Avoiding the Issue: Limelight Networks, Inc. v. Akamai Techs., Inc.

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AVOIDING THE ISSUE: LIMELIGHT NETWORKS, INC. v. AKAMAI TECHS., INC.

I. INTRODUCTION

What happens when a patent is infringed by the collective actions of more than one party? Intuitively, one would think that the patentee should be entitled to some sort of remedy; after all, whether the infringement is the result of one person or the collective efforts of twenty, the net result is the same. More specifically, what happens when a method patent is infringed by a party that performs all of the steps itself except for one, instructing its users on how to complete the process?!

Recently, the Supreme Court was faced with just such a situation in Limelight Networks, Inc. v. Akamai Techs., Inc.\(^2\) Because of the lower court’s amazing display of judicial jujitsu\(^3\) (i.e. avoiding the actual issue of direct liability), the Court was forced to examine only the issue of whether such a situation could lead to inducement liability.\(^4\) The Court answered in the negative, but remanded it to the Federal Circuit so that it may have another chance to address the real issue.\(^5\)

1. See 35 U.S.C. § 100(b) (2012) (“The term ‘process’ means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material”) (emphasis added); see also Gottschalk v. Benson, 409 U.S. 63, 70 (1972) (“A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing.”).


3. Akamai Techs., Inc. v. Limelight Networks, Inc., 692 F.3d 1301, 1306 (Fed. Cir. 2012) (“Much of the briefing in these cases has been directed to the question of whether direct infringement can be found when no single entity performs all of the claimed steps of the patent. It is not necessary to resolve that issue today . . .”).

4. Limelight, 134 S. Ct. at 2114.

5. Id. at 2120.
The Supreme Court’s ruling here, while wrong from a policy standpoint and poorly argued, is a predictable outcome built on a series of problematic opinions from the Federal Circuit. Those cases gave us rules limiting liability for divided infringement and then gave us, in an attempt to avoid the foreseeable consequences of said rules, the idea that direct infringement may exist independently of liability for direct infringement. Fortunately, the Federal Circuit now has an opportunity to right that series of wrongs and create legally sound precedent for divided infringement, which protects the rights of method patent holders.

The following section will address the law as it applies to divided infringement, from the liability sections of the Patent Act through the Federal Circuit’s en banc decision in this case. Part III summarizes the particular case being discussed here: the Supreme Court decision in the Limelight dispute. Part IV explains the problems with the law leading up to this case, how the Limelight decision exacerbated the problem, the implications for patent holders, and what can be done in the future, followed by concluding remarks.

II. BACKGROUND

A. Patent Infringement

The dispute in this case stems from the interpretation of the direct infringement and inducement provisions of the 1952 Patent Act. These provisions read:

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patent-
ed invention during the term of the patent therefor, infringes the patent.
(b) Whoever actively induces infringement of a patent shall be liable as an infringer.9

To hold a party liable for direct infringement, that party must have used each and every element of the claim.10 More specifically, infringement of a method claim requires that the defendant have performed every step of that method.11 On the other hand, liability for inducement requires that the defendant’s actions lead to an instance of direct infringement.12

Finally, so-called “divided infringement” occurs when the “infringement” is divided between multiple parties.13 Such situations typically only occur with method patents since, generally, an apparatus claim is infringed simply by the party who completes the assembly.14 Critically, as will be explained below, divided infringement usually does not give rise to liability.

B. BMC, Muniauction, and the Single Entity Rule

The Federal Circuit had never really addressed the issue of divided infringement until 2007 in BMC Res. Inc. v. Paymentech,
L.P., where it gave us the Single Entity Rule. The next year, the Federal Circuit issued its opinion in Muniauction, Inc. v. Thompson Corp., further refining said rule.

1. Pre-BMC

In the BMC opinion, the Federal Circuit spoke of "the traditional standard requiring a single party to perform all steps of a claimed method." Though, while the court did cite some cases which were skeptical of divided infringement, it had yet to endorse this standard itself.

In fact, the Federal Circuit's 2006 opinion in On Demand Mach. Corp. v. Ingram Indus. seemed instead to support a theory of divided infringement. In On Demand, the court reviewed a jury instruction which stated that infringement liability could arise from the combined actions of more than one party. The Federal Cir-

15. BMC Resources, Inc. v. Paymentech, L.P., 498 F.3d 1373, 1381 (Fed. Cir. 2007). ("A party cannot avoid infringement, however, simply by contracting out steps of a patented process to another entity. In those cases, the party in control would be liable for direct infringement.").

16. Muniauction, Inc. v. Thomson Corp., 532 F.3d 1318, 1330 (Fed. Cir. 2008). ("In this case, Thomson neither performed every step of the claimed methods nor had another party perform steps on its behalf, and Muniauction has identified no legal theory under which Thomson might be vicariously liable for the actions of the bidders. Therefore, Thomson does not infringe the asserted claims as a matter of law.").

17. BMC, 498 F.3d at 1380 (citing Faroudja Labs v. Dwin Elecs., Inc., 1999 U.S. Dist. LEXIS 22987 (N.D. Cal. Feb. 24, 1999); Mobil Oil Corp. v. Filtrol Corp., 501 F.2d 282, 291-92 (9th Cir. 1974)).


19. On Demand Machine Corp. v. Ingram Indus., 442 F.3d 1331, 1344-45 (Fed. Cir. 2006) ("When infringement results from the participation and combined action(s) of more than one person or entity, they are all joint infringers and jointly liable for patent.").

