

# Supreme Court Doubles Down on Patents and Addresses Standards for Both Definiteness and Inducement On the Same Day

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The Supreme Court continued its recent and unprecedented attention to patent law by issuing two more important decisions on June 2, 2014. *Nautilus v. Biosig Instruments*, 572 U.S. \_\_\_, No. 13-369 (June 2, 2014), reviewed the level of clarity required to define the scope of claimed inventions, and *Limelight Networks v. Akamai Technologies*, 572 U.S. \_\_\_, No. 12-786 (June 2, 2014), determined whether parties can be liable for inducing patent infringement if they perform some limitations of a patent claim while specifically encouraging others to perform the remaining limitations. As with other recent Supreme Court decisions, these cases appear to represent incremental changes to the patent law rather than sweeping changes to its governing principles.

## I. NAUTILUS V. BIOSIG AND INDEFINITENESS

The text of any utility patent “conclude[s] with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as [the] invention.” 35 U.S.C. §112, ¶ 2. Failure to comply with this requirement renders a claim invalid as “indefinite.”

The Supreme Court used *Nautilus* to review the Federal Circuit’s prior standard for indefiniteness under §112, ¶ 2, which held a patent claim is invalid for indefiniteness only if it is “insolubly ambiguous” or “not amenable to construction.” The Supreme Court rejected this framework and held “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, **with reasonable certainty**, those skilled in the art about the scope of the invention.” *Slip Op.* at 1 (emphasis added).

In reaching this conclusion, the Court recognized that the statutory definiteness requirement involves a

“delicate balance.” *Id.* at 9. On one hand, there are inherent limitations in language, and some modicum of uncertainty is the price of ensuring the appropriate incentives for innovation. *Id.* On the other hand, a patent must be precise enough to afford clear notice of what is claimed, thereby apprising the public of what is still open to them. *Id.* at 10. Without a meaningful or well-defined definiteness standard, such as enunciated in *Biosig*, patent applicants have an incentive to inject ambiguity into the claims so they may potentially argue for broader coverage once the patent issues. *Id.*

Although the Supreme Court redefined the applicable linguistic framework governing indefiniteness, its new standard may not represent a significant departure from prior case law. Indeed, the high court noted the Federal Circuit may already be implementing the “insolubly ambiguous” standard similarly to its new “reasonable certainty” approach. *Id.* at 12. As an example, the Supreme Court cited the Federal Circuit’s decision in the *Nautilus* case itself, where the appeals court held that “if reasonable efforts at claim construction result in a definition that does not provide sufficient particularity and clarity to inform skilled artisans of the bounds of the claim, the claim is insolubly ambiguous and invalid for indefiniteness.” *Id.* However, the Supreme Court cited other cases that appeared to apply the “insolubly ambiguous” standard in a less precise fashion. In light of these less stringent cases, the Supreme Court concluded that the prior, vague standard could “leave courts and the patent bar at sea without a reliable compass,” giving rise to a need for a more precise standard. *Id.* at 13. While popular opinion among members of the patent bar reflects a belief that this ruling raises the standards for patent definiteness, its effect may be limited in practice because many courts, just as the Federal Circuit in *Nautilus*, have been applying the prior standard in a rigorous manner.

## II. LIMELIGHT V. AKAMAI AND DIVIDED INFRINGEMENT

Two statutory provisions, 35 U.S.C. §§ 271(a) and 271(b), frame the analysis of induced infringement as considered in *Limelight*. Section 271(a) defines “direct infringement,” and states that whoever makes, uses, or sells a patented invention infringes the patent. Section 271(b) defines “induced infringement,” and states that “whoever actively induces infringement of a patent shall be liable as an infringer.”

