Client Alert

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Supreme Court Unanimously Overrules Federal Circuit's Decision in *Akamai*

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INTRODUCTION

In a unanimous and unequivocal opinion, the Supreme Court ruled yesterday that liability for inducement of patent infringement requires that the *induced* entity itself perform every element of a claim, and thus directly infringe. *Limelight Networks, Inc. v. Akamai Techs., Inc.*, No. 12-786 (June 2, 2014).[1] The Court overruled the Federal Circuit's decision holding that an entity can be liable for inducement of infringement if it performs some steps of a method claim and induces another entity that it does not direct or control to perform the remaining steps, where no entity directly infringes. The Court's decision forecloses one theory on which parties had previously relied to attempt to prove liability where steps are performed by multiple entities.

BACKGROUND

Prior to the Supreme Court's *Akamai* decision, a patent owner had two viable theories of infringement for a method claim that recites steps performed by multiple actors. (See our Client Alert (Jan. 10, 2014).) *First*, the patent owner could show that the accused infringer directed or controlled another entity's performance of those steps that it did not perform itself and thus was liable for direct infringement under 35 U.S.C. § 271(a).[2] *Second*, the patent owner could show that the accused infringer induced another entity to perform those steps that it did not perform itself and thus was liable for inducement of infringement under 35 U.S.C. § 271(b), even though the induced entity did not commit direct infringement.[3]

RULING

The Supreme Court eliminated the second infringement theory in the *Akamai* decision. The Court held that an accused infringer cannot be liable for inducement of infringement unless there is direct infringement by the induced entity. The Court reaffirmed its decades-old case law holding that inducement liability can arise "if, but only if, there is direct infringement."[4] Moreover, the Court rejected the Federal Circuit's position that direct infringement can occur where every step of a claim is performed, but not by a single entity. (See our Client Alert (Sept. 6, 2012).) The Court noted that basic tort law principles do not support finding a party liable for inducing a lawful action.

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[1] Available at http://www.supremecourt.gov/opinions/13pdf/12-786_664d.pdf.

[2] *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), cert. denied, 556 U.S. 1105 (2009); *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).

[3] *Akamai Tech., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012).

[4] *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) (alterations omitted).

The Court acknowledged a concern that a would-be infringer can evade liability under the current law by dividing the performance of method steps with some other entity that it does not direct or control. The Court attributed this result to "the Federal Circuit's interpretation of § 271(a)" requiring a single entity to direct or control the performance of all method steps. The Court declined, however, to rule on the standard for proving infringement under § 271(a) because that issue was not squarely presented in the appeal.

CONCLUSION

The Supreme Court's *Akamai* decision will make it more difficult to prove infringement of many method claims in which different entities perform the various steps, effectively precluding inducement theories. Companies seeking patent protection for methods should consider drafting claims so that a single entity performs all steps. Litigants in patent cases involving method claims should evaluate whether those claims remain viable and whether infringement contentions, expert reports, or jury instructions require modification in light of the Supreme Court's decision. Finally, the law on divided infringement may remain unsettled until the Supreme Court considers the issue of direct infringement under § 271(a).

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