

**Akamai Technologies, Inc., The Massachusetts Institute of Technology v.
Limelight Networks, Inc.
(US Court of Appeals for the Federal Circuit, 13 May 2015)**

Prepared by UNCTAD's Intellectual Property Unit

In this decision, the United States Court of Appeal for the Federal Circuit (hereinafter the CAFC) confirmed earlier case law by stating that direct infringement of a process patent requires all of the steps of the claim to be performed by a single entity or to be at least attributable to a single entity.

The facts

The plaintiff, Akamai, holds a patent on a method of delivering electronic content (e.g. videos) to clients' websites. The defendant, Limelight, also provided clients with electronic content, performing every step of Akamai's patented method except the final one. That final step was carried out by Limelight's clients upon instructions and encouragement from Limelight. Akamai sued Limelight for infringing its process patent. The CAFC in 2012 rejected direct infringement by the defendant but held it liable for indirect infringement (i.e. active inducement to infringe the plaintiff's patent). The Supreme Court in 2014 overturned the CAFC's ruling on indirect infringement, stating that without direct infringement there can be no indirect infringement.¹ The Supreme Court remanded the case back to the CAFC to review its findings on direct infringement.

The legal issues

The decisive legal question in this case concerned the requirements for direct infringement of a process claim. In particular, the question arose whether all the steps in the patented process have to be carried out by a single entity, or be at least attributable to the same entity, or whether it suffices to have concerted action among two or more independent parties to distribute the performance of the patented steps among themselves. The CAFC's established case law requires performance of every single step by a single entity, including third parties, whose actions may be attributed to the alleged infringer on the basis of vicarious liability. Such liability may be assumed where the alleged infringer exercises sufficient "direction and control", such as under a principal-agent relationship, in a contractual arrangement or in joint enterprise. The plaintiff sought to convince the CAFC to extend the scope of direct infringement to independent parties that collectively perform the claimed process. The CAFC in a majority decision rejected this view, while a dissenting opinion supported it. The majority based its view on, *inter alia*, the following observations: (1) US patent law provides for indirect infringement specifically for cases where not all of the steps in a patented process are carried out by the same person. Any extension of the scope of direct infringement to include inducement of others to carry out some of the protected steps would render the specific provisions on indirect infringement meaningless.² (2) The plaintiff's idea of relying on the tort law concept of joint liability of independent parties acting in concert would require the defendant to know

¹ See *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 Supreme Court 2111 (2014), at 2115.

² Pages 10-15 of the judgment.

about the harm caused, i.e. the direct patent infringement. This is not compliant with the rule under patent law that for direct infringement, the infringer's knowledge or intent is irrelevant (as opposed to indirect infringement, which does require intent on the part of the infringer).³ (3) Expanding the scope of direct infringement beyond vicarious liability to cover cases where independent consumers carry out the last step of a patented process based on a seller's encouragement and suggestions would put such consumers at risk of patent infringement, especially as direct infringement is affirmed even where the infringer is innocent. The CAFC did not consider this a desirable outcome from a perspective of consumer protection.⁴

Points of significance

- Direct infringement of a process patent may only be affirmed where all of the claimed steps are carried out by the same entity or persons attributable to that entity, for instance in case of a principal-agent relationship, in a contractual arrangement or in joint enterprise. Direct infringement relies on the concept of vicarious liability.
- It is not sufficient for direct infringement if several independent parties collectively perform the claimed process. The concept of joint liability as practiced in tort law does not apply to direct patent infringement.
- Direct infringement does not require intent or knowledge of the infringement on the part of the infringer ("strict liability"). Indirect infringement by contrast requires specific intent to induce infringement by others. See the case summary of *Warner-Lambert v Actavis* (2015).⁵
- This case may have important implications for the holders of certain process patents. In cases like the present, where a competitor does not itself perform all the claimed steps in a process patent but encourages others to complete the process, there is no direct patent infringement, unless the patent holder can show that the acts of these others can be attributed to its competitor. The lack of direct infringement will at the same time shield the competitor from a finding of indirect infringement: according to the Supreme Court in *Limelight v. Akamai*, indirect infringement "requires, as a predicate, a finding that some party is directly liable for the entire act of direct infringement."⁶ The CAFC ruling has been commented on as providing "a roadmap for parties to get around patents", especially in the ICT and pharmaceutical industries that rely to a large extent on method claims.⁷

Key words: process patents; direct infringement; indirect infringement; vicarious liability.

Available at <http://cases.justia.com/federal/appellate-courts/cafc/09-1372/09-1372-2015-05-13.pdf?ts=1431529274>

³ Ibid., pages 20-23.

⁴ Ibid., page 23.

⁵ Available in this database.

⁶ Ibid., page 8, citing the Supreme Court.

⁷ See Intellectual Property Watch, "US Approves New Loophole In Patent Protection", by Steven Seidenberg, 8/6/2015, citing authorities.