20. Id. at 1344-45 ("It is not necessary for the acts that constitute infringement to be performed by one person or entity. When infringement results from the participation and combined action(s) of more than one person or entity, they are all joint infringers and jointly liable for patent infringement. Infringement of
cuit, in no uncertain terms, but contrary to its subsequent decisions in *BMC* and *Muniauction*, accepted said jury instruction as sound law.\(^2\)

2. **BMC Res. Inc. v. Paymetech, L.P.**

The dispute in *BMC* involved a patented "method for processing debit transactions" using a telephone.\(^2\) This method involved the participation of multiple participants, such as the payee’s agent, the payment network, and the bank.\(^2\) BMC sued Paymetech when it learned that Paymetech was marketing similar services.\(^2\) In denying the infringement allegations, Paymetech asserted that it did not perform all of the steps of the patented method, the remaining steps being performed independently by customers or financial institutions.\(^2\)

Naturally, BMC countered by pointing to the court’s language in *On Demand*.\(^2\) The trial court rejected this argument, determining that the relevant language from *On Demand* was mere dicta.\(^2\) Instead, the trial court found that there could be no infringement unless Paymetech "directed or controlled"\(^2\) the third party performing the remaining steps of the claimed method.\(^2\)

In affirming the District Court’s decision, the Federal Circuit acknowledged its language from *On Demand* but still, like the Dis-

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21. *Id.* at 1345 ("We discern no flaw in this instruction as a statement of law.").

22. *BMC*, 498 F.3d at 1375.

23. *Id*.

24. *Id.* at 1375-76.

25. *Id.* at 1377.


27. *Id.* ("The district court determined that the language BMC had relied upon in *On Demand* was dicta that had not altered the traditional standards governing infringement by multiple parties, and thus affirmed the findings of the magistrate judge.").

28. It is unclear what exactly constitutes direction or control, but the court makes clear that it must be more than an "arms-length agreement." *BMC* at 1381.

29. *Id.* at 1378.
strict Court, chose to dismiss it as mere dicta.\textsuperscript{30} The court defended this decision by explaining that it commented on the \textit{On Demand} jury instruction “without any analysis of the issues presented relating to divided infringement.”\textsuperscript{31}

Ultimately, the \textit{BMC} court gave us the Single Entity Rule, stating that in order to directly infringe a method patent, a defendant needs to have performed each of the steps either himself or vicariously through a third party (\textit{i.e.} through a third party which he “directed or controlled”).\textsuperscript{32} This rule effectively prevents liability in “divided infringement” scenarios. The court did, however, recognize the possibility that this would “in some circumstances allow parties to enter into arms-length agreements to avoid infringement,” but determined that such concern did not “outweigh concerns over expanding the rules governing direct infringement.”\textsuperscript{33} Crucially, the court also noted, “inducement of infringement requires a predicate finding of direct infringement.”\textsuperscript{34}

3. \textit{Muniauction, Inc. v. Thompson Corp.}

\textit{Muniauction} involved a dispute over electronic auction systems.\textsuperscript{35} Muniauction sued Thompson for infringement, and the District Court, after a jury trial, held in favor of Muniauction.\textsuperscript{36} On appeal, the Federal Circuit reversed and vacated the decision, finding, as a matter of law, invalidity due to obviousness for some of Muniauction’s claims and noninfringement for the remainder.\textsuperscript{37}

In finding noninfringement, the Federal Circuit had to address the question of whether joint infringement can lead to liability.\textsuperscript{38}

\begin{itemize}
  \item \textsuperscript{30} \textit{Id.} at 1379-80.
  \item \textsuperscript{31} \textit{Id.} at 1380.
  \item \textsuperscript{32} \textit{Id.} 498 F.3d at 1379 (“In the context of patent infringement, a defendant cannot thus avoid liability for direct infringement by having someone else carry out one or more of the claimed steps on his behalf.”).
  \item \textsuperscript{33} \textit{BMC}, 498 F. 3d at 1381.
  \item \textsuperscript{34} \textit{Id.} at 1380 (citing \textit{Dynacore}, 363 F.3d at 1272).
  \item \textsuperscript{35} \textit{Muniauction}, 532 F.3d at 1323.
  \item \textsuperscript{36} \textit{Id.} at 1321 (applying the standard from \textit{On Demand}).
  \item \textsuperscript{37} \textit{Id.}
  \item \textsuperscript{38} \textit{Id.} at 1328 (“. . . the only theory of infringement presented by Muniauction is that of so-called joint infringement.”).
\end{itemize}
Specifically, "the parties [did] not dispute that no single party performs every step of the asserted claims." That is, at least one step had to be performed by the user (i.e. a third party), while others were performed by the auction system (i.e. Thompson). As such, and in view of BMC, the court had to ask whether all involved parties were under the "control or direction" of Thompson to the extent that it could be said to have performed all of the steps itself. The court answered in the negative, noting, "Muniauction has identified no legal theory under which Thompson might be vicariously liable for the actions of the bidders."

C. The en banc Opinion

In the instant dispute, Akamai Technologies, Inc. ("Akamai") and the Massachusetts Institute of Technology ("MIT," hereinafter collectively "Akamai") held rights in U.S. Patent No. 6,108,703 ("'703 patent"), a method patent. Limelight Networks, Inc. ("Limelight") provided a service in which it performed every step of said method save one, which was performed by the customer. Regarding the Akamai case (the court also reviewed a similar

39. Id. 532 F.3d at 1328.
40. Id. at 1328-29.
41. Muniauction at 1329; cf. BMC at 1381 ("A party cannot avoid infringement, however, simply by contracting out steps of a patented process to another entity. [There,] the party in control would be liable for direct infringement.").
42. Muniauction, 532 F.3d at 1330.
44. Id. at 1306; see also Section III (A):
...although the jury found that the content providers acted under Limelight’s direction and control, the trial court correctly held that Limelight did not direct and control the actions of the content providers as those terms have been used in this court’s direct infringement cases. Notwithstanding that ruling, under the principles of inducement laid out above, Limelight would be liable for inducing infringement if the patentee could show that (1) Limelight knew of Akamai’s patent, (2) it performed all but one of the steps of the method claimed in the patent, (3) it induced the content providers to perform the final step of the claimed method, and (4) the content providers in fact performed that final step. Id. at 1318.
case at the same time and with the same opinion), the court asked:

... [w]hether a defendant may be held liable for induced infringement if the defendant has performed some of the steps of a claimed method and has induced other parties to commit the remaining steps.

