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U.S. Supreme Court Decides *Limelight Networks v. Akamai Technologies*, Probing the Limits on Enforcement of Method Claims

In a recent unanimous decision, the United States Supreme Court found that an accused patent infringer may not be held liable for actively inducing infringement of a patent under 35 U.S.C. § 271(b), when no single person or entity has directly infringed the patent under 35 U.S.C. §271(a) by practicing all of the claimed method steps.

Under current U.S. Patent law, a patent may be infringed directly under Section 271(a) by a single infringer committing the acts of infringement itself. A patent may also be infringed indirectly under Sections 271(b)(inducement) or 271(c)(contributory infringement). Section 271(b) of the Patent Act of 1952 provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” This provision has been consistently interpreted by courts to require that before a defendant may be found liable for actively inducing others to infringe a patent, the patent must have also been directly infringed.

The *Limelight* decision sought to clarify the legal standards on this issue set by precedential decisions of the United States Court of Appeals for the Federal Circuit. The Supreme Court held that in order to meet the requirements of induced infringement of a method claim under § 271(b), the standards set by the Federal Circuit for finding direct infringement of a method claim under §271(a) must also be met. While the Court sought to clarify the requirements for proving induced infringement of method claims, the Court left open the possibility that the Federal Circuit’s standards may be revisited in the future. This suggests that there may be important implications for the enforcement and value of existing method claims, and also for the practice of drafting and prosecuting method claims before the U.S. Patent and Trademark Office.

NSIP Law is a full service IP firm that specializes in the procurement of enforceable IP rights to protect innovations and investments pertaining to patents, trademarks, and copyrights.

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U.S. Patent No. 6,108,703

The *Limelight* case involved U.S. Patent No. 6,108,703 (“the ‘703 Patent”) entitled “Global Hosting System,” which claims methods of delivering electronic data using a “content delivery network,” or “CDN.”

The ‘703 Patent claims an architecture or framework that supports the hosting and distribution of selected information content globally, such as over the Internet. The method claims of the ‘703 Patent require, in part, the designation of selected components of a content provider’s Web site to be stored on host servers, so that this content can be accessed from those servers by Internet users. The claimed method of selecting and designating components of information content to be stored on the host servers also requires the “tagging” of that content by the host itself, in order to make it accessible to users.

Akamai’s Infringement Claim against Limelight and the Federal Circuit’s Precedent

Akamai sued Limelight for infringement of the ‘703 Patent in the U.S. District Court for the District of Massachusetts. A jury returned a verdict of infringement against Limelight, and ordered Limelight to pay Akamai \$40 million in damages.

After the jury returned its verdict, the Federal Circuit decided the influential case of *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (2008). In *Muniauction*, the Federal Circuit rejected a claim that the defendant had directly infringed a patent directed to a method involving bidding on financial instruments using a computer system. The defendant in *Muniauction* had performed some of the steps of the claimed method itself, and its customers performed the remaining steps of the method. The defendant had given its customers access to its system, along with instructions on how to use the system to perform the additional steps.

However, the Federal Circuit held in *Muniauction* that **direct infringement** of a method patent under 35 U.S.C. § 271(a) requires a single party to perform every step of a claimed method. According to the Federal Circuit in *Muniauction*, this requirement may be satisfied even though the steps are actually performed by multiple parties. As the Federal Circuit explained, this would be the case where a single infringement defendant “exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party.” The Federal Circuit in *Muniauction* held that the defendant was not liable for direct infringement because it did not exercise control or direction over its customers’ performance of the method steps of the patent that the defendant itself did not perform.

In light of the *Muniauction* decision, the District Court in the *Limelight* case granted Limelight’s motion to overturn the jury’s verdict, because infringement of the ‘703 Patent required tagging, and Limelight did not itself tag the selected content, which was done by its customers, nor did it control or direct its customer’s tagging. Akamai appealed this ruling to the Federal Circuit. On appeal, a three-judge panel of the Federal Circuit agreed with the District Court in the *Limelight* case, explaining that a defendant that does not itself undertake all of a patent’s steps can be liable for direct infringement of a method claim only “where 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.” Neither of these conditions were met in the *Limelight* case.

Because of the significance of this issue to patent practice, the Federal Circuit then granted *en banc* review, during which all of the judges reheard Akamai’s appeal and reviewed the three-judge panel’s decision. The

en banc Federal Circuit did not change the legal standard set forth in *Muniauction* for finding direct infringement of a method claim under §271(a).

Instead, the Court reversed the three-judge panel’s decision, concluding that “the evidence could support a judgment in Akamai’s favor on a theory of induced infringement” under § 271(b) because liability for induced infringement arises when a defendant carries out steps constituting a method patent, and encourages others to carry out the remaining method 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. Although the Federal Circuit acknowledged that “there can be no indirect infringement without direct infringement,” it explained further 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” in an actual court proceeding. It was sufficient for the *en banc* Court that all of the method steps recited in the claim had been performed at some point, even if they were performed by more than one person or entity.

Claim 17 of *Limelight*

17. A content delivery method, comprising:
 - tagging an embedded object in a page to resolve to a domain other than a content provider domain by prepending given data to a content provider-supplied URL to generate an alternate resource locator (ARL);
 - serving the page from a content provider server with the ARL; and [sic]
 - resolving the ARL to identify a content server in the domain; and
 - serving the embedded object from the identified content server.

