

No. 12-786

In the Supreme Court of the United States

LIMELIGHT NETWORKS, INC., PETITIONER

v.

AKAMAI TECHNOLOGIES, INC., ET AL.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF FOR THE UNITED STATES
AS AMICUS CURIAE SUPPORTING PETITIONER**

DONALD B. VERRILLI, JR.
*Solicitor General
Counsel of Record*

STUART F. DELERY
Assistant Attorney General

MALCOLM L. STEWART
Deputy Solicitor General

GINGER D. ANDERS
*Assistant to the Solicitor
General*

SCOTT R. MCINTOSH
PATRICK G. NEMEROFF
Attorneys

*Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217*

NATHAN K. KELLEY
Solicitor
SCOTT C. WEIDENFELLER
BRIAN T. RACILLA
*Associate Solicitors
United States Patent and
Trademark Office
Alexandria, Va. 22313*

QUESTION PRESENTED

Whether a defendant that performs some steps of a patented method and that actively induces its customers to perform the remaining steps is liable for inducement of infringement under 35 U.S.C. 271(b).

TABLE OF CONTENTS

	Page
Interest of the United States	1
Statement.....	1
Summary of argument	7
Argument:	
I. Joint performance of the steps of a patented process by multiple parties presents substantial problems of statutory interpretation and patent policy, and the Patent Act as currently drafted may not provide a complete solution.....	10
II. To actively induce infringement of a patent under Section 271(b), a party must induce another to commit direct infringement.....	15
A. The Patent Act’s text establishes that inducement liability under Section 271(b) is predicated on the existence of a direct infringer under Section 271(a).....	15
B. This Court’s decisions reflect the assumption that indirect-infringement liability requires a direct infringer.....	21
C. The court of appeals’ construction of Section 271(b) is not justified by secondary-liability principles or the history of the Patent Act	23
1. Background tort- and criminal-law principles do not support construing Section 271(b) to permit inducement liability in the absence of a direct infringer	23
2. The Patent Act’s legislative history does not support the court of appeals’ construction of Section 271(b)	27
3. Pre-1952 decisions do not establish that Section 271(b) imposes liability in the absence of direct infringement.....	29

IV

Table of Contents—Continued:	Page
III. The policy concerns implicated by joint performance of a patented process are for Congress to weigh	30
Conclusion.....	34
Appendix — Statutory provisions	1a

TABLE OF AUTHORITIES

Cases:

<i>Aro Mfg. Co. v. Convertible Top Replacement Co.</i> , 365 U.S. 336 (1961)	9, 11, 21, 22
<i>BMC Res., Inc. v. Paymentech, L.P.</i> , 498 F.3d 1373 (Fed. Cir. 2007)	3, 10, 27, 33
<i>Bryan v. United States</i> , 524 U.S. 184 (1998)	29
<i>Carbice Corp. of Am. v. American Patents Dev. Corp.</i> , 283 U.S. 27 (1931).....	12
<i>Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.</i> , 511 U.S. 164 (1994)	23, 25
<i>Deepsouth Packing Co. v. Laitram Corp.</i> , 406 U.S. 518 (1972)	5, 20, 22
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)	13
<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 535 U.S. 722 (2002).....	32
<i>Fromson v. Advance Offset Plate, Inc.</i> , 720 F.2d 1565 (Fed. Cir. 1983)	30
<i>Global-Tech Appliances, Inc. v. SEB S.A.</i> , 131 S. Ct. 2060 (2011)	14, 22
<i>Golden Hour Data Sys. Inc. v. emsCharts, Inc.</i> , 614 F.3d 1367 (Fed. Cir. 2010)	3, 10, 32
<i>Hoyt v. Clancey</i> , 180 F.2d 152 (8th Cir. 1950)	24
<i>Kelly v. Robinson</i> , 479 U.S. 36 (1986).....	29

Cases—Continued:	Page
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012)	32
<i>Mercooid Corp. v. Mid-Continent Co.</i> , 320 U.S. 661 (1944)	21, 22
<i>Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.</i> , 545 U.S. 913 (2005)	14
<i>Meyer v. Holley</i> , 537 U.S. 280 (2003)	12, 23
<i>Microsoft Corp. v. AT&T Corp.</i> , 550 U.S. 437 (2007)	9, 15, 20, 31
<i>Muniauction, Inc. v. Thomson Corp.</i> , 532 F.3d 1318 (Fed. Cir. 2008), cert. denied, 556 U.S. 1105 (2009)	3, 12, 13
<i>NTP, Inc. v. Research In Motion, Ltd.</i> , 418 F.3d 1282 (Fed. Cir. 2005), cert. denied, 546 U.S. 1157 (2006)	2, 11, 16
<i>Peerless Equip. Co. v. W.H. Miner, Inc.</i> , 93 F.2d 98 (7th Cir. 1937), cert. denied, 303 U.S. 641 (1938)	29, 30
<i>Royer v. Coupe</i> , 146 U.S. 524 (1892)	11
<i>Sage Prods. Inc. v. Devon Indus., Inc.</i> , 126 F.3d 1420 (Fed. Cir. 1997)	33
<i>Solva Waterproof Glue Co. v. Perkins Glue Co.</i> , 251 F. 64 (7th Cir. 1918)	29, 30
<i>Standefer v. United States</i> , 447 U.S. 10 (1980)	26
<i>United States v. Lyons</i> , 740 F.3d 702 (1st Cir. 2014)	26
<i>United States v. Tobon-Builes</i> , 706 F.2d 1092 (11th Cir. 1983)	27
<i>Warner-Jenkinson Co. v. Hilton Davis Chem. Co.</i> , 520 U.S. 17 (1997)	11

VI

Statutes:	Page
Patent Act of 1952, ch. 950, 66 Stat. 792, (35 U.S.C. 1 <i>et seq.</i>).....	6
35 U.S.C. 2(a)(1)	1
35 U.S.C. 2(b)(8)	1
35 U.S.C. 101.....	2
35 U.S.C. 102.....	33
35 U.S.C. 103.....	33
35 U.S.C. 112.....	33
35 U.S.C. 154.....	2
35 U.S.C. 154(a)	11, 15
35 U.S.C. 154(a)(1)	15
35 U.S.C. 271.....	2, 12, 14, 16, 19
35 U.S.C. 271(a)	<i>passim</i>
35 U.S.C. 271(b).....	<i>passim</i>
35 U.S.C. 271(c)	21
35 U.S.C. 271(e)(2)	16, 18, 19
35 U.S.C. 271(f).....	15
35 U.S.C. 271(f)(1).....	19, 20
35 U.S.C. 271(g).....	16, 18
35 U.S.C. 281.....	2, 17, 18, 19
35 U.S.C. 284.....	2
18 U.S.C. 2	25
18 U.S.C. 2(a)	25
18 U.S.C. 2(b)	27
18 U.S.C. 371	26
 Miscellaneous:	
<i>Contributory Infringement: Hearings on H.R. 3866 Before Subcomm. No. 4 of the House Comm. on the Judiciary, 81st Cong., 1st Sess. (1950)</i>	<i>28, 29</i>

VII

Miscellaneous—Continued:	Page
<i>Contributory Infringement in Patents: Hearings on H.R. 5988, H.R. 4061, and H.R. 5248 Before the Subcomm. on Patents, Trade-marks, and Copyrights of the House Comm. on the Judiciary, 80th Cong., 2d Sess. (1948)</i>	28
H.R. Rep. No. 1923, 82d Cong., 2d Sess. (1952)	16, 28, 30
W. Page Keeton et al., <i>Prosser and Keeton on the Law of Torts</i> (5th ed. 1984)	25
<i>Patent Law Codification and Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess. (1951)</i>	29
Restatement (First) of Torts (1939)	24
Restatement (Second) of Torts (1979).....	24
S. Rep. No. 1979, 82d Cong., 2d Sess. (1952)	16, 28

In the Supreme Court of the United States

No. 12-786

LIMELIGHT NETWORKS, INC., PETITIONER

v.