A six (of eleven) judge majority issued a per curiam opinion, reversing and remanding, purportedly overruling BMC and concluding that Akamai may be able to prevail on a theory of induced infringement.

I. The Majority Opinion

At the outset, the court overrules the BMC decision, which held that "... in order for a party to be liable for induced infringement, some other single entity must be liable for direct infringement." The court is careful, however, to note that it is not addressing the applicability of the Single Entity Rule for direct infringement, and that inducement still requires all steps of a method to be performed.

The court subsequently recites the "well settled" principle that that "there can be no indirect infringement without direct infringement." Furthermore, the court explains that BMC took this

46. Akamai, 692 F.3d at 1305.
47. Id. at 1319.
48. Id. at 1306, (quoting BMC, 498 F.3d at 1381).
49. Akamai, 692 F.3d at 1306 ("To be clear, we hold that all the steps of a claimed method must be performed in order to find induced infringement, but that it is not necessary to prove that all the steps were committed by a single entity.").
50. Id. at 1308 (citing cases) ("The reason for that rule is simple: There is no such thing as attempted patent infringement, so if there is no infringement, there can be no indirect liability for infringement.").
rule one step further, or perhaps one step too far, requiring that the
direct infringement be the action of a single party.\textsuperscript{51} In formulating
that rule, the BMC court combined the above principle with the
proposition that "liability for direct infringement requires that a
single party commit all the acts necessary to constitute infringe-
ment."\textsuperscript{52} However, the court continues, even though the above
propositions were "well supported in this court's law," the conclu-
sion drawn in BMC was incorrect.\textsuperscript{53}

The court quickly resolves this apparent contradiction by ex-
plaining that the existence of direct infringement does not neces-
sarily imply liability for direct infringement.\textsuperscript{54} In other words, the
Federal Circuit suggests here that there may be instances of direct
infringement for which no party may be held liable, but that such
direct infringement is sufficient to satisfy the "no indirect infringe-
ment without direct infringement" rule.\textsuperscript{55}

The court gives several pages of reasoning to support this con-
clusion, first appealing to the reader’s sense of justice and common
sense, noting that the patentee’s rights are violated regardless of
whether the infringement is divided.\textsuperscript{56} Moreover,

It would be a bizarre result to hold someone liable for
inducing another to perform all of the steps of a
method claim but to hold harmless one who goes

\textsuperscript{51} Id. ("In BMC, however, this court extended that principle in an important
respect that warrants reconsideration. Id. In that case, the court ruled that in
order to support a finding of induced infringement, not only must the induce-
ment give rise to direct infringement, but in addition the direct infringement
must be committed by a single actor. Id.")

\textsuperscript{52} Id.

\textsuperscript{53} Id.

\textsuperscript{54} Id. at 1308-09 ("Requiring proof that there has been direct infringement
as a predicate for induced infringement is not the same as requiring that a single
party would be liable as a direct infringer.") (emphasis original).

\textsuperscript{55} Akamai, 692 F.3d at 1309 ("... there is no reason to immunize the
inducer from liability for indirect infringement simply because the parties have
structured their conduct so that no single defendant has committed all the acts
necessary to give rise to liability for direct infringement.").

\textsuperscript{56} Id. ("... [parties who] collectively practice the steps of the patented
method ... [have] precisely the same impact on the patentee as a party who in-
duces the same infringement by a single direct infringer ... ").
further by actually performing some of the steps himself. The party who actually participates in performing the infringing method is, if anything, more culpable than one how does not perform any steps.\textsuperscript{57}

The court also reminds us that the statutory text does not confine "infringement" to the acts of a single entity, pointing to legislative history that would actually indicate the contrary.\textsuperscript{58}

2. Dissents

The majority opinion is accompanied by two dissents, one by Judge Newman and the other authored by Judge Linn. Judge Newman argues not that the court reached the wrong conclusion regarding the liability of the parties, but that it did so incorrectly.\textsuperscript{59} That is, instead of creating an "inducement only" workaround, the majority should have resolved the issue by eliminating the single entity rule entirely.\textsuperscript{60} Judges Linn, Dyk, Prost, and O’Malley, on the other hand, would have relieved Limelight of liability by allowing the Single Entity Rule to stand.\textsuperscript{61}

\textsuperscript{57} Id.
\textsuperscript{58} Id. at 1309-11 (citing, \textit{inter alia}, Hearing on H.R. 3866 Before Sub-comm. No. 4 of the H. Comm. On the Judiciary, 81st Cong. 20 (1949)).
\textsuperscript{59} Id. at 1336.
\textsuperscript{60} Id. at 1336.
\textsuperscript{61} \textit{Akamai}, 692 F.3d at 1337-38.
In my view, the plain language of the statute and the unambiguous holdings of the Supreme Court militate for adoption \textit{en banc} of the prior decisions of the
III. LIMELIGHT NETWORKS, INC. V. AKAMAI TECHS., INC.

