Akamai Reversed - Liability for Inducing Infringement Requires Proof of Direct Infringement by One Person

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The United States Supreme Court in its opinion *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 572 U. S. ____; Slip Op. No. 12-786 (June 2, 2014) ("*Akamai*") holds that there cannot be liability for inducing infringement unless a single party has directly infringed the patent.

Akamai came to the court following an *en banc* decision by the Federal Circuit. In that decision, the majority, while recognizing that "'there can be no indirect infringement without direct infringement,' . . . explained 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, . . .'" Slip. Op. at 4 (quoting *Limelight Networks, Inc. v. Akamai Technologies, Inc.*692 F. 3d 1301, 1308-1309 (Fed. Cir. 2012 (per curiam) (internal citations and emphasis omitted). The Supreme Court in its Akamai opinion rejects the Federal Circuit's holding.

Akamai concerns a method patent. To prevail on a method patent infringement claim requires proof that an accused infringer has practiced each step of the claimed method. In Akamai, the defendant itself practiced or controlled the practice of some steps, with its customers practicing the remaining steps. In such a case, no one would be liable for direct infringement. Under the Federal Circuit's holding, Limelight could be liable for inducing an infringement for which no one could be held directly liable, "because the performance of all the patent's steps is not attributable to any one person," as required by the Federal Circuit's prior decision in *Muniauction, Inc. v. Thompson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008). Slip Op. at 6. The court found this to be an unwarranted slippery slope. If a defendant can be held liable under §271(b) for inducing conduct that does not constitute infringement, then how can a court assess when a patent holder's rights have been invaded? What if a defendant pays another to perform just one step of a 12 step process, and no one performs the other steps, but that one step can be viewed as the most important step in the process? In that case the defendant has not encouraged infringement, but no principled reason prevents him from being held liable for inducement under the Federal Circuit's reasoning . . .

Akamai, Slip. Op. at 6. The fact that the conduct of Limelight and its customers taken together would infringe the relevant patent could not avoid the obligation of proving direct infringement by a single person under *Muniauction* before liability could vest for indirect infringement. The court left open the possibility that the Federal Circuit may revisit the rule under *Muniauction* on remand if it so chooses.

The court acknowledges the potential for gamesmanship by would-be infringers - dividing the infringing steps among multiple actors. The desire to avoid such consequences, however, "does not justify fundamentally altering the rules of inducement liability that the text and structure of the Patent Act clearly require." Id. at 10.

This holding may provide companies new latitude to compete with patented technologies. Inventors and patent drafters also have a new need to scrutinize potential claims in the drafting process. It will be important to identify potential gaps in coverage and strategize ways to minimize the opportunities for competitors to avoid liability by encouraging multi-party methods of practicing the patented technology.

For more information, please contact your Lathrop Gage attorney or either attorney listed above.