: the conferral of rights in a particular claimed set of elements[,]” with “[e]ach element . . . deemed material to defining the scope of the patented invention.”<sup>21</sup>

The Court relied on the Federal Circuit’s holding in *Muniauction* that the steps of a patented method are performed only if “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.”<sup>22</sup> In the case at hand, the Court found that “there has simply been no infringement of the method in which respondents have staked out an interest, because the performance of all the patent’s steps is not attributable to any one person.”<sup>23</sup>

The Court offered several strands of support for its conclusion. First, the Federal Circuit’s rule “would deprive § 271(b) of ascertainable standards,” forcing courts to wrestle with issues such as defendants paying others to perform one important step of a multi-step process and requiring them “to develop two parallel bodies of infringement law: one for liability for direct infringement, and one for liability for inducement.”<sup>24</sup>

Second, the Court turned to Congress’s action in overturning *Deepsouth Packing Co. v. Laitram Corp.*,<sup>25</sup> which had held that a party that supplied materials necessary to infringe a patent was not liable if the materials were assembled overseas.<sup>26</sup> Congress responded by enacting § 271(f)(1),<sup>27</sup> which imposed liability in this setting.<sup>28</sup> Such legislation demonstrates that “when Congress wishes to impose liability for inducing activity that does not itself constitute direct infringement, it knows precisely how to do so.”<sup>29</sup>

Finally, the Court rejected additional arguments made by Akamai. First was the claim that “tort law imposes liability on a defendant who harms another through a third party, even if that third party would not himself be liable.”<sup>30</sup> The Court responded by explaining that “the reason Limelight could not have induced infringement under § 271(b) is not that no third party is *liable* for direct infringement” but “instead . . . that no

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20. *Id.*  
21. *Id.* (internal quotation marks omitted).  
22. *Id.*  
23. *Id.*  
24. *Id.* at 2117–18.  
25. 406 U.S. 518 (1972).  
26. *Id.* at 531.  
27. 35 U.S.C. § 271(f)(1) (2012).  
28. *See id.*  
29. *Akamai*, 134 S. Ct. at 2118.  
30. *Id.*

direct infringement was *committed*.<sup>31</sup> Akamai's rights were not "violated" because "Limelight did not undertake all steps of the '703 patent."<sup>32</sup>

Second, Akamai sought to "analogize § 271(b) to the federal aiding and abetting statute," contending that "two parties who divide all the necessary elements of a crime between them are both guilty."<sup>33</sup> The Court also rejected that claim, finding that "[t]he aiding-and-abetting statute must be read 'against its common-law background,'" and, unlike the present case, "at common law two or more defendants, each of whom committed an element of a crime, were liable as principals."<sup>34</sup>

Third, Akamai contended that "patent law principles established before the enactment of the Patent Act demonstrate that a defendant that performs some steps of a patent with the purpose of having its customers perform the remaining steps is liable for inducing infringement."<sup>35</sup> But such an "understanding of the pre-1952 doctrine casts doubt on the *Muniauction* rule for direct infringement."<sup>36</sup> Moreover, the Court explained that "the possibility that the Federal Circuit erred by too narrowly circumscribing the scope of § 271(a) is no reason for this Court to err a second time by misconstruing § 271(b) to impose liability for inducing infringement where no infringement has occurred."<sup>37</sup>

Finally, Akamai criticized the Supreme Court's interpretation of § 271(b), which "permit[s] 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."<sup>38</sup> The Court "acknowledge[d] this concern," but explained that "[a]ny such anomaly . . . would result from the Federal Circuit's interpretation of § 271(a) in *Muniauction*."<sup>39</sup> The Court then explained that "[a] desire to avoid *Muniauction*'s natural consequences does not justify fundamentally altering the rules of inducement liability that the text and structure of the Patent Act clearly require."<sup>40</sup> Such an "alteration . . . would result in its own serious and problematic consequences, namely, creating for § 271(b) purposes some free-floating concept of 'infringement' both untethered to the statutory text and difficult for the lower courts to apply consistently."<sup>41</sup>

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31. *Id.* at 2118–19.

32. *Id.* at 2119.

33. *Id.*

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.*

38. *Id.* at 2120.