AKAMAI TECHNOLOGIES, INC., ET AL.

*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

**BRIEF FOR THE UNITED STATES
AS AMICUS CURIAE SUPPORTING PETITIONER**

INTEREST OF THE UNITED STATES

This case presents the question whether a party may be held liable for inducing infringement of a patent under 35 U.S.C. 271(b) if no party has directly infringed the patent within the meaning of 35 U.S.C. 271(a). The United States Patent and Trademark Office (PTO), which is responsible for “the granting and issuing of patents,” 35 U.S.C. 2(a)(1), as well as for advising the President on issues of patent policy, 35 U.S.C. 2(b)(8), has a substantial interest in the resolution of that question. At the invitation of the Court, the United States filed a brief as amicus curiae at the petition stage of this case.

STATEMENT

1. Any person who invents a “new and useful process, machine, manufacture, or composition of matter”

(1)

may obtain a patent in accordance with the conditions and requirements of the Patent Act. 35 U.S.C. 101. The Patent Act grants a patent holder certain exclusive rights, 35 U.S.C. 154, which may be enforced through a civil action for infringement. 35 U.S.C. 271, 281, 284.

The acts that give rise to liability for patent infringement are defined in 35 U.S.C. 271. Section 271(a) sets forth the Patent Act’s general definition of direct infringement, providing in relevant part that “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States * * * infringes the patent.” 35 U.S.C. 271(a). Subsections (b) and (c) then define two types of indirect infringement—respectively, active inducement of infringement and contributory infringement. Section 271(b), the provision at issue here, states that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. 271(b).

A patent claiming a process “is not infringed unless all steps or stages of the claimed process are utilized.” *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005) (citation omitted), cert. denied, 546 U.S. 1157 (2006). To establish that the defendant has “used” the process and has thereby committed direct infringement under Section 271(a), the patent owner ordinarily must prove that the defendant has himself performed all of the steps of the process.¹ The

¹ By contrast, when a patent claims a “machine, manufacture, or composition of matter,” 35 U.S.C. 101, a party need not make all of the invention’s constituent parts in order to be liable for “making” the invention and thereby engaging in direct infringement under Section 271(a). “In the case of a product claim, the party that adds the final element to the combination ‘makes’ the infringing product

Federal Circuit has held, however, that when two or more parties collectively perform all of the steps of a patented process, a court may hold one of the parties liable for direct infringement under Section 271(a) if the acts of the other party are attributable to him under common-law principles of vicarious liability. See generally *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (2008), cert. denied, 556 U.S. 1105 (2009).

Although the scope of that liability has evolved over time, the prevailing rule in the Federal Circuit is that “where the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party, i.e., the ‘mastermind.’” *Muniauction*, 532 F.3d at 1329; see *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1379-1381 (Fed. Cir. 2007). The “control or direction standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of a claimed method.” *Muniauction*, 532 F.3d at 1330; see *Golden Hour Data Sys. Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1371, 1373, 1380-1381 (Fed. Cir. 2010).

and thus is liable for direct infringement even if others make portions of the product.” Pet. App. 25a. By the same token, a person who actively induces that party to add the final element and thereby “make” the patented product is liable under Section 271(b). The problem presented in this case arises only when the patented invention is a process, rather than a machine, manufacture, or composition of matter.

2. Respondent Akamai Technologies, Inc. (Akamai) is the exclusive licensee of the patent at issue in this case, known as the '703 patent, which claims a method of structuring websites and their supporting servers that allows the sites to handle internet traffic more efficiently. Pet. App. 101a-104a. The method involves placing some elements of a content provider's website onto supporting servers and altering the provider's website so that it is able to access the elements that have been stored on the supporting servers. *Ibid.*

In 2006, Akamai brought this infringement action against petitioner Limelight Networks (Limelight). Pet. App. 104a-105a. Akamai alleged that Limelight had performed some of the steps of Akamai's patented process and had caused Limelight's customers—website content providers—to perform the remaining steps of choosing elements to outsource and tagging them as instructed by Limelight. *Id.* at 105a-106a. A jury found that Limelight had not established that the '703 patent was invalid and that Limelight had infringed the patent. *Id.* at 105a.

The district court granted Limelight's motion for judgment as a matter of law, concluding that Akamai had not established that Limelight had directly infringed the '703 patent. Pet. App. 181a-194a. The court concluded that the performance by Limelight's customers of certain steps of the '703 patent could not be attributed to Limelight under *Muniauction*. The court explained that establishing the requisite "direction or control requires something more than merely a contractual agreement to pay for a defendant's services and instructions or directions on how to utilize those services." *Id.* at 190a.

3. A panel of the Federal Circuit affirmed. Pet. App. 100a-135a. The panel held that “there can only be joint infringement [under 35 U.S.C. 271(a)] when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.” Pet. App. 112a. The panel concluded that Limelight and its customers lacked the requisite agency or contractual relationship. *Id.* at 113a-117a.

4. The Federal Circuit granted rehearing en banc. The court reversed the district court’s holding that Limelight was not liable for infringement and remanded for further proceedings.

a. The court of appeals held that this case “and cases like [it] can be resolved through an application of the doctrine of induced infringement” under Section 271(b). Pet. App. 3a. Specifically, the court held that a party that performs some steps of a patented process and actively induces another to commit the remaining steps is liable for inducement of infringement under Section 271(b), even if no party would be liable for direct infringement under Section 271(a). *Id.* at 9a. The court therefore found it unnecessary “to revisit” its precedents concerning the circumstances under which parties who jointly practice the steps of a patented process may be liable for direct infringement under Section 271(a). *Id.* at 6a.

The court of appeals acknowledged the “well settled” principle that “there can be no indirect infringement without direct infringement.” Pet. App. 8a (citing *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972)). The court concluded, however, that “[r]equiring 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,” and that the latter is not required. *Id.* at 9a. The court reasoned that, if a party has “knowingly induced others to commit the acts necessary to infringe” the patent, “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.” *Ibid.*

The court of appeals concluded that its holding was “entirely consistent” with the text of Section 271(b). Pet. App. 10a. That provision subjects a defendant to liability for “actively induc[ing] infringement.” 35 U.S.C. 271(b). In the court’s view, “[n]othing [in Section 271(b)] indicates that the term ‘infringement’ * * * is limited to ‘infringement’ by a single entity.” Pet. App. 10a. Rather, the court explained, the term “infringement” in Section 271(b) “appears to refer most naturally to the acts necessary to infringe a patent.” *Ibid.* The court discerned additional support for its construction in legislative testimony by Giles Rich, a primary author of the Patent Act of 1952, ch. 950, 66 Stat. 792 (35 U.S.C. 1 *et seq.*), as well as in certain tort-law doctrines and criminal statutes that, in the court’s view, contemplated that one who induces wrongful conduct may be liable even if the primary actor is not. Pet. App. 10a-19a.