Claim 17 describes, by way of non limiting example, a claimed content delivery method describing “tagging”. The Court construed the “tagging” to mean the process of designating components to be stored on Akamai’s servers. The Court stated that this “tagging” step was intended to be performed by the host computer system, not by any third-party entities. However, this did not prevent *Limelight* from delegating this task to its customers to be performed independently, rather than performing this step itself within its content hosting system. As a result, the Court concluded that *Limelight* was attempting to avoid infringement of the ‘703 Patent, either directly or by inducing its customers to perform critical method steps.

In light of the Court’s analysis of the method claims of the ‘703 Patent, it is advisable to ensure that method claims are drafted as broadly as possible to ensure a single actor performs all of the steps as opposed to multiple actors. As a result, potential infringers may not be able to use *Limelight* decision as a defense to avoid infringement by submitting that at least one of the method steps is being performed by a third-party entity.

Although the Supreme Court in *Limelight* indicated that direct infringement of a method claim must be proven before a claim of induced infringement may also be proven, it did not change the existing Federal Circuit standards for making these determinations. However, due to the uncertain future of infringement issues to be decided at a later point in time, care should be taken in drafting patent applications as previously noted in this article.

The Supreme Court's Decision in *Limelight*

The Supreme Court disagreed with the *en banc* Federal Circuit, and recognized that a method claim recites a number of steps and the method claim is not infringed unless all the steps in the claim are carried out. In this case, the Supreme Court observed that there had been no direct infringement of the method claim in the *Limelight* case “because the performance of all the patent’s steps is not attributable to any one person.” And “where there is no direct infringement, there can be no inducement of infringement under § 271(b).” The Court determined that all the steps recited in the method claims were not performed by *Limelight* alone. Rather, the steps were performed independently performed between *Limelight* and the customers. According to the Court, since performance of all of the claimed steps cannot be attributed to a single person, *Limelight* could not be liable for inducing infringement, because no direct infringement was ever proven to have been committed.

Possible Implications of the *Limelight* Decision

Although the Supreme Court in *Limelight* sought to clarify existing law on the issue of direct and induced infringement of method claims, the Supreme Court did not change the existing Federal Circuit standards for infringement. The decision reasonably appears to suggest that infringement of a method claim, whether directly or indirectly by inducement, requires a demonstration that *a single actor* performed *all* of the steps of the method itself, or directed or controlled third parties to do so. The Supreme Court did also indicate that when the case is remanded to the Federal Circuit for further proceedings, “the Federal Circuit will have the opportunity to revisit the § 271(a) question if it so chooses.”

In view of the *Limelight* decision, the potential value of method claims should be revisited during drafting of the patent application, the course of prosecution, and in view of licensing agreements.

Tips for Avoiding the Pitfalls of the *Limelight* Decision

The following “tips” are suggested in view of the evolving nature of this issue.

Application Drafting and Prosecution

- Draft sample embodiments in the Specification directed to the method from a single device perspective without third party intervention. All the feature (structure) and functions performed by the method should be taking place at one location, that is, the targeted device or product.
- In alternative configurations, add description in the Specification directed to a method or methods executed in multiple devices, focusing the core of the invention on third parties in the event that the future of the patent law in this area should yet again change.
- Draft at least one independent claim directed to a method from a single device perspective without third party intervention. All the feature (structure) and functions performed by the method should be taking place at one location, that is, the targeted device or product.
- Also, it is recommended that method claims be drafted without identifying any particular steps in reference to letters or numbers to avoid a narrow interpretation of the steps by being performed in a particular order.

- Draft dependent claims that recite method steps that may be performed by an independent third party in the event that the future of the patent law in this area should yet again change.
- Avoid making amendments to the claims or arguments during prosecution of the patent application that could be interpreted to require or allow more than one independent entity to perform the steps of the claimed method.
- For patent applications of interest that include method claims, consider maintaining the pendency of the patent applications by filing continuation applications, so that the applicant is able to continue to write claims that take into consideration any further changes in the event that a competitor practices less than all of the claimed operations or should the patent law in this area yet again change.
- Review U.S. patents of interest that were issued within the past two years to determine whether they may still be enforced under the legal standards announced in the Limelight decision. If it is clear that particular method claims would require more than one entity to practice all of their steps as they are written, then consider whether the patent would be eligible for a Reissue in order to redraft the claims so that they conform to the requirements of Limelight. However, one should keep in mind that this could be risky because one could jeopardize the scope of the current claims.

Litigation and Licensing

- Carefully review the Specification and method claims of each patent that you seek to enforce or license to determine whether all of the recited method steps can be performed by a single entity.
- Carefully review the available evidence of infringement to determine whether a single infringing entity, or potential licensee, is performing all of the steps of the claimed method itself, or is instructing others to perform some or all of the steps under its direction or control as its agent or contractor.
- Review the Specification and method claims of all patents that are being asserted against you in litigation to determine whether their method steps are being performed by more than one actor. If they are, then consider taking the following actions:
 - Assert a broad interpretation of the method claims that includes the performance of the method steps by more than one actor.
 - File a motion with the court seeking a judgment of non-infringement based on the Limelight decision by arguing that more than one actor performs the method steps.
- In licensing negotiations, consider the value that the method claims would add to your patent portfolio given the evolving nature of the patent law in this area and in view of Limelight case.

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning any situations. Counsel should be consulted for legal planning and advice.

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