

Publication

05/27/2021

Client Alert: U.S. Supreme Court Makes It Easier To Avoid Method Patents Requiring Multiple Actors

On June 2, 2014, the United States Supreme Court unanimously held that a defendant was not liable for inducing infringement of a patented method where there is no direct infringement because the method steps are "divided" between the defendant and its customers. See *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, No. 12-786. The Court was reviewing a 6-5 *en banc* decision from the Court of Appeals for the Federal Circuit that held a party might be liable for inducing infringement under 35 USC 271(b) where a defendant carried out some steps and encouraged others (such as its customers) to carry out the remaining steps. In other words, the performance of the method steps was divided between a party and its customers, so the party could be liable for inducing the performance of the remaining steps it did not perform itself. The Supreme Court reversed and remanded the judgment against Limelight, reasoning that there could be no liability for inducing infringement if no party directly infringed.

The Supreme Court relied on a prior decision by the Federal Circuit that there is no direct infringement of a method claim unless a single party performs every step of a claimed method or exercises "control or direction" over the entire process such that every step is attributable to that party. See *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2013). *Muniauction* held that there was no direct

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infringement of a patented method when its distinct steps were performed by “mere arms-length cooperation” between parties. In *Limelight*, the Supreme Court “assumed” that *Muniauction*’s holding was correct but observed that the Federal Circuit could revisit it when the *Limelight* decision was remanded.

Both *Limelight* and *Muniauction* involved client-server scenarios for web-based businesses and cloud-based application services, but this decision has broad implications across a variety of fields, such as personalized or precision medicine. For example, a patented method directed to diagnosing and treating a disease would not be infringed where a laboratory provides the diagnosis and the treating physician does not exercise “control or direction” over the steps performed by the laboratory.

Until *Muniauction* is further defined, the Court has returned the law to its state prior to the Federal Circuit’s *Akamai* holding, where liability turned on whether a single infringer exhibited sufficient “control or direction” over steps performed by others; if not, no one is liable for patent infringement. For would-be infringers, this potentially provides a useful defense. For patent applicants, it is a reminder to draft method claims in a manner such that all actions can be taken by a single entity.

If you have any questions related to this article or would like additional information, please contact Michael Harlin, Kevin O’Connor, Mike Turner or your Neal Gerber Eisenberg attorney.

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