A. Factual Background

1. The Patent

The ‘703 patent claims, *inter alia*, an Internet “content delivery system” and a method for its operation. The object of the system is to address the “significant need in the art to provide a decentralized hosting solution that enables users to obtain Internet content on a more efficient basis . . . and that likewise enables the Content Provider to maintain control over its content.” In essence, the invention allows a content provider to deliver the base HTML of his webpage while delegating the storage and delivery of selected “tagged” objects on the page to third party servers.

2. The Parties

MIT is the assignee, and Akamai the exclusive licensee, of the ‘703 patent. Akamai operates a content delivery network (“CDN”), as described by the patent. That is, Akamai offers a service whereby it delivers selected content to users, thereby shifting the burden from the content providers and improving delivery speed. Limelight also operates a CDN, similar to that described in the ‘703 patent. Critically, however, Limelight does not do the “tagging,” but instead requires its users to do it themselves.

court in *BMC...and Muniauction...* which hold that liability under § 271(b) requires the existence of an act of direct infringement under § 271(a), meaning that all steps of a claimed method be practiced, alone or vicariously, by a single entity or joint enterprise. *Id.*

63. *Id.*
64. *Id.*
66. *Id.*
67. *Id.*
68. *Id.*
69. *Id.*
B. Procedural History

In 2006, Akamai sued Limelight for, *inter alia*, infringement of the ‘703 patent.\(^{70}\) After a denial of Limelight’s motion for judgment as a matter of law (“JMOL”), the case was tried before a jury in 2008 and Akamai was awarded $45.5 million in damages.\(^{71}\) In 2009, Limelight sought relief from the jury finding and damages, claiming inequitable conduct, laches, equitable estoppel and unclean hands.\(^{72}\) Limelight also sought reconsideration of its motion for JMOL.\(^{73}\) The District Court declined to grant relief based on Akamai’s conduct.\(^{74}\) Instead, the court reconsidered and granted Limelight’s motion for JMOL of noninfringement, citing a recent decision by the Federal Circuit.\(^{75}\)

Akamai appealed and, in 2010, the Federal Circuit affirmed the District Court’s finding of noninfringement.\(^{76}\) The Federal Circuit subsequently reheard the case *en banc* in 2012, where it acknowledged that Akamai could not prevail on its theory of direct infringement, but stated that Akamai may be able to prevail on a theory of induced infringement.\(^{77}\) Accordingly, that court reversed the judgment of noninfringement and remanded the case for further proceedings.\(^{78}\)

Limelight appealed the *en banc* ruling, and the Supreme Court granted certiorari.\(^{79}\)

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\(^{72}\) *Id*.

\(^{73}\) *Id*.

\(^{74}\) *Id.* at 96.

\(^{75}\) *Id.* at 123.

\(^{76}\) Akamai Tech., Inc. v. Limelight Networks, Inc., 629 F.3d 1311, 1314 (Fed. Cir. 2010).

\(^{77}\) Akamai 692 F.3d 1319

\(^{78}\) *Id.* at 1319.

\(^{79}\) *Limelight*, 134 S.Ct. at 2117.
C. Supreme Court Opinion

The specific question before the Court here was "whether a defendant may be liable for inducing infringement of a patent . . . when no one has directly infringed the patent under §271(a) or any other statutory provision."80

The Court's analysis was based on the premise, shared by the Federal Circuit's opinion, that "liability for inducement must be predicated on direct infringement."81 However, the Court disagreed with the Federal Circuit's assessment that direct infringement (just not direct infringement liability) could exist even where §271(a) had not been violated.82 Instead, the Court speculated as to the consequences of allowing §271(b) liability for "inducing conduct that does not constitute infringement," implying that the Federal Circuit's reasoning would allow inducement liability even where a patentee's rights have not been violated.83 The Court further warned that "[t]he decision below would require the courts to develop two parallel bodies of infringement law: one for liability for direct infringement, and one for liability for inducement."84

Furthermore, the Court cited §271(f)(1), which provides liability for inducing conduct which would constitute infringement if it occurred within the United States, as evidence that Congress has the capacity to impose liability for non-infringing conduct, but has declined to do so in the case of §271(b).85

Next, the Court recited the rule that liability for contributory infringement cannot be based on "conduct which would be infringing in altered circumstances" and elected to extend that rule to in-

80. Id. at 2115 (emphasis added).
81. Id. at 2117.
82. Id. at 2117; see Akamai, 692 F.3d at 1314 (2012) ("An examination of other subsections of section 271 confirms that the statute uses the term 'infringement' in a way that is not limited to the circumstances that give rise to liability under section 271(a). ").
83. Limelight, 134 S.Ct, at 2117. ("The Federal Circuit's contrary view would deprive § 271(b) of ascertainable standards. 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.").
84. Id. at 2118.
85. Id.
The Court subsequently explained why it rejected Akamai’s proposed reading. First, Akamai analogizes liability in patent law to liability in tort law. The Court, however, insists that such an analogy is inappropriate here because the case is not that the third party is not liable for direct infringement, but rather that no direct infringement exists in the first place. Continuing with the tort analogy, the Court repeated the assertion that no patent rights have been violated in rejecting the argument that this case is like a tort where two defendants, who would each be not liable independently, are found liable for their collective injury. Second, the Court rejected an analogy to criminal aiding and abetting, specifically noting “the doctrine’s inconsistency with the [Patent] Act’s cornerstone principle that patentees have a right only to the set of elements claimed in their patent and nothing further.” Akamai further pointed to pre-1952 Patent Act doctrine, which seemed to dictate that Limelight be liable here. The Court, however, noted that such a rule would violate Muniauction, and that “the possibility that the Federal Circuit erred by too narrowly circumscribing the scope of §271(a) is no reason for this Court to err a second time by misconstruing §271(b) to impose liability for inducing infringement where no infringement has occurred.”

