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Justices rein in Federal Circuit

By Ben M. Davidson

Monday was a good day for companies facing allegations of patent infringement. The U.S. Supreme Court issued two major decisions that reverse rulings by the U.S. Court of Appeals for the Federal Circuit that favored patent owners. In *Limelight Networks Inc. v. Akamai Technologies Inc.*, 12-786, the court held that a company cannot be held indirectly liable for inducing customers to infringe a method patent that nobody has directly infringed. This ruling will affect many pending cases in which no single company or person performs each step of a patented method. In *Nautilus Inc. v. Biosig Instruments Inc.*, 13-369, the court held that patents must be held invalid when they fail to define the invention with reasonable certainty. This ruling should breathe new life into the defense that a claim is invalid because it is indefinite, in violation of the requirements of the patent statute.

Limelight v. Akamai

Akamai involves a patented method for helping content providers deliver their website content over the Internet through content delivery networks, or CDNs. The method allows large files, for example video or music files, to be stored or “tagged” on remote servers that are geographically closer to the users trying to access those files.

Akamai Technologies, the exclusive licensee of the patented method, sued *Limelight Networks* for infringement. *Limelight* provides a CDN and performs some of the patented steps of the *Akamai* patent. But critically, it does not perform the tagging step itself. Instead, *Limelight* divides the work with its customers, requiring them to perform the tagging step for themselves. A jury nevertheless found *Limelight* liable for infringement and awarded \$40 million in damages.

That victory was short-lived. The trial court set aside the verdict by granting judgment as a matter of law for *Limelight*. A method claim, the trial court noted, can only be directly infringed when a single party is re-

sponsible for performing each step, either by performing the steps itself, or by requiring an agent or other party under its control to perform any remaining steps. *Limelight*’s customers were not paid agents who were contractually obligated to perform the tagging step of the patent. The district court therefore held that *Limelight* did not infringe the patent.

While this result may be perceived as unfair ‘circumvention’ of a patent, the court noted that this is a concern for Congress, not the courts.

On appeal, the Federal Circuit reversed, holding in an en banc decision that it was unnecessary to find *Limelight* liable for direct infringement under 35 U.S.C. Section 271(a). *Limelight*, the court held, was liable for *indirect* infringement under Section 271(b) because it had “induced” its customers to carry out the remaining steps of the *Akamai* patent. The decision was widely viewed by many in the patent bar as simply closing a loophole in the enforcement of software patents. Indeed, the Federal Circuit majority could not see how the patent laws could have been intended to allow such an unfair loophole by allowing a company to divide performance of a patented method with customers.

The Supreme Court reversed. Writing for a unanimous court, Justice Samuel Alito held that the Federal Circuit’s policy concern doesn’t permit deviating from a straightforward interpretation of the patent laws. These laws are clearly written to require that a defendant can only be held liable for inducing infringement when the party induced has directly infringed the patent. Method claims are not infringed unless all of their steps are carried out because a patent owner’s rights extend only to the claimed combination of steps. Inducing someone to perform less than all the steps of a method claim simply does not violate the patent owner’s rights.

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as unfair “circumvention” of a patent, the court noted that this is a concern for Congress, not the courts. Indeed, as the court pointed out, Congress rewrote the laws in 1984 to prevent manufacturers from unfairly avoiding liability for infringing a U.S. patent by simply shipping parts of a device for final assembly outside the U.S. Congress has not chosen to similarly close the perceived loophole in enforcing software patents.

Defendants in many software cases will benefit from the decision in *Akamai*. Relying on the Federal Circuit’s en banc decision, patent owners have been asserting infringement on the theory that software companies have infringed by performing some patented steps themselves and by “inducing” their customers to perform the remaining steps. Under *Akamai*, this is no longer a valid basis for pursuing an infringement case.

Nautilus v. Biosig

In *Nautilus*, the Supreme Court tackled the problem of patent claims that are vague or ambiguous. The patent statute, 35 U.S.C. Section 112, ¶2, requires inventors to write their patents in a way that clearly points out and distinctly claims the invention.

Claims are like property lines around a property. They are supposed to tell people when they’re trespassing. In theory, claims that provide no reasonable notice are invalid because they are indefinite. In practice, however, the defense of “indefiniteness” has rarely succeeded. The Federal Circuit has upheld claims so long as they are “amenable to construction,” and thus not “insolubly ambiguous.” That restrictive test left has left vague patents on the books so long as it was possible for a trial court to somehow resolve the ambiguity in a claim by choosing among competing possibilities. If a court had already interpreted the claims once in the context of a prior litigation against another party, it was difficult to argue that the claims were insolubly ambiguous.

All that will change because of the decision in *Nautilus*. The case involves the “spaced relationship” in the

physical grips of a heart-rate monitor. The Federal Circuit reversed a relatively rare finding of indefiniteness by the trial court. It determined that the ambiguity in the meaning of “spaced relationship” in the claims was not hopelessly insoluble. Because it was possible to arrive at a definition, the claims were not invalid. The court did not decide if the *Biosig* claims were valid, but it rejected the rationale for deciding whether they were.

Writing for a unanimous court, Justice Ruth Bader Ginsburg noted that the statutory mandate that inventors define claims with particularity means they have to give clear notice of what is claimed. Otherwise, there would be a “zone of uncertainty” around a patent that companies would only enter at the risk of being sued for infringement. Ginsburg also noted that patent applicants face powerful incentives to inject ambiguity into their claims, and that they often try to be as vague and ambiguous as they can with their claims to maximize the chances for infringement. In order to “[e]liminate that temptation” to be vague, the court held, inventors must be required when drafting their applications to define the scope of their inventions with reasonable certainty. The court remanded the case to the Federal Circuit so that it could apply this new standard to the claims at issue.

Like the death of the inducement theory in *Akamai*, the demise of the “insolubly ambiguous” test in *Nautilus* is a significant change in patent law. The decision should particularly help deal with software patent claims that were drafted in an ambiguous way in the hopes of ensnaring new developments in software technology.

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