The court of appeals accordingly remanded the case to the district court to permit Akamai to attempt to demonstrate 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.” Pet. App. 30a.

b. Judge Linn, joined by Judges Dyk, Prost, and O’Malley, issued a dissenting opinion. Pet. App. 69a-99a. Judge Newman issued a separate dissent. *Id.* at 31a-68a. Both dissenting opinions argued that a party “induces infringement” under Section 271(b) only when the induced conduct itself constitutes direct infringement under Section 271(a), such that there is a direct infringer. *Id.* at 49a-52a (Newman, J.); 71a-90a (Linn, J.).

SUMMARY OF ARGUMENT

I. The Patent Act as currently drafted does not provide a ready mechanism for addressing the full range of circumstances in which two or more parties, acting without the authorization of the patent owner, collectively perform all the steps of a patented process. In such cases, no party has individually performed all of the steps in the process, and hence no party would ordinarily be liable for direct infringement under Section 271(a). But the patented process has been performed in its entirety without the patent holder’s authorization, and sound reasons of patent policy may support holding one or more parties liable.

Before this case, the Federal Circuit had addressed collective performance exclusively under the framework of direct infringement, relying on established vicarious-liability principles to attribute one party’s performance of process steps to another, controlling, party. That framework, however, does not reach cases such as this one, in which the vendor performs some steps and instructs its subscribers how to perform the rest, but the subscribers are not contractually or otherwise obligated to do so.

The Federal Circuit accordingly turned to inducement liability under Section 271(b), holding that a party that performs some steps of a process and actively induces another to perform the rest is liable for inducement of infringement. Although that approach has common-sense appeal, it creates a significant anomaly: a party may be liable for “actively induc[ing] infringement,” 35 U.S.C. 271(b), even though there is no potentially liable direct infringer. Because that result is inconsistent with the Patent Act’s text and structure, the Federal Circuit’s decision should be reversed.

II. A defendant may be liable for inducement of infringement only if he has induced conduct that constitutes direct infringement. Section 271(a) defines direct infringement by providing that a person who “uses” any “patented invention * * * infringes the patent.” 35 U.S.C. 271(a). Section 271(b) then provides that “[w]hoever actively induces *infringement* of a patent shall be liable as an infringer.” 35 U.S.C. 271(b) (emphasis added). Because Section 271(b) does not set forth an independent definition of “infringement,” the “infringement” to which Section 271(b) primarily refers is the conduct defined in Section 271(a) as “infring[ing] the patent.” Thus, Limelight could properly be held liable under Section 271(b) only if it “actively induce[d]” conduct that “infringe[d] the patent” under Section 271(a)—in other words, if it induced its customers each to perform all of the steps of the patented process. That construction of Subsections (a) and (b) is consistent with this Court’s repeated statements that a completed act of direct infringement is necessary before a party can be liable for

indirect infringement. See, e.g., *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961).

In expanding the scope of inducement liability, the court of appeals relied primarily on general background principles of tort and criminal law. Those principles, however, require that the inducer aid conduct that either constitutes a tort or a criminal offense in itself, or that would be a tort or offense if committed by the inducer. Under the court's construction of Section 271(b), however, neither the inducer nor the induced party has committed infringement. The court of appeals also relied on witness testimony in congressional hearings concerning the legislation that became the 1952 Patent Act, as well as on isolated statements in two pre-1952 circuit-court decisions, but neither source provides reliable evidence of Congress's intent in enacting Section 271.

III. Although the Federal Circuit's decision reflects the reasonable view that sound patent policy would support imposing liability on parties who perform some steps of process and induce others to perform the rest, that policy judgment does not justify expanding liability beyond the scope contemplated in Section 271(b). See *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 452, 456-458 (2007). The parties and the judges of the Federal Circuit have identified a number of competing policy concerns that are relevant to assessing the desirability of the Federal Circuit's rule, including the resulting scope of liability, the extent to which careful claim drafting can avoid collective infringement, and the relative strength or validity of the patents most susceptible to collective infringement. Congress is better positioned than are the courts to address those empirical and policy questions, and to

determine whether the relatively new problem of joint performance of patented methods warrants a legislative response.

ARGUMENT

I. JOINT PERFORMANCE OF THE STEPS OF A PATENTED PROCESS BY MULTIPLE PARTIES PRESENTS SUBSTANTIAL PROBLEMS OF STATUTORY INTERPRETATION AND PATENT POLICY, AND THE PATENT ACT AS CURRENTLY DRAFTED MAY NOT PROVIDE A COMPLETE SOLUTION

A. The Federal Circuit's decision in this case reflects a considered effort to address the difficult issues that arise when two or more parties, acting without the authorization of the patent owner, collectively perform all the steps of a patented process. Collective performance of a patented process can occur in a variety of circumstances, including when one party directs or controls the actions of another, cf. *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1375 (Fed. Cir. 2007); when two parties collaborate in the context of an arms'-length cooperative arrangement, *Golden Hour Data Sys. Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1369 (Fed. Cir. 2010); or when (as here) a vendor offers a service in which the vendor performs some steps of the process and instructs its customers on how to perform the rest. In each circumstance, the patented process has been performed in its entirety without the patent holder's authorization, and sound reasons of patent policy may support holding one or more parties liable.

In such cases, however, no party has individually performed all of the steps in the process, and hence no party would ordinarily be liable for direct infringement under Section 271(a). The Patent Act gives the

patentee the right to “exclude others” from “using” the “invention.” 35 U.S.C. 154(a). Accordingly, Section 271(a) provides that direct “infringe[ment]” occurs when a defendant, without authority, “uses” the “patented invention.” 35 U.S.C. 271(a). In the case of a method patent, which generally consists of multiple steps, the “patented invention” is the entire series of steps. See *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997) (“Each element contained in a patent claim is deemed material to defining the scope of the patented invention.”); cf. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 344 (1961) (“For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.”).

As a result, to “use[]” a patented process without authorization, thereby infringing it, a party must perform every step of the method. See *Royer v. Coupe*, 146 U.S. 524, 530 (1892) (“it must be shown that the defendants used all the different steps of that process, or there could be no infringement; [but] the defendants did not use the sweating process, which was the first step in the plaintiff’s treatment, and therefore did not infringe”); see also *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005), cert. denied, 546 U.S. 1157 (2006). The effect of that rule is that a process claim is infringed only when a *single* party has performed all of the steps of the claim. When two or more parties each perform some, but not all, of the process’s steps, neither defendant has “use[d]” the “patented invention,” and therefore neither defendant has committed infringement. That is so even though, from the perspec-

tive of the patentee, the defendants have combined to perform all of the process's steps.

B. The Federal Circuit has attempted to identify circumstances, consistent with the rule that a party must perform all the steps of a process in order to infringe, in which a party who participates in the collective practice of a patented invention may be liable for infringement. But it is difficult to bring all of the scenarios that may appear to warrant liability within the ambit of Section 271, and no single solution is free of significant drawbacks.