The Court also acknowledged the concern that their ruling could allow easy evasion of infringement simply by dividing the steps of a method patent with another party who the would-be infringer

86. Id. (“But we have already rejected the notion that conduct which would be infringing in altered circumstances can form the basis for contributory infringement, and we see no reason to apply a different rule for inducement.”).
87. Id.
88. Id. (“First, respondents note that tort law imposes liability on a defendant who harms another through a third party, even if that third party would not himself be liable . . . “).
89. Limelight, 134 S.Ct, at 2118-19.
90. Id. at 2119.
91. Id.
92. Id. (“Third, respondents contend that patent law principles established before the enactment of the Patent Act demonstrate that a defendant that performs some steps of a patent with the purpose of having its customers perform the remaining steps is liable for inducing infringement.”).
93. Id.
neither directs nor controls. However, it blames this effect on the Muniauction ruling, and declines to further complicate the issue by attempting to fix that problem here: “[a] desire to avoid Muniauction’s natural consequences does not justify fundamentally altering the rules of inducement liability . . . [thus] creating for §271(b) purposes some free-floating concept of ‘infringement’ both untethered to the statutory text and difficult for the lower courts to apply consistently.”

Finally, the Court declined to re-examine the Muniauction direct infringement rule, noting that the reach of §271(a) is not within the scope of the question presented. However, it specifically noted that, on remand, the Federal Circuit may “revisit the §271(a) question if it so chooses.”

IV. ANALYSIS

One commentator characterizes Limelight as “[a] trip to the Supreme Court and back to the Federal Circuit [which] was a needless waste of resources that could have been avoided if the Federal Circuit had addressed . . . whether to overturn the single entity rule for direct infringement.” This is probably true. As we’ve seen, the en banc court’s majority, for whatever reason, entirely evaded the issue (the Single Entity Rule as applied to direct infringement) and crafted a well-intentioned opinion based on sound policy but very questionable (though, at times, not entirely unreasonable) legal arguments. This created a predicament that the Supreme Court

94. Id. at 2120. (“Finally, respondents, like the Federal Circuit, criticize our interpretation of §271(b) as permitting a would-be infringer to evade liability by dividing performance of a method patent’s steps with another whom the defendant neither directs nor controls. We acknowledge this concern.”).

95. Limelight, 134 S.Ct. at 2120.

96. Id. (“We granted certiorari on the following question: “Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under §271(a)”)

97. Id.

apparently felt that it needed to try to rectify, but instead only made worse by failing to address the root of the problem.\(^99\)

**A. Everyone is Wrong**

If we accept the premise that the Single Entity Rule is bad law, the best that can be said of BMC's outcome is that it probably seemed like a good idea at the time. After all, adopting the *On Demand* standard could have resulted in an infringer's unknowing customers being held jointly liable.\(^{100}\) The Federal Circuit had a chance to create a more reasonable standard with *Muniauction*, but it opted not to do so. Upon hearing *Akamai en banc*, the Federal Circuit was faced with a situation where it apparently wanted to avoid the natural outcome of the Single Entity Rule, but apparently was not feeling up to actually overruling BMC. It seems that the Supreme Court, however, could not be bothered to address the arguments put forward in the *en banc Akamai* decision, leaving us right back where we started.

1. **The Single Entity Rule: The Root of the Problem**

The problems of the *Limelight* dispute can be traced directly back to BMC. That is, by creating the Single Entity Rule, the Federal Circuit created a massive loophole in infringement doctrine at the expense of patent holders.\(^{101}\) Judge Newman is convincing in her dissent in the *en banc Akamai* opinion where she argues that the Single Entity Rule is not supported by statute.\(^{102}\) Specifically, she notes that section 271(a) uses the word "whoever," and statute provides that "words importing the singular include and apply to

\(^{99}\) *Id.* (speculating as to "the Justices' frustration with discovering that they had agreed to address an issue – inducement liability – that cannot fully be resolved without addressing a crucial threshold issue – the meaning of direct infringement.").

\(^{100}\) *On Demand*, 442 F.3d at 1344-45 ("... they are all joint infringers and jointly liable for patent infringement.").

\(^{101}\) *See, e.g., Akamai* at 1325 (dissenting opinion) ("... the presence or absence of infringement should not depend on cleverness or luck to satisfy a malleable single-entity rule.").

\(^{102}\) *Akamai*, 692 F.3d at 1322
several persons, parties, or things. To quote Justice Alito, “[o]ne might think that this simple truth is enough to dispose of this appeal.” In short, BMC should not have given such a bright-line rule requiring that infringement be committed by one entity.

2. Muniauction: A (Missed) Chance for Correction

Notwithstanding the above, wholesale adoption of the On Demand standard would have been unacceptable as it would have held an infringer’s customers liable as well. However, the facts of Muniauction gave the court the opportunity to protect patent holders from divided infringement while still shielding unknowing “divided infringers” (like customers) from liability.

As the BMC court was so careful to point out, a defendant cannot “avoid liability for direct infringement by having someone else carry out one or more of the claimed steps on its behalf.” In other words, we can hold an infringer vicariously liable for the actions of others, as long as there was sufficient “direction or control,” so that, legally, it is as if the infringer had performed all of the steps himself. Assuming for a moment, arguendo, that we should have the Single Entity Rule in the first place, this makes perfect sense. The problem, though, is that “direction or control” is too stringent a standard, apparently limited to situations such as “contracting out steps of a patented process to another entity.”