39. *Id.*

40. *Id.*

41. *Id.*

The Court concluded by refusing to review the Federal Circuit's *Muniauction* rule for direct infringement under § 271(a) since the question presented in the case focused on § 271(b).<sup>42</sup> And that question “presupposes that Limelight has not committed direct infringement under § 271(a).”<sup>43</sup> The Court then reversed and remanded the Federal Circuit's ruling.<sup>44</sup>

### III. FOUR LESSONS

The Supreme Court's *Akamai* decision offers (at least) four lessons, which address: (1) the text of the Patent Act, (2) the Supreme Court's treatment of the Federal Circuit, (3) the question of direct infringement, and (4) policy issues presented by congressional action.

First, the decision bears strong support in the text of the Patent Act and relevant precedent. Section 271(a) provides that “whoever without authority makes, uses, offers to sell, or sells any patented invention . . . infringes the patent.”<sup>45</sup> And § 271(b) states that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.”<sup>46</sup>

The most natural reading of the two clauses is to treat infringement consistently. As Judge Linn explained in his dissent in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*,<sup>47</sup> “Congress is presumed to have intended the word ‘infringement’ in § 271(b) . . . to target the same conduct as ‘infringes’ in § 271(a)[,]” as “it is the same word, simply used as a verb in paragraph (a) to define the act.”<sup>48</sup> And because, as the Federal Circuit held in *Muniauction*, “direct infringement requires a single party to perform every step of a claimed method,”<sup>49</sup> the obvious conclusion is that induced infringement requires conduct by a single party. A contrary interpretation, as the Court explained, would result in “two parallel bodies of infringement law.”<sup>50</sup>

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42. *Id.*

43. *Id.*

44. *Id.*

45. 35 U.S.C. § 271(a) (2012).

46. § 271(b).

47. 692 F.3d 1301, 1340 (Fed. Cir. 2012) (Linn, J., dissenting), *rev'd*, 134 S. Ct. 2111 (2014).

48. *Id.*

49. *Akamai*, 134 S. Ct. at 2116 (internal quotation marks omitted).

50. *Id.* at 2118. For an example of such an interpretation, the Federal Circuit had held that “infringement” in § 271(b) referred “most naturally to the acts necessary to infringe a patent, not to whether those acts are performed by one entity or several.” *Akamai*, 692 F.3d at 1309. As one commentator has concluded, “[i]t is hard to draw a distinction, if one can be drawn at all, between the majority's definition of ‘infringement’ as ‘acts necessary to infringe a patent’ and ‘infring[ing] the patent,’ as recited in Section

For these reasons, the Court felt compelled, based on the “text and structure”<sup>51</sup> of the Patent Act, to reach the conclusion it did. It did not find the issue difficult. In addition to its language indicating how simple it believed the case was, the opinion was unanimous and was issued a mere 33 days after argument.<sup>52</sup>

Second, the ruling added to the ever-expanding line of cases in which the Supreme Court has reversed the Federal Circuit. Such reversals have weakened patents along numerous axes, including (to name but a handful) the standards for nonobviousness,<sup>53</sup> vagueness,<sup>54</sup> and injunctions;<sup>55</sup> licensees’ ability to challenge patent licenses;<sup>56</sup> and the threshold for obtaining attorneys’ fees.<sup>57</sup>

The Supreme Court also employed harsh rhetoric in overturning the Federal Circuit. It began its opinion by explaining that the proposition that inducement liability is predicated on direct infringement is a “simple truth” that “is enough to dispose of this appeal.”<sup>58</sup> It did not understand how the court could have found that “a defendant can be liable for inducing infringement under § 271(b) even if no one has committed direct infringement” under “any . . . provision of the patent laws.”<sup>59</sup> And it stated that the court’s analysis “fundamentally misunderstands what it means to infringe a method patent.”<sup>60</sup>

Third, the Court made clear that its review was limited to inducement, not direct infringement. The Court did not reexamine the *Muniauction* rule, which was not presented, and it “presuppose[d] that Limelight has not committed direct infringement.”<sup>61</sup> A reevaluation of the Federal Circuit’s rule nonetheless seemed to be an option suggested by the Court’s continued reminders that it was assuming the validity of *Muniauction*. As this Article went to press, just such an invitation was presented to the Federal Circuit, as Akamai sought a ruling on whether multiple parties could be jointly liable for direct infringement.<sup>62</sup>

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271(a).” Brendyn M. Reinecke, *Akamai: Patent Claims Are Now Broader than the Invention*, 2013 WIS. L. REV. 1231, 1248

51. *Akamai*, 134 S. Ct. at 2115.