Before this case, the Federal Circuit had addressed the collective practice of patented processes exclusively under the rubric of direct infringement. Applying traditional principles of vicarious liability, the court has held that, when one party exercises “control or direction” over another, the latter’s performance of particular steps may be attributed to the controlling party, rendering him liable under Section 271(a). See, e.g., *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1330 (2008), cert. denied, 556 U.S. 1105 (2009); Pet. App. 92a (Linn, J., dissenting) (“Our ‘divided infringement’ case law is rooted in traditional principles of vicarious liability.”). That overarching approach is correct.

“Infringement [of a patent], whether direct or contributory, is essentially a tort.” *Carbice Corp. of Am. v. American Patents Dev. Corp.*, 283 U.S. 27, 33 (1931). And in enacting the Patent Act, Congress “legislate[d] against a legal background of ordinary tort-related vicarious liability rules and consequently intend[ed] its legislation to incorporate those rules,” *Meyer v. Holley*, 537 U.S. 280, 285 (2003). For purposes of direct-infringement liability under Section

271(a), an alleged infringer therefore may properly be treated as having performed any act that would be attributable to it under established principles of vicarious liability.

The “control or direction” framework does not reach cases like this one, however, in which the vendor instructs its subscribers how to perform the process’s remaining steps, but the subscribers are not contractually or otherwise obligated to do so. Pet. App. 30a (upholding the district court’s conclusion that Lime-light did not exercise control over its customers); *id.* at 115a-116a; cf. *Muniauction*, 532 F.3d at 1329 (in the vicarious-liability approach, one party must “exercise[] ‘control or direction’ over the entire process such that every step is attributable to the controlling party, i.e., the ‘mastermind’”). Nor should courts attempt to devise patent-specific rules of vicarious liability in order to bring such scenarios within the coverage of Section 271(a). Cf. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (in the context of injunctive relief in patent infringement actions, “a major departure from the long tradition of equity practice should not be lightly implied”) (citation omitted).

Perhaps because the Federal Circuit recognized the limitations of Section 271(a) in addressing cases like this one, the court turned instead to inducement liability under Section 271(b). That approach has intuitive appeal. Under ordinary principles of inducement liability, if a vendor induces its customers to practice all of the steps in the patented process, and does so with knowledge that the induced acts constitute infringement, the vendor would be liable for actively inducing infringement under Section 271(b), and

the customers would be liable for direct infringement under Section 271(a). See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 940 (2005); *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011). As a matter of patent policy, there is no obvious reason why a party should be liable for inducing infringement when it actively induces another party to perform all the steps of the process, but not liable when it performs some steps and induces another party to perform the rest. On the other hand, the Federal Circuit’s approach creates a significant anomaly—namely, that a party may be liable for “actively induc[ing] infringement,” 35 U.S.C. 271(b), even though no one can be held liable as a direct infringer. The Federal Circuit’s construction of Section 271(b) is also inconsistent with the most straightforward reading of the statutory text and unsupported by background legal principles. See Parts II.A and II.C, *infra*.

The Federal Circuit’s inducement holding should accordingly be reversed. Doing so will likely permit vendors such as Limelight to avoid liability altogether, as inducement liability will not be available and traditional principles of vicarious liability would not support attributing customers’ voluntary actions to the vendor for purposes of direct-infringement liability. That statutory gap is unfortunate, but it reflects the better reading of the current statutory language in light of established background principles of vicarious liability. If the current provisions of Section 271 do not deal adequately with the relatively new phenomenon in which multiple parties collectively practice the steps of a patented method, the authority and responsibility for filling any perceived statutory gap belongs

to Congress rather than the courts. See Part III, *infra*; *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 456-458 (2007) (stating that a potential “loophole” in 35 U.S.C. 271(f) “is properly left for Congress to consider, and to close if it finds such action warranted”).

II. TO ACTIVELY INDUCE INFRINGEMENT OF A PATENT UNDER SECTION 271(b), A PARTY MUST INDUCE ANOTHER TO COMMIT DIRECT INFRINGEMENT

Under the court of appeals’ decision, a defendant who performs some steps of a process and induces another to perform the rest may be liable for “actively induc[ing] infringement,” 35 U.S.C. 271(b), even though no person has “infringe[d] the patent” within the meaning of Section 271(a). Despite its intuitive appeal, that holding is inconsistent with the text and structure of the Patent Act, and it is unsupported by background principles of tort and criminal liability.

A. The Patent Act’s Text Establishes That Inducement Liability Under Section 271(b) Is Predicated On The Existence Of A Direct Infringer Under Section 271(a)

1. Section 271(a) defines direct infringement by providing that “whoever without authority makes, uses, offers to sell, or sells any patented invention * * * infringes the patent.” 35 U.S.C. 271(a). Section 271(a)’s language parallels Section 154(a)’s grant of exclusive rights to patent holders. 35 U.S.C. 154(a)(1) (providing patent holders “the right to exclude others from making, using, offering for sale, or selling the invention”). Section 271(a) thus establishes that an invasion of one of the exclusive rights granted to patent holders “constitutes infringement in the present statute.” S. Rep. No. 1979, 82d Cong., 2d

Sess. 8 (1952) (*Senate Report*); H.R. Rep. No. 1923, 82d Cong., 2d Sess. 9 (1952) (*House Report*). When the invention at issue is a method, a defendant commits infringement under Section 271(a) when he “uses” the “patented invention” by performing all of its steps. See pp. 10-12, *supra*; *NTP, Inc.*, 418 F.3d at 1318.

Section 271(b) operates in conjunction with Section 271(a) to define a form of secondary liability. Section 271(b) states that “[w]hoever actively induces *infringement* of a patent shall be liable as an infringer.” 35 U.S.C. 271(b) (emphasis added). Because Section 271(b) does not set forth an independent definition of “infringement,” the “infringement” to which Section 271(b) primarily refers is the conduct defined in Section 271(a) as “infring[ing] the patent.”² 35 U.S.C. 271(a).

Thus, Limelight could properly be held liable under Section 271(b) only if it “actively induce[d]” conduct that “infringe[d] the patent” under Section 271(a). A person cannot be liable under Section 271(b) for “induc[ing] infringement” unless he has induced a second person to commit direct infringement, for which that

² Two recent additions to Section 271 provide that certain narrow categories of conduct that are not encompassed by Section 271(a) also constitute infringement. See 35 U.S.C. 271(e)(2) (submitting an abbreviated new drug application to the FDA constitutes infringement in certain circumstances); 35 U.S.C. 271(g) (importing or selling a product made using a process patented in the United States is infringement). Those provisions define additional, more specific instances of “infringement” that, if actively induced, would support inducement liability under Section 271(b). But because Subsections (e)(2) and (g) do not address the conduct at issue here, Section 271(a) provides the definition of infringement that is relevant in this case.

person could be liable under Section 271(a). For example, if A performs steps 1-3 of a four-step process, and actively induces B to perform step 4, A has not induced “infringement,” because B’s conduct in itself does not “infringe[] the patent,” 35 U.S.C. 271(a), and B would not be liable for direct infringement under Section 271(a).