Future issues, namely the instant issue with Limelight, could have been avoided had the Muniauction court simply allowed “direction or control” to include the facts of that case. Such a result would not have been at all unreasonable. Specifically, in Muniauction, Muniauction owned the patent on a particular electronic auction service. Thompson “infringed” by performing most of

103. Id. (quoting 1 U.S.C. § 1).
104. Limelight, 134 S.Ct. at 2117.
105. On Demand, 442 F.3d at 1344-45.
106. BMC, 498 F.3d at 1379.
107. Id. at 1380-81.
108. Id. at 1381.
109. Muniauction, 532 F.3d at 1321.
the steps of the patent and leaving at least one step to be performed by its customers, namely the step where the customer bids.\textsuperscript{110}

The obvious logical result would have been for the court to rule that instructing a third party (e.g. a customer) on how to participate in a patented process that necessarily involves said third party satisfies the "control or direction" standard. Or, if the court truly believed that such a ruling would be contrary to the \textit{BMC} precedent, rehearing the case \textit{en banc} and there ruling in a way which would not allow such "infringement."

Instead, it reaches the bizarre, and ultimately harmful, result that a patent whereby one provides a service to a customer requiring customer input is effectively unenforceable, due to the Single Entity Rule, since, (1) it requires the participation of multiple parties and, (2) instructing the customer on how to participate does not count as "control or direction."

3. \textit{A Half-Hearted Fix: The en banc Akamai Opinion}

When the Federal Circuit agreed to rehear \textit{Akamai en banc}, it probably appeared, both to the parties involved and outside observers, as though the court were taking the opportunity to reexamine the Single Entity Rule, since, (1) it requires the participation of multiple parties and, (2) instructing the customer on how to participate does not count as "control or direction."

This would be fine, except, as the Federal Circuit has repeated \textit{ad nauseam}, inducement must stem from direct infringement.\textsuperscript{113} Since the steps in the \textit{Akamai} case were divided between two parties, it would seem that the requisite direct infringement would need to be subject to the Single Entity Rule.

\textsuperscript{110} \textit{Id.} at 1328.

\textsuperscript{111} \textit{Id.} at 1330 ("That Thompson controls access to its system and instructs bidders on its use is not sufficient to incur liability for direct infringement.").

\textsuperscript{112} \textit{Akamai}, 692 F.3d at 1306 ("Much of the briefing in these cases has been directed to the question whether direct infringement can be found when no single entity performs all of the claimed steps of the patent.").

\textsuperscript{113} \textit{Id.} ("... we find that these cases and cases like them can be resolved through an application of the doctrine of induced infringement.").

\textsuperscript{114} \textit{Id.} at 1308.
In order to continue avoiding the Single Entity Rule issue, the court made a distinction: 271(a) direct infringement (i.e. liability for direct infringement) is only a subset of all direct infringement.115

By itself, the above argument, while convoluted and not entirely persuasive, initially seems reasonable in light of the desirable outcome (the protection of Akamai’s patent rights). It seems less reasonable, however, in view of the two dissents, Newman’s providing a much more straightforward way to dispose of the issue and Linn’s explaining that 271(a) does, in fact, define direct infringement.116

4. Making it Worse: The Supreme Court Limelight Opinion

Hindsight forces us to wonder why the Federal Circuit has chosen to avoid addressing the underlying issue. Now, after the Supreme Court’s remand of the case, the Federal Circuit will need to either re-define direct infringement liability or leave a large loophole in patent protection.

From a policy standpoint, the Supreme Court’s ruling here is clearly incorrect (assuming, for policy reasons, that we want to protect patentees from divided infringement). The problem is that, legally, the Federal Circuit put it in a tough position. However, not only was the Supreme Court wrong, it didn’t even do a good job of being wrong. Rather than addressing the Federal Circuit’s arguments, mainly that liability for direct infringement does not encompass all of direct infringement, it simply repeats its mantra: “liability for inducement must be predicated on direct infringement.”117 This is true, but it doesn’t answer the real question: can direct infringement exist independently of liability for direct infringement? All the Court had to do here, to at least give the illu-

115. Id. at 1308-09 (“Requiring proof that there has been direct infringement as a predicate for induced infringement is not the same as requiring proof that a single party would be liable as a direct infringer.”).
116. Id. at 1322 (“The word ‘whoever’ in § 271(a) does not support the single-entity rule.”); id. at 1339.
117. Limelight, 134 S.Ct. at 2117.
sion that it had actually read the decision it was overruling, was repeat the arguments put forward by Judge Linn in his dissent.

Instead of addressing the complex issue at hand, the Court simply regurgitated the rule that "where there has been no direct infringement, there can be no inducement of infringement under §271(b)," apparently presupposing a lack of direct infringement in this case.118 Admittedly, the presupposition was half correct: under the Federal Circuit’s ruling, there was no direct infringement liability under §271(a).119 However, the Court apparently takes that to mean that there was no direct infringement at all120, where the very essence of the Federal Circuit’s argument was that direct infringement could exist independently of §271(a) liability.121 So, in essence, the Court ignored a substantial portion the Federal Circuit’s argument, which, left unrebutted, argues against the Court’s conclusion. The Court’s axiomatic approach results in circular logic which boils down to a declaration that the Muniauction rule was not violated because the patent was not infringed, and the patent was not infringed because the Muniauction rule was not violated.122