52. *Akamai*, 134 S. Ct. 2111.

53. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

54. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014).

55. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

56. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

57. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

58. *Akamai*, 134 S. Ct. at 2117.

59. *Id.*

60. *Id.*

61. *Id.* at 2120.

62. Ryan Davis, *Full Fed. Circ. Must Weigh Joint Infringement, Akamai Says*, LAW 360 (June 16, 2014, 5:50 PM), [www.law360.com/articles/548404](http://www.law360.com/articles/548404).

Fourth, Congress could adjust the framework for liability based on policy considerations.<sup>63</sup> The Supreme Court recognized the “concern” that “a would-be infringer” could “evade liability by dividing performance of a method patent’s steps” with someone else it did not direct or control.<sup>64</sup> A vendor, for example, could tell subscribers how to perform a process’s remaining steps without being “contractually or otherwise obligated to do so.”<sup>65</sup> Legislation could make it harder for infringement to slip through the cracks.

On the other hand, any congressional change would need to consider policy concerns pointing in the other direction. For starters, an expansion of liability could decrease the certainty and notice confronting potential infringers. A contrary rule (along the lines of the Federal Circuit’s en banc *Limelight* opinion) would require a party “to consider not just what steps of a claim it may perform itself, but also what steps other independent entities might be performing and whether it might be accused of inducing their conduct.”<sup>66</sup>

The problem is that parties must take into account “the conduct of other independent actors” such as customers and suppliers.<sup>67</sup> And, unlike action taken by a company (or agents subject to its control), “[t]here may be no way to know the manner in which such independent actors carry out a particular function or use a particular service, and therefore no way to know in advance whether some combination of activities may include performance of each method step.”<sup>68</sup> As a result, “the risk of unpredictable liability raises the costs of—and thus deters—innovation.”<sup>69</sup>

In addition, a revised framework along the lines of the *Akamai* rule could “incentivize[] patentees to be ambiguous with their claim language.”<sup>70</sup> The inventor could “place all elements for all actors into a single super claim because the claim elements can be divvied up by the patent owner after the patent is granted” and the owner “finds a scenario to sue for patent infringement.”<sup>71</sup>

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63. Another avenue for modification would lie in the Federal Circuit’s reexamination of the *Muniauction* rule.

64. *Akamai*, 134 S. Ct. at 2120.

65. Brief for the United States as Amicus Curiae at 7, *Akamai*, 134 S. Ct. 2111 (No. 12-786).

66. Brief for Amicus Curiae International Business Machines Corp. Supporting Neither Party at 19, *Akamai*, 134 S. Ct. 2111 (No. 12-786).

67. Brief for Petitioner at 43, *Akamai*, 134 S. Ct. 2111 (No. 12-786).

68. *Id.*

69. *Id.*

70. Reinecke, *supra* note 50, at 1252.

71. *Id.* at 1253.

Nor would the failure to allow such ambiguous drafting appear to harm innovation. The Federal Circuit has acknowledged that “[a] patentee can usually structure a claim to capture infringement by a single party.”<sup>72</sup> And scholars have shown how claims can be redrafted, explaining that “[m]ost inventions that involve cooperation of multiple entities can be covered using claims drafted in unitary form simply by focusing on one entity and whether it supplies or receives any given element.”<sup>73</sup>

In short, in *Akamai*, the Supreme Court continued its long line of Federal Circuit reversals, finding that the text and structure of the Patent Act limit induced infringement to settings in which there has been direct infringement. Any next steps will be more nuanced, as this straightforward conclusion is subject to further developments at the Federal Circuit or in Congress.

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72. *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2007).

73. Mark A. Lemley et al., *Divided Infringement Claims*, 33 *AIPLA Q.J.* 255, 272 (2005); *see id.* at 272–75 (providing examples).