Under the court of appeals’ construction, however, a person can “induce[] infringement” under Section 271(b) even though the conduct he induces does not “infringe[] the patent” under Section 271(a). The court acknowledged that, under Section 271(a), a person does not “infringe[] the patent” to a method unless he performs all of its steps (or the performance of all of the steps can be attributed to him). Pet. App. 5a-6a. The court concluded, however, that the term “infringement” in Section 271(b) could refer to conduct that does not “infringe[] the patent” under Section 271(a)—*i.e.*, the combination of the inducing party’s performance of steps 1-3 of the process and the induced party’s performance of step 4. But the court identified no textual basis for decoupling Subsections (a) and (b). The court simply stated that “nothing in the text of either subsection suggests that the act of ‘infringement’ required for inducement under [S]ection 271(b) must qualify as an act that would make a person liable as an infringer under [S]ection 271(a).” *Id.* at 20a.

2. Section 281 reinforces the conclusion that the term “infringement” in Section 271(b) refers to conduct that “infringes the patent” under Section 271(a). Section 281 provides that “[a] patentee shall have remedy by civil action for infringement of his patent.” 35 U.S.C. 281. That provision uses the term “in-

fringement” to refer to a violation of law for which some party can be held civilly liable. The court of appeals, by contrast, held that “direct infringement as a predicate for induced infringement” can exist even though no “single party would be *liable* as a direct infringer,” Pet. App. 9a, on the theory that the term “infringement” in Section 271(b) “appears to refer most naturally to the acts necessary to infringe a patent,” *id.* at 10a. The court thus construed the term “infringement” in Section 271(b) to encompass primary conduct (the collective performance by different actors of all steps of a patented process) that does not violate the law and does not give rise to any civil remedy.³

3. The court of appeals believed that its construction of Section 271(b) was supported by Sections 271(e)(2) and (g), which provide that certain conduct that otherwise would not fall within Section 271(a) constitutes direct infringement. 35 U.S.C. 271(e)(2) and (g); see note 2, *supra*. In the court’s view, those provisions confirm that the statute uses the term “infringement” in a way that “is not limited to the circumstances that give rise to liability under [S]ection 271(a).” Pet. App. 20a. Although those provisions

³ In the court of appeals’ view, Section 281 cannot “be read to mean that any act of infringement will necessarily be remediable through a civil action” because an accused infringer may assert various defenses (such as immunity from suit) that may ultimately prevent the patentee from recovering in the action. Pet. App. 21a. But whether the patentee will ultimately prevail in an action is irrelevant; Section 281’s purpose is simply to establish that, when “infringement” occurs, the patentee has a legal basis for filing a civil action. Under the court of appeals’ construction of the term, however, “infringement” encompasses conduct that does not provide any legal basis for filing suit.

do define additional categories of direct infringement, the court of appeals erred in inferring from them that Section 271(b) can establish inducement liability where no one would be liable under *any* of Section 271's defined categories of direct infringement.

Because Section 271(b) does not define the "infringement" that must be induced, Section 271's other subsections provide that definition, and the induced conduct must fall within one of the categories of direct infringement. Here, Limelight's conduct does not involve actions governed by Subsections (e)(2) and (g), so Subsection (a) defines the exclusive circumstances under which inducement liability could be imposed. Thus, Subsections (e)(2) and (g) do not support the court's construction of Section 271(b). To the extent those provisions are relevant here at all, they indicate that when "Congress intended to cover acts not encompassed within the traditional definition of infringement, it knew how to create an alternative definition thereof." Pet. App. 81a (Linn, J., dissenting).

The court of appeals also relied on Section 271(f)(1). That provision states that a person "shall be liable as an infringer" if he "actively induce[s]" assembly of a patented invention outside the United States "in a manner that would infringe the patent if such combination occurred within the United States." 35 U.S.C. 271(f)(1). The court found it significant that "the statutory term 'infringer' [in Section 271(f)(1)] does not advert to the requirements of [S]ection 271(a)." Pet. App. 20a-21a.

The court of appeals' reliance on Section 271(f)(1) was misplaced. Far from supporting the court's construction of Section 271(b), Section 271(f)(1) indicates that, when Congress wishes to impose infringement

liability for inducing conduct that does not constitute direct infringement, it enacts a specific provision to that effect.⁴ Section 271(f)(1) thus reinforces the conclusion that Section 271(b) requires a direct infringer before inducement liability may be imposed.

Section 271(f)(1) also demonstrates that Congress is best placed to remedy any perceived deficiencies in Section 271's coverage. Congress enacted Section 271(f)(1) in the wake of *Deepsouth Packing Co. v. Laitram*, 406 U.S. 518 (1972), which held that Deepsouth was not liable for contributory infringement arising from its sale of the parts of a patented machine because the assembly and use of the machine was to occur outside the United States, beyond the reach of the Patent Act. *Id.* at 523, 526-527; see note 4, *supra*. To close that “gap in our patent law,” Congress expressly provided for inducement liability in the absence of direct infringement. *Microsoft*, 550 U.S. at 457. If Congress concludes that a similar gap exists with respect to collective performance of method patents, it can enact appropriate legislation. See pp. 31-34, *infra*.

⁴ The Patent Act does not apply extraterritorially, and Section 271(a) defines direct infringement to include the “mak[ing]” of a “patented invention” “within the United States.” 35 U.S.C. 271(a). The assembly outside the United States of goods covered by a U.S. patent therefore would not constitute direct infringement. Section 271(f)(1) reflects Congress’s awareness of that fact, since it refers to inducement of conduct “that would infringe the patent if [it] occurred within the United States.” 35 U.S.C. 271(f)(1); see p. 20, *infra*.

B. This Court’s Decisions Reflect The Assumption That Indirect-Infringement Liability Requires A Direct Infringer

On several occasions, this Court has suggested that a completed act of direct infringement is necessary before a party can be liable for indirect infringement. Although none of those statements addressed the specific question presented here, they reflect a background understanding that is inconsistent with the expansive view of inducement liability the court below adopted.

In *Aro Manufacturing Co.*, *supra*, the Court considered whether Aro, a company that sold replacement fabric for use with a patented convertible car roof, was liable for contributory infringement under Section 271(c). That provision defines contributory infringement as, *inter alia*, the knowing sale of a component for use in an “infringement” of a patent. 365 U.S. at 337-338, 340. The Court held that Aro’s sale of the replacement fabric could “constitute contributory infringement under [Section] 271(c), if, but only if, such a replacement by the purchaser himself would in itself constitute a *direct* infringement under [Section] 271(a), for it is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement.” *Id.* at 340-341. The Court further explained that Section 271(c) “defines contributory infringement in terms of direct infringement,” and “[Section] 271(a) of the Patent Code * * * defines ‘infringement.’” *Id.* at 341-342. The Court concluded that, “if the purchaser and user could not be amerced as an infringer certainly one who sold to him * * * cannot be amerced for contributing to a non-existent infringement.” *Id.* at 341 (quoting *Mer-*

coid v. Mid-Continent Co., 320 U.S. 661, 674 (1944) (Roberts, J., dissenting)).