The Parade of Horribles which could supposedly result from the Federal Circuit’s decision, should it be allowed to stand, is equally unimpressive. Specifically, the Court complains of “some free-floating concept of ‘infringement’ both untethered to the statutory text and difficult for the lower courts to apply consistently.”123 This comment is disingenuous at best, and severely underestimates lower courts’ abilities to look at things and come to a reasonable conclusion on a case-by-case basis. That is, the “free floating concept” is hardly abstract, difficult, or ill-defined; it simply asks whether all the steps of a method were performed. If so, the patent was infringed, regardless of whether anyone is liable as a direct infringer. Beyond that, a lower court surely has the cognitive prow-

118. Id. at 2117, 2120 ("The question presupposes that Limelight has not committed direct infringement under §271(a).”).
119. Id. at 2120.
120. Limelight at 2117.
121. Akamai at 1308-09.
122. Limelight, 134 S.Ct. at 2119 ("By contrast, under the Muniauction rule, respondents’ interests in the ‘713 [sic] patent have not been invaded.”).
123. Id. at 2120.
ess to distinguish between two entities acting entirely independently and two entities acting in concert, though not to the extent that vicarious liability can be assigned (e.g. a service provider instructing its customers on how to use its service). This is not to say that the Federal Circuit’s opinion was entirely sound legally, just that had the Court let it be (thus preserving its positive practical effect) it would not have been the unworkable and overzealous expansion of patent protection that the Court makes it out to be. That being said, the Court could have taken this opportunity to create clear precedent to solve this dispute and guide others like it in the future. Instead, Justice Alito’s short opinion (a mere six pages) gives the impression that the Court simply found this case annoying and wanted to dispose of it as quickly as possible.\textsuperscript{124}

\textit{B. Practical Implications}

Limelight did not yield a positive outcome for patent holders. Even the Supreme Court recognized that this ruling creates a loophole for evading infringement of method patents.\textsuperscript{125} As mentioned, however, the Court declined to attempt to solve the problem, instead placing blame squarely on the Federal Circuit: “[a]ny such [problem], however, would result from the Federal Circuit’s interpretation of §271(a) in \textit{Muniauction}.”\textsuperscript{126}

This problem, if not resolved, will be particularly hard on holders of method patents which involve communication between physically separate entities. This issue is especially relevant in the last two decades or so because of the advent of the Internet. Now, with a patented method implemented in software, steps can be divided between parties on different continents with very little difficulty. Surely this was not foreseen by the writers of the 1952 Patent Act.

\textsuperscript{124} Id. ("Respondents ask us to review the merits of the Federal Circuit’s \textit{Muniauction} rule for direct infringement under §271(a). We decline to do so today.").

\textsuperscript{125} Id. ("Finally, respondents, like the Federal Circuit, criticize our interpretation of §271(b) as permitting a would-be infringer to evade liability by dividing performance of a method patent’s steps with another whom the defendant neither directs nor controls. We acknowledge this concern.").

\textsuperscript{126} Id.
It is strange, then, that BMC, and then Muniauction, which gave us the Single Entity Rule, are so recent. Perhaps the court, in both of those cases, was so focused on the specific circumstances that it failed to adequately consider the long-term implications. Specifically, in BMC, Paymentech relied on dicta from On Demand in its argument. There, the court may have viewed its options as turning either the On Demand rule or the Single Entity Rule into law.

The problem, perhaps, was that the On Demand rule would have held customers of the "infringing" companies liable as well, which we should be able to agree would be unacceptable. On the other hand, obviousness was the first issue that the court dealt with in Muniauction. The Federal Circuit may very well have seen the Single Entity Rule as an easy way to dispose of the plaintiff's remaining claims. As we've seen, this put the Federal Circuit in a tough position when it was faced with a plaintiff whose rights were clearly violated, but the violation did not meet the Single Entity Rule.

Defenders of the Single Entity Rule claim that problems can be avoided with simple claim construction. Judge Newman addresses this argument effectively in his dissent:

I take note of the Linn cadre's argument that ingenious patent claim drafting can avoid single-entity problems, and undoubtedly it would help in some situations. I do not discourage ingenuity, but the presence or absence of infringement should not de-

127. **BMC**, 498 F.3d at 1379-80.
128. Id. at 1379 (“... they are all joint infringers and jointly liable for patent infringement.”).
129. **Muniauction**, 532 F.3d at 1324-29.
130. **Akamai** at 1306 (explaining that “[under BMC and Muniauction] the patentee has no remedy, even though the patentee's rights are plainly being violated by the actors' joint conduct.”).
131. **Akamai**, 692 F.3d at 1349-50 (2012) (dissenting opinion) (“As this court correctly recognized in **BMC**, 'the concerns over a party avoiding infringement by arms-length cooperation can usually be offset by proper claim drafting.'”)(citing **BMC**, 498 F.3d at 1381)).
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pend on cleverness or luck to satisfy a malleable single entity rule.132

Furthermore, protection of patentees whose issues could be avoided via more careful claim drafting is nothing new: the doctrine of equivalents is a judicial creation which protects patentees from “infringement” by something which was not actually claimed.133 Even though doctrine of equivalents cases could, likely always, be avoided by careful claim drafting, the doctrine has become an important part of patent law.134 Therefore, claiming that plaintiffs with Single Entity Rule problems should not prevail because they could have written their claims more carefully is, for better or worse, inconsistent with well-established precedent.

We should also note that Limelight is not like Dynacore where there was the mere possibility of infringement if the defendant’s product was used in a particular way.135 In Limelight, customers are (presumably) paying for a content distribution service, and in order to use that service must “tag” their website accordingly, thus completing the patented method.136 Put another way, there is no non-infringing way a customer could use Limelight’s service.