Generally a patent must be directly infringed under section 271(a) by one party before another party may be held liable for inducing infringement under section 271(b). *Limelight*, however, addresses a limited exception to this direct infringement requirement in a species of what is called “divided” infringement. Recent Federal Circuit precedent holds that, although no single party commits direct infringement under section 271(a), a party may be held liable for inducing infringement under 271(b) if it performs some steps of a method claim and teaches and encourages its customers to perform all remaining steps of the claim. This form of infringement is common, for instance, in patents covering transactions over the internet wherein a patent covers steps of accessing information from a remote server. In a simplified example, a patent could claim the steps of a) the end user/customer determining that he or she needs specific data from a remote server, b) the end user/customer transmitting a request for that data to the remote server, c) the remote server retrieving the requested data, and d) the remote server returning the data to be displayed to the end user/customer. Under prior Federal Circuit case law, the operator of the server, e.g., an internet merchant, might

be found liable for induced infringement if it performed steps c) and d) and encouraged its customers to perform steps a) and b). This fact pattern is a form of “divided infringement,” because performance of the method claim is divided between two entities.

The Supreme Court overruled this broad approach to divided infringement for one simple reason: Because no single party performs all steps of the patent claim, there is no direct infringement and, consequently, there can be no liability for inducing infringement. The Supreme Court found this conclusion to be dictated by *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), a case on which it squarely relied, but upon which it specifically withheld judgment. *Slip Op.* at 5-6 (“Assuming without deciding that the Federal Circuit’s holding in *Muniauction* is correct, there has simply been no infringement of the method in which respondents have staked out an interest, because the performance of all the patent’s steps is not attributable to any one person.”).

On facts similar to *Limelight*, *Muniauction* held that “direct infringement requires a single party to perform every step of a claimed method,” and, consequently, there is only direct infringement in divided infringement cases where a single defendant performs all steps of the patent claim or “exercises control or direction over the entire process such that every step is attributable to the controlling party.” *Id.* (citing *Muniauction* at 1329.) Thus, the Federal Circuit held in *Muniauction* that the defendant did not directly infringe the claims because it did not perform all steps of the method claim. *Id.* at 3.

The Supreme Court soundly rejected the Federal Circuit’s attempt in *Limelight* to broaden the scope of induced infringement to include cases lacking the requisite “control or direction” as described in *Muniauction*. With language that was markedly critical of the Federal Circuit’s approach, the High Court held that the law of inducement has always required an underlying direct infringement. *Id.* at p. 6. Since there were no allegations that the Defendant in *Limelight* directed or controlled its customers, there was no underlying direct infringement and there could be no induced infringement under *Muniauction*. *Id.*

The Supreme Court acknowledged concerns that its holding might permit potential infringers to avoid liability by cleverly dividing performance of a method claim’s steps. However, the Supreme Court stated that any problem created through such practice lies with the Federal Circuit’s holding in *Muniauction*, and that there was no basis to correct the errors of *Muniauction*, if any, by creating further errors in the inducement standard in *Limelight*. *Id.* at p. 10 (“A desire to avoid *Muniauction*’s natural consequences does not justify fundamentally altering the rules of inducement liability. . .”).

Thus, at least for the time being, the Supreme Court’s decision in *Limelight* dictates the following, somewhat anomalous results in divided infringement cases:

- Where the Defendant practices all steps of the claimed method: Defendant liable for direct infringement under §271(a).
- Where the Defendant practices some steps of the claimed method, then directs and/or controls a third party who practices the final steps: Defendant liable for direct infringement under §271(a).

- Where the Defendant practices some steps of the claimed method, then encourages and/or teaches a third party to practice the final steps: No liability for either.
- Where the Defendant makes a product and encourages a customer to use it, knowing that the use of the product infringes a patent: Defendant liable for inducing infringement under §271(b), customer liable for direct infringement under §271(a).

In light of this holding, any loophole allowing for accused infringers to avoid liability by simply splitting up the steps of a claimed method between different parties, it will be up to Congress to close it.

If you have any questions about these decisions or other technology law issues, please contact:



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