Similarly in *Deepsouth*, *supra*, this Court held that Deepsouth was not liable for contributory infringement when the alleged direct infringement was to occur outside the United States, beyond the reach of the Patent Act. 406 U.S. at 523, 526-527. The Court stated that “it is established that there can be no contributory infringement without the fact or intention of a direct infringement,” and “[i]n a word, if there is no (direct) infringement of a patent there can be no contributory infringer.” *Id.* at 526 (quoting *Mercoid Corp.*, 320 U.S. at 677 (Frankfurter, J., dissenting on other grounds)). The Court therefore held that, “in order to secure the [contributory infringement] injunction it seeks, [the plaintiff] must show a [Section] 271(a) direct infringement by Deepsouth in the United States, that is, that Deepsouth ‘makes,’ ‘uses,’ or ‘sells’ the patented product within the bounds of this country.” *Id.* at 527.

Most recently, in *Global-Tech Appliances*, *supra*, the Court considered whether Section 271(b) requires the defendant to have *known* that the conduct he induced constituted infringement. In explaining that the text of Section 271(b) could reasonably be construed in either of two ways, the Court stated that the provision “may require merely that the inducer lead another to engage in conduct that happens to amount to infringement,” or may require “that the inducer must persuade another to engage in conduct that the inducer knows is infringement.” 131 S. Ct. at 2065 & n.2. The Court’s articulation of those alternatives presupposed that the conduct being induced must *in fact* constitute direct infringement.

C. The Court Of Appeals’ Construction Of Section 271(b) Is Not Justified By Secondary-Liability Principles Or The History Of The Patent Act

In expanding the scope of inducement liability, the court of appeals relied on general background principles of tort and criminal law, as well as on isolated statements in the 1952 Patent Act’s legislative history and in two pre-1952 cases. Those sources do not support the court of appeals’ decision.

1. Background tort- and criminal-law principles do not support construing Section 271(b) to permit inducement liability in the absence of a direct infringer

Secondary-liability principles found in tort and criminal law do not support the conclusion that a defendant may be liable for inducing infringement even in the absence of a culpable direct infringer.

a. In determining “the scope of conduct prohibited” by Section 271(b), “the text of the statute controls.” *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 173 (1994). Because Congress presumptively intended to incorporate well-established background principles of tort law (such as vicarious-liability principles) in enacting Sections 271(a) and (b), those principles may inform courts’ interpretation of the statutory language. See *Meyer*, 537 U.S. at 285. No principle of tort law, however, supports reading Section 271(b) to permit inducement liability in the absence of a direct infringer.

Tort-law rules for holding one party responsible for another’s conduct presuppose that the induced conduct is tortious in itself (or would be, if performed by the inducing party). The First and Second Restatements of Torts thus state that, in certain circum-

stances, one may be liable “[f]or harm resulting to a third person from the *tortious conduct of another*.” Restatement (Second) of Torts § 876 (1979) (emphasis added); *id.* § 877 (providing for liability based on “[d]irecting or [p]ermitting” the “tortious conduct of another”); (Restatement (First) of Torts § 876 (1939) (also requiring the “tortious conduct of another”). Similarly, Section 877(a) of the Restatement (Second) of Torts provides that a person is liable for “the tortious conduct of another” if he “orders or induces the conduct, if he knows or should know of circumstances that would make the conduct tortious if it were his own.” Under the court of appeals’ construction of Section 271(b), by contrast, the induced party’s conduct—performing some but not all steps of a patented process—does not in itself constitute “tortious” conduct (*i.e.*, infringement), and it would not be “tortious” if committed by the inducer.

The court of appeals also relied on decisions holding that a party may be liable for making a fraudulent misrepresentation that is communicated to a third party by an innocent (and non-liable) intermediary. See Pet. App. 18a-19a. Those cases are inapposite because they concern direct, not secondary, liability: a defendant may be held directly liable for an intended harm resulting from his misrepresentation, whether or not he makes the misrepresentation directly to the party who is injured by it. Restatement (Second) of Torts § 531; see also *id.* § 533 cmt. b; *Hoyt v. Clancy*, 180 F.2d 152, 158 (8th Cir. 1950). The misrepresentation cases cited by the court of appeals therefore do not rely on principles of secondary liability. Nor do they speak to the appropriate rule in situations where the defendant’s liability is premised not on his own

breach of duty, but on his responsibility for causing another to commit a tort.⁵

b. The court of appeals also sought to draw upon criminal-law aiding-and-abetting principles, drawing an analogy to the general aiding-and-abetting statute, 18 U.S.C. 2. But to the extent that the language used in a criminal statute is relevant to the proper construction of Section 271(b), 18 U.S.C. 2 supports the conclusion that Section 271(b) requires a direct infringer.

Section 2(a), the criminal provision that is textually most similar to Section 271(b), states in relevant part that whoever “induces” the “commission” of “an offense against the United States” is “punishable as a principal.” 18 U.S.C. 2(a). Section 2(a) thus requires that an underlying criminal “offense” have been committed—such that the person who commits it would be liable—before a defendant can be guilty of inducing that offense.⁶ See *Central Bank of Denver, N.A.*, 511

⁵ Respondent contends that “a leading treatise on tort law explains [that] liability attaches ‘where the acts of each of two or more parties, standing alone, *would not be wrongful*, but together they cause harm to the plaintiff.’” Br. in Opp. 25-26 (quoting W. Page Keeton et al., *Prosser and Keeton on the Law of Torts* § 52, at 354 (5th ed. 1984)). The treatise, however, describes that circumstance as raising a “very troublesome question” because “each defendant alone would have committed no tort.” Prosser and Keeton § 52, at 354. The treatise goes on to note that in cases involving pollution and other public nuisances, some nineteenth-century courts expanded *direct*-liability principles to hold that a defendant’s acts may be “wrongful” in “the context of what others are doing.” *Ibid.* Those decisions provide no basis for interpreting Section 271(b) to extend secondary liability to situations in which no one has committed direct infringement.

⁶ Although crimes such as attempt, conspiracy, and solicitation do not require completion of the primary criminal offense, that is

U.S. at 181 (Section 2(a) “decrees that those who provide knowing aid to persons committing federal crimes, with the intent to facilitate the crime, are themselves committing a crime.”); see also *United States v. Lyons*, 740 F.3d 702, 715 (1st Cir. 2014) (“An aider and abettor is punishable as a principal if, first, someone else actually committed the offense and, second, the aider and abettor” intentionally assisted the principal.).

Contrary to the court of appeals’ view, *Standefer v. United States*, 447 U.S. 10 (1980), does not suggest that Section 2(a) permits imposing criminal liability on the inducing party when no offense has occurred. Cf. Pet. App. 15a. In *Standefer*, this Court held that Standefer could be convicted under Section 2(a) of aiding a second person to commit an offense, even though the person who committed the offense had been acquitted in a separate trial. 447 U.S. at 20, 25-26. The Court did not suggest, as the court below appeared to believe, that Standefer could be convicted of aiding and abetting without proof (at *Standefer’s* trial) that the principal committed an offense. To the contrary, the Court emphasized that, in order to establish Standefer’s guilt under Section 2(a), the government was required to prove that the principal “violated [the criminal statute at issue] and that [Standefer] aided and abetted him in that venture.” *Id.* at 26.

only because they are so defined by statute. See, e.g., 18 U.S.C. 371 (“If two or more persons conspire either to commit any offense against the United States, * * * and one or more of such persons do any act to effect the object of the conspiracy, each shall be” punished.). Section 271(b), by contrast, requires a predicate infringement.