It is nonsensical that Limelight was able to avoid liability by making the technologically trivial change of having their customers perform the “tagging” step. Following this ruling, we can expect to see instances of outright copying of method patents, especially those which are implemented in software, with the method divided between multiple parties. Specifically, we can expect to see copying by providers of online services who can simply shift one step of a patented method to their customers since Muniauc-

132. Akamai, 692 F.3d at 1325 (dissenting opinion) (emphasis added).
135. Dynacore, 363 F.3d at 1274. In Dynacore, the patent at issue claimed a particular type of computer network and defendant’s products incorporated technology which could, hypothetically but among other things, be used to implement such a network; the court granted summary judgment of non-infringement. Id.
136. Limelight, 134 S.Ct. at 2115.
tion tells us that instructing customers does not count as “direction or control.”

Limelight is particularly harmful to patents claiming methods of communication. It is a perfectly reasonable assumption that many, if not most, of such patents are written in such a way as to require the participation of two or more parties (i.e. a sender and a receiver). So, while it does not render the patents invalid, the Supreme Court’s ruling does mean that they are effectively unenforceable.

C. Cleaning Up the Mess

Thankfully, the Supreme Court ultimately remanded the case, specifically leaving the door open for the Federal Circuit to reexamine its definition of direct infringement under §271(a). So, what should the Federal Circuit do with this opportunity?

First, we need to establish what a desirable outcome would be in this case. The Federal Circuit (save Judges Linn, Dyk, Prost, and O’Malley) would probably like to ensure that Limelight is held liable, closing the loophole created by the Single Entity Rule. On the other hand, we almost certainly do not want to hold unknowing customers jointly liable in divided infringement situations. If left alone, the en banc majority’s opinion would have actually solved the customer liability problem, since it only imposed liability on the “inducer.”

Clearly, however, the en banc majority’s inducement theory is no longer an option, and the court will be forced to deal with the underlying issue of direct infringement. Adopting the dicta from On Demand is not an option either, since it would absolutely lead to customer liability.

The obvious solution is for the majority to adopt Justice Newman’s position from her dissent: abolish the Single Entity Rule, al-

137. Muniauction, 532 F.3d at 1330.
138. Limelight, 134 S.Ct. at 2120 (“[T]he Federal Circuit will have the opportunity to revisit the §271(a) question if it so chooses.”).
139. Akamai at 1319 (remanding on a theory of induced infringement).
140. On Demand at 1344-45 (“... they are all joint infringers and jointly liable for patent infringement.”).
locating remedy “as appropriate to the particular case . . . .”141 Assuming, for a moment, that the majority will have only the option of adopting either Justice Newman or Justice Linn’s approach, Justice Newman should prevail, given that the majority seems to want to hold Limelight liable.

Perhaps another option, which may even gain some support from the Linn camp, would be to keep the Single Entity Rule but to relax the “direction or control” standard, divorcing it from vicarious liability. Put another way, the Single Entity Rule should protect only entities who acted completely independently of each other.

Applying that approach to the facts in Limelight would result in liability; indeed, most (if not all) instances of customers performing the remaining steps of a patented method should result in liability. In Limelight, Limelight provided a service, an essential element of which was the “tagging” of the website.142 Strictly speaking, customers did not “have” to perform the patented step, but then the customer would have been paying for a service he was not using.143 Under any reasonable standard, that should count as “directing” or “controlling” the customer, but under Muniauction it does not.144 Relaxing the “direction or control” standard would also avoid the problem of customer liability. Since the Single Entity Rule would still be in place, only one party, the “controlling” party, could be the infringer.

V. CONCLUSION

Limelight is merely the latest in a series of problematic cases dealing with divided infringement. BMC gave us the nonsensical Single Entity Rule, and Muniauction clarified the strict standard defining where liability for divided infringement is permissible.145 The Federal Circuit in Akamai, apparently dissatisfied with the implications of the Single Entity Rule but unwilling to overrule it

141. Akamai, 692 F.3d at 1336.
142. Limelight, S.Ct. 134 at 2115.
143. Akamai at 1306.
144. Muniauction, 532 F.3d at 1330; BMC 498 F.3d at 1381.
145. Id.
entirely, put a convoluted standard by which inducement liability may be imposed in divided infringement scenarios. In the case at hand, the Supreme Court opts to replace the Federal Circuit’s flawed-but-with-a-positive-outcome reasoning with its own flawed-but-with-a-negative-outcome reasoning. The Court doesn’t disappoint, either, when it continues this case’s apparent tradition of dodging the issue by failing to address direct infringement.

Thankfully, the fact that the Supreme Court “punted” this case means that the Federal Circuit gets to look at it again. With its original workaround out of the question, the court will have to determine what it wants to do with the Single Entity Rule. Hopefully it will take guidance from Justice Newman’s dissent and eliminate the single entity rule entirely. Furthermore, it seems particularly unlikely that a majority of the court would agree to an enthusiastic endorsement of the Single Entity Rule, as Justice Linn suggests, since it would free Limelight of liability. Alternatively, the court may choose to “water down” the single entity rule by relaxing the “direction or control” standard.

Either way, this issue is not going to go away by itself. As the law stands now, we can expect evasion of what common sense tells us should be infringement by way of simply dividing steps between parties. This ruling may very well have turned a host of communications-related patents (which require a sender and a receiver) essentially unenforceable, though still valid. This is an unacceptable result in our increasingly interconnected and software-based world.

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146. Akamai, 692 F.3d at 1306.
147. Limelight, S.Ct. 134 at 2120.
148. Id.
149. Id.
150. Limelight, at 1347 (dissenting opinion).

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