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Supreme Court Curbs Inducement Doctrine in *Limelight Networks v. Akamai Technologies*

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Summary

After much anticipation, the Supreme Court delivered its opinion in ***Limelight Networks, Inc. v. Akamai Technologies, Inc.***, making clear that a defendant may not be liable for inducing infringement of a method patent under **35 U.S.C. § 271(b)** unless direct infringement has been committed under § 271(a). The Court's 11-page ruling took the Federal Circuit to task, reversing its holding that a defendant may be liable for inducement even when there has been no direct infringement. The Court left open for another day whether the Federal Circuit's decision in ***Muniauction, Inc. v. Thomson Corp.*** – holding that direct infringement under 271(a), the predicate for a finding of inducement, requires a single party to perform every step of a claimed method – was decided properly.

Background

Akamai Technologies is the exclusive licensee of an MIT patent (the '703 patent) for a method of delivering electronic data using a content delivery network (CDN). The '703 patent allows for certain components of a content provider's website, such as video or music files, to be designated for storage on Akamai's servers, a process called "tagging." The "tagged" files can then be accessed by Internet users at increased speeds. Limelight carries out several steps of the '703 patent, but instead of "tagging" components of its customer's websites as in the '703 patent, Limelight provides instructions and technical assistance regarding how to tag and requires its customers to perform their own "tagging."

In 2006, MIT and Akamai sued Limelight for patent infringement in the District of Massachusetts. A jury found Limelight to have infringed the '703 patent and awarded over $40 million in damages. But shortly after the jury returned its verdict, the Federal Circuit decided *Muniauction*, holding that the defendant there was not liable for direct infringement because "it did not exercise control or direction over its customers' performance of those steps of the patent that the defendant itself did not perform."

As a result of *Muniauction*, Limelight moved for reconsideration of its earlier motion for judgment as a matter of law, which the District Court then granted, ruling that infringement of the '703 patent required "tagging," and Limelight did not control or direct its customers' tagging. **The Federal Circuit affirmed**, explaining that a defendant 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." Because Limelight did not meet either condition, it could not be held liable for direct infringement. The Federal Circuit subsequently granted *en banc* review and **reversed** on the ground that the "evidence could support a judgment in [Akamai's] favor on a theory of induced infringement." The Federal Circuit explained that liability under 271(b) arises when a defendant carries out some steps in a method patent and encourages others to carry out the remaining steps, even if no one party would be liable as a direct infringer, and when those who performed the remaining steps were not agents of, or under the direction or control of, the defendant.

Supreme Court Analysis

The Court reaffirmed the patent law principle that inducement liability can arise only if there is direct infringement, citing ***Aro Mfg. Co. v. Convertible Top Replacement Co.*** But this "simple truth" seemingly escaped the Federal Circuit, which, according to the Court, "fundamentally misunderstands what it means to infringe a method patent." The Court explained that under *Aro*, a method patent is not infringed unless all steps of the method are carried out. The Court then referred to the Federal Circuit's decision in *Muniauction*, which explained that a method patent's steps have not all been performed as claimed unless they all are attributable to the same defendant, either by defendant's actual performance of the steps, or because defendant directed or controlled others who performed them. Assuming

Muniauction to be correct, the Court found there was no infringement of the '703 patent "because the performance of all the patent's steps is not attributable to any one person." Accordingly, without direct infringement under 271(a), there could be no induced infringement under 271(b).

According to the Court, section 271(b) would not have ascertainable standards under the Federal Circuit's contrary view. That is, if a defendant could be held liable for inducing infringement that does not constitute direct infringement, trial courts would be unable to assess when a patent holder's rights have been invaded. As such, the Court reasoned, courts would need to develop separate bodies of law: one for direct infringement, and another for liability for inducement.

The Court also explained that Congress could impose liability for inducing activity that may not itself constitute direct infringement, as it had done in crafting 35 U.S.C. § 271(f)(1). That statute imposes liability on a party supplying in the U.S. components of a patented invention in a way that actively induces the combination of the components outside the U.S. in a manner that would infringe if occurring within the U.S. The Court declined to create liability for inducement of non-infringing conduct where Congress had not extended such a concept. The Court also was not persuaded by Akamai's arguments attempting to analogize tort liability and the **federal aiding and abetting statute**, to induced liability. Moreover, the Court stated that concerns regarding the narrowness of *Muniauction* should not be the basis for misconstruing § 271(b) to impose liability where no direct infringement occurred.

And while acknowledging that a would-be infringer might evade liability by dividing performance of a method patent's steps with another party that it does not direct or control, the Court noted that such a situation is the result of the Federal Circuit's interpretation of 271(a) in *Muniauction*, and does not justify altering the rules of inducement liability.

Conclusion

Through *Limelight v Akamai*, the Supreme Court has rejected the expansion of the doctrine of induced liability. Accordingly, parties on either side of the "v." need to be mindful of the potential scope of liability where multiple actors are involved. It remains unclear whether the Federal Circuit will undertake to revisit *Muniauction* or whether Congress will enter this debate with legislative amendments to patent law. In the meantime, Venable will remain at the forefront of advising clients on these developments.