The Federal Circuit also erred in relying on Section 2(b), which prohibits willfully “caus[ing] an act to be done which if directly performed [by the defendant] or another *would be an offense against the United States.*” 18 U.S.C. 2(b) (emphasis added). That provision is “designed to impose criminal liability on one who causes an intermediary to commit a criminal act, even though the intermediary who performed the act has no criminal intent and hence is innocent of the substantive crime charged.” *United States v. Tobon-Builes*, 706 F.2d 1092, 1099-1100 (11th Cir. 1983). Thus, when Congress intended to impose criminal secondary liability despite the principal’s innocence, it expressly so provided, using language that is quite different from Section 271(b)’s.⁷ And because Section 2(b) requires that the act in question “would be an offense” if committed by the defendant, it does not support an interpretation of Section 271(b) that would allow induced-infringement liability even though *neither* the inducer nor the induced party has committed infringement by performing all the steps of a method.

2. *The Patent Act’s legislative history does not support the court of appeals’ construction of Section 271(b)*

The legislative history of the 1952 Patent Act does not indicate that Congress intended to permit inducement liability in the absence of a direct infringer. To the contrary, the Senate and House reports’ discussions of the relationship between Subsections (a) and (b) are consistent with the view that Section

⁷ There is no need for a parallel provision in the Patent Act, because direct infringement is a strict-liability offense. See *BMC Res.*, 498 F.3d at 1381.

271(a) defines infringement and Section 271(b) requires inducement of direct infringement. The reports state that Section 271(a) “is a declaration of what constitutes infringement in the present statute.” *Senate Report 8*; *House Report 9*. They further explain that infringement as defined by Section 271(a) is co-extensive with any violation of the exclusive rights granted by Section 154. See *Senate Report 8* (“[T]he granting clause creates certain exclusive rights and infringement would be any violation of those rights.”). Section 271(b) then “recites in broad terms that one who aids and abets *an infringement* is likewise an infringer.” *Ibid.* (emphasis added); *House Report 9*.

The court of appeals leaned heavily on the testimony of future Judge Giles Rich during a 1949 hearing on the proposed legislation that became the 1952 Patent Act. See Pet. App. 12a-14a. The court’s reliance on that testimony was misplaced. Judge Rich stated that, “[w]hen two people combine and infringe a patent in some way or other, they are joint tort feasons, and it so happens that patents are often infringed by people acting in concert, either specifically or by implication, when neither one of them is a direct infringer.” *Contributory Infringement: Hearings on H.R. 3866 Before Subcomm. No. 4 of the House Comm. on the Judiciary, 81st Cong., 1st Sess. 3 (1950) (H.R. 3866 Hearings)*; see *Contributory Infringement in Patents: Hearings on H.R. 5988, H.R. 4061, and H.R. 5248 Before the Subcomm. on Patents, Trade-marks, and Copyrights of the House Comm. on the Judiciary, 80th Cong., 2d Sess. 5 (1948)* (discussing situations in which “there is obvious infringement of the patent,” even though “there is no direct infringer of the patent but only two contributory infringers”).

Although the court of appeals inferred from these statements that Judge Rich “viewed indirect infringement as an available remedy even in the absence of any single direct infringer,” Pet. App. 14a, the testimony does not meaningfully clarify *Congress’s* intent in enacting Section 271. See *Bryan v. United States*, 524 U.S. 184, 196 (1998); *Kelly v. Robinson*, 479 U.S. 36, 51 n.13 (1986). Judge Rich made other statements, moreover, suggesting that induced infringement under Section 271(b) requires that the induced conduct itself constitute direct infringement. See *H.R. 3866 Hearings* 5 (for there to be contributory infringement, “[s]omewhere along the line there must be a direct infringement”); *Patent Law Codification and Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82d Cong., 1st Sess. 151 (1951) (“[W]herever there is contributory infringement there is somewhere something called direct infringement, and to that direct infringement someone has contributed.”).

3. *Pre-1952 decisions do not establish that Section 271(b) imposes liability in the absence of direct infringement*

The court of appeals also drew support from two pre-1952 Seventh Circuit decisions, but there is no reason to think that Congress intended to codify those rulings in the 1952 Patent Act. In *Peerless Equipment Co. v. W.H. Miner, Inc.*, 93 F.2d 98, 105 (1937), cert. denied, 303 U.S. 641 (1938), and *Solva Waterproof Glue Co. v. Perkins Glue Co.*, 251 F. 64, 73-74 (1918), the court of appeals held, with little explanation, that a party could be liable for contributory infringement if it performed some steps of a patented process and sold the resulting product, knowing that

the buyer would use the product to perform the remainder of the steps. In both cases, however, the court’s method-claim holding was not necessary to impose liability on the defendant, as each defendant was also held liable for infringement of product claims. See *Peerless Equip.*, 93 F.2d at 105; *Solva Waterproof Glue*, 251 F. at 73-74. And in any event, one of Congress’s stated purposes in enacting Sections 271(b) and (c) in the 1952 Patent Act was to “eliminate” the “[c]onsiderable doubt and confusion as to the scope of contributory infringement [that] has resulted from a number of decisions of the courts in recent years.” *House Report* 9. Absent some indication that Congress knew of and intended to codify the Seventh Circuit’s decisions, they provide no support for the decision below.⁸

III. THE POLICY CONCERNS IMPLICATED BY JOINT PERFORMANCE OF A PATENTED PROCESS ARE FOR CONGRESS TO WEIGH

The Federal Circuit stated that “there is no reason to immunize the inducer from liability for indirect

⁸ The court of appeals also cited a post-1952 decision, *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1567 (Fed. Cir. 1983). Pet. App. 28a. *Fromson* involved both product claims (photographic printing plates) and method claims (the process for creating the printing plates). The Federal Circuit observed in dicta that, where the defendant’s customers completed the final step of the patented process to create the patented plates, the defendant “cannot be liable for direct infringement with respect to those plates but could be liable for contributory infringement.” 720 F.2d at 1568. But the Federal Circuit did not specify whether it believed the defendant might be liable for contributory infringement of the product claim (which the defendant’s customers would have directly infringed by completing the plates, see note 1, *supra*) or of the method claim. *Ibid.*

infringement simply because the parties have structured their conduct so that no single defendant has committed all the acts necessary” to perform every step of the patented method. Pet. App. 9a. That assessment reflects a reasonable view of sound patent policy, but it does not justify expanding liability for inducement of infringement beyond the scope contemplated in Section 271(b). See *Microsoft*, 550 U.S. at 452, 456-458. Congress has previously enacted narrow additions to Section 271 to address perceived gaps in liability, see pp. 18-20, *supra*, and it can similarly address the relatively new problem of joint performance of patented methods if it believes a legislative response is needed.

Indeed, many of the considerations that the judges of the Federal Circuit and the parties have identified as relevant to the desirability of the Federal Circuit’s rule are *competing* policy concerns that are most appropriately weighed by Congress. Those considerations demonstrate both the difficulty of crafting a framework for addressing collective-performance issues—it is not obvious that Congress would choose to extend the scope of liability under Section 271(b)—and the need for a congressional rather than a judicial solution.

