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In *Limelight Networks, Inc. v. Akamai Techs., Inc.* (U.S., No. 13-369), the Supreme Court held that a defendant cannot be liable for induced patent infringement under 35 U.S.C. § 271(b) in the absence of an underlying direct infringer. The decision reverses the *en banc* Federal Circuit opinion from August 31, 2012 in *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012), which had changed the law by creating liability for induced infringement where the accused defendant performed some steps of a method patent and encouraged others to perform the remaining steps—even if there was no single entity liable for direct infringement. This short-lived avenue for alleging induced infringement is now foreclosed.

The *Limelight* case highlights a strict standard for establishing infringement of method claims when the steps of those claims are performed by different actors. Under the Federal Circuit's opinion in *Muniauction, Inc. v. Thomson Corp.*, 532, F.3d 1318 (Fed. Cir. 2008), a defendant can be liable for direct infringement under 35 U.S.C. § 271(a) only if it alone performs every step of a claimed method or if the steps are undertaken by multiple parties but the defendant "exercises 'control or direction' over the entire process such that every step is attributable to the controlling party." *Id.* at 1329. By "[a]ssuming without deciding that the Federal Circuit's holding in *Muniauction* is correct," the Supreme Court concluded that there was no proof that Limelight directly infringed the disputed method claim since "the performance of all the patent's steps is not attributable to any one person." Without a direct infringer, the Court summarily dismissed the allegations of induced infringement: "where there has been no direct infringement, there can be no inducement of infringement under § 271(b)."

Practical considerations

The Supreme Court's direct infringer requirement returns induced infringement to the standard that existed prior to the Federal Circuit's *en banc* decision. In doing so, the Supreme Court also reopens the purported infringement "loophole" for method claims that the Federal Circuit sought to close. This "loophole" allows a party to structure its products, services, and third-party relationships so that different steps of a method are performed by different entities and, as long as performance of all of the claimed steps cannot be attributed to a single entity that controls or directs the other parties, the concerted performance of the claimed method avoids any liability for direct infringement and automatically negates the existence of induced infringement. Typically, this strategy relies on the performance of at least one step of a method claim by end users or customers, but it could also enlist other entities that have no contractual or agency relationship with the party.

As a practical matter, patentees can combat the requirements of *Limelight* through artful claim drafting from the perspective of a single anticipated actor and placing greater emphasis on system claims. In areas where conduct is highly regulated and predictable, such as pharmaceuticals regulated by the FDA, anticipating the coordinated conduct of multiple entities and formulating claim strategies directed to a single actor will be more predictable. Conversely, in less regulated technologies, such as information technologies, predicting how an entity might try to divide responsibility for performing certain method steps is less predictable. Entities with such operational flexibility will enjoy a greater ability to exploit the infringement "loophole," and patentees may be forced to focus their infringement allegations on the limited damages associated with the internal testing and development activities of an accused infringer.

Yet, while the *Limelight* decision strikes a blow to the scope of induced infringement, it may not be the final word on infringement liability for joint conduct. The briefing and arguments presented by the parties before the Federal Circuit primarily focused on the scope of direct infringement under § 271(a), not induced infringement under § 271(b). Although the Federal Circuit deferred

resolution on the scope of direct infringement in lieu of its disposition regarding induced infringement, the Supreme Court's reversal will likely reopen the direct infringement front for further judicial consideration. Indeed, the *Limelight* decision itself, in addition to comments by the Supreme Court Justices during oral argument, foreshadows the possibility of a more expansive view of the sort of joint conduct that constitutes direct infringement under § 271(a).

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