First, because the Federal Circuit’s approach substantially alters the doctrine and scope of patent infringement liability, a consequence of adopting that approach would be that parties who have ordered their conduct based on their understanding of the previously-established law may face unanticipated liability for inducing infringement. The expansion of liability under Section 271(b) may not be an undesirable consequence in itself; as discussed above, there is

no obvious policy reason not to impose liability on parties who seem, if anything, more culpable than the typical active inducers. But “courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002). Congress is best placed to weigh the effects on settled expectations that would result from broadening inducement liability against the benefits of closing the existing statutory gap—and to “craft[] more finely tailored rules where necessary.” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012).

Second, adopting the Federal Circuit’s reading of Section 271(b) would not address every instance of collective performance of a process that might warrant liability and that is not already captured by the application of traditional vicarious-liability principles. See pp. 12-13, *supra*. For example, when two parties collaborate in the context of an arms’-length cooperative arrangement to perform the steps of a patented process, see *Golden Hour*, 614 F.3d at 1371, it would be difficult to say that one party rather than the other actively induces infringement, or that both parties actively induce each other to infringe. Because expanding Section 271(b) liability would not provide a complete solution to the problem of collective performance, Congress might prefer to consider other avenues.

Third, the parties, like the judges on the court of appeals, disagree about the extent to which patent applicants can protect themselves from collective use of patented methods through careful claim-drafting. See Pet. App. 96a (Linn, J., dissenting); *id.* at 44a

(Newman, J., dissenting); Pet. Br. 46; Br. in Opp. 32-33. The Federal Circuit has suggested that “[t]he concerns over a party avoiding infringement by arms-length cooperation can usually be offset by * * * structur[ing] a claim to capture infringement by a single party.” *BMC Res.*, 498 F.3d at 1381. Courts have long recognized, moreover, that the burden of imprecisely drafted claims properly falls on the patent holder. See *Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1425 (Fed. Cir. 1997). It is not clear, however, that drafting claims from the perspective of one actor is always possible. Some inventions may not be susceptible to framing from the perspective of a single actor or hub, and applicants are also constrained by the patentability requirements contained in Sections 102, 103, and 112 of the Patent Act. Assessing the extent to which careful claim-drafting can eliminate any potential enforcement gap, and the appropriate response if that solution is found to be inadequate, is a quintessentially legislative task.

Finally, Limelight argues (Br. 47-48) that expanding inducement liability is undesirable because collective-performance issues arise primarily in the context of “computer-implemented ‘interactive’ methods, many of them business methods embodying little if any technological innovation.” *Id.* at 47. Questions about the relative strength or validity of the patented methods that are susceptible to collective performance, however, are distinct from issues concerning the proper construction of the rules governing infringement liability, which apply to *all* patents. It would be inappropriate for courts to allow doubts about the strength or validity of the patents at issue in collective-performance cases to drive their analysis of

the text of the Patent Act and the general liability principles it establishes. Congress, by contrast, can legitimately take those considerations into account in determining whether the potential enforcement gap that current law creates is of sufficient practical concern to warrant a legislative response.

* * * * *

Congress is better positioned than are the courts to address the empirical and policy questions implicated by collective performance of method patents. Under the Patent Act in its current form, however, Limelight can be held liable for “induc[ing] infringement” under Section 271(b) only if the induced conduct “infringes the patent” under Section 271(a). The court of appeals erred in expanding inducement liability beyond circumstances involving a culpable direct infringer.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

NATHAN K. KELLEY
Solicitor
 SCOTT C. WEIDENFELLER
 BRIAN T. RACILLA
Associate Solicitors
United States Patent and
Trademark Office

DONALD B. VERRILLI, JR.
Solicitor General
 STUART F. DELERY
Assistant Attorney General
 MALCOLM L. STEWART
Deputy Solicitor General
 GINGER D. ANDERS
Assistant to the Solicitor
General
 SCOTT R. MCINTOSH
 PATRICK G. NEMEROFF
Attorneys

MARCH 2014

APPENDIX

35 U.S.C. 271 provides:

Infringement of patent

(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 patented 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.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent

would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit—

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent,

(B) an application under section 512 of such Act or under the Act of March 4, 1913 (21 U.S.C. 151-

158) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent, or

(C)(i) with respect to a patent that is identified in the list of patents described in section 351(l)(3) of the Public Health Service Act (including as provided under section 351(l)(7) of such Act), an application seeking approval of a biological product, or

(ii) if the applicant for the application fails to provide the application and information required under section 351(l)(2)(A) of such Act, an application seeking approval of a biological product for a patent that could be identified pursuant to section 351(l)(3)(A)(i) of such Act,

if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug, veterinary biological product, or biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)—

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product,

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product, and

(D) the court shall order a permanent injunction prohibiting any infringement of the patent by the biological product involved in the infringement until a date which is not earlier than the date of the expiration of the patent that has been infringed under paragraph (2)(C), provided the patent is the subject of a final court decision, as defined in section 351(k)(6) of the Public Health Service Act, in an action for infringement of the patent under section 351(l)(6) of such Act, and the biological product has not yet been approved because of section 351(k)(7) of such Act.

The remedies prescribed by subparagraphs (A), (B), (C), and (D) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285.

(5) Where a person has filed an application described in paragraph (2) that includes a certification under subsection (b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355), and neither the owner of the patent that is the subject of the certification nor the holder of the approved application under subsection (b) of such section for the drug that is claimed by the patent or a use of which is claimed by the patent brought an action for infringement of such patent before the expiration of 45 days after the date on which the notice given under subsection (b)(3) or (j)(2)(B) of such section was received, the courts of the United States shall, to the extent consistent with the Constitution, have subject matter jurisdiction in any action brought by such person under section 2201 of title 28 for a declaratory judgment that such patent is invalid or not infringed.

(6)(A) Subparagraph (B) applies, in lieu of paragraph (4), in the case of a patent—

(i) that is identified, as applicable, in the list of patents described in section 351(l)(4) of the Public Health Service Act or the lists of patents described in section 351(l)(5)(B) of such Act with respect to a biological product; and

(ii) for which an action for infringement of the patent with respect to the biological product—

(I) was brought after the expiration of the 30-day period described in subparagraph (A) or (B), as applicable, of section 351(*l*)(6) of such Act; or

(II) was brought before the expiration of the 30-day period described in subclause (I), but which was dismissed without prejudice or was not prosecuted to judgment in good faith.

(B) In an action for infringement of a patent described in subparagraph (A), the sole and exclusive remedy that may be granted by a court, upon a finding that the making, using, offering to sell, selling, or importation into the United States of the biological product that is the subject of the action infringed the patent, shall be a reasonable royalty.

(C) The owner of a patent that should have been included in the list described in section 351(*l*)(3)(A) of the Public Health Service Act, including as provided under section 351(*l*)(7) of such Act for a biological product, but was not timely included in such list, may not bring an action under this section for infringement of the patent with respect to the biological product.

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after—

(1) it is materially changed by subsequent processes; or

(2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term “whoever” includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an “offer for sale” or an “offer to sell” by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.