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# Supreme Court Overturns Federal Circuit on Liability for Inducing Infringement and Standard for Definiteness of Patent Claims: What Does This Mean for Patent Owners and Challengers?

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# The Federal Circuit and the Supreme Court

- Federal Circuit is 0-5 on patent cases, with no votes in support of its decisions
- One more patent case remains to be decided this term
- Supreme Court's interest in patent law issues likely to remain high

# *Limelight* – Liability for Induced Infringement Under Section 271(b)

- Section 271(b): “Whoever actively induces infringement of a patent shall be liable as an infringer.”
- Question presented:
  - Whether a defendant may be liable for inducing infringement of a patent under 35 U.S.C. §271(b) when no one has directly infringed the patent under §271(a) or any other statutory provision
  - A divided *en banc* Federal Circuit said yes
  - Supreme Court said no

# *Limelight* –Section 271(b) Induced Infringement

- Background:

- Patent claims method of delivering electronic data using a content delivery network (CDN)
- Technology permits content providers of web sites to store files on remote servers and have those servers accessed by internet users
- Process of designating components for storage on servers is called “tagging”
- Limelight operates a CDN; doesn’t tag; its customers do, but Limelight provides instructions and technical assistance for customers to do own tagging

# Limelight –Section 271(b) Induced Infringement

- Background:

- Case tried to jury in 2006, finding Limelight infringed
- Moved to reconsider in light of *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008):
  - “direct infringement requires a single party to perform every step of a claimed method”
  - may be satisfied if single defendant exercises “control or direction” over the entire process
- D. Ct. granted motion, as *Muniauction* precluded a finding of direct infringement under 271(a)
- Panel of Fed. Cir. affirmed

# *Limelight* –Section 271(b) Induced Infringement

- Background:

- *En Banc* Federal Circuit requested briefing on the following question: “If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?”
- Fed. Cir. did not address question, but decided that the evidence could support a theory of induced infringement, and stated that “[r]equiring proof that there has been direct infringement ... is not the same as requiring proof that a single party would be liable as a direct infringer.”

# *Limelight* –Section 271(b) Induced Infringement

- Background:

- Fed. Cir. stated: “In doing so, we reconsider and overrule the 2007 decision of this court in which we held that in order for a party to be liable for induced infringement, some other single entity must be liable for direct infringement. *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed.Cir.2007). To be clear, we hold that all the steps of a claimed method must be performed in order to find induced infringement, but that it is not necessary to prove that all the steps were committed by a single entity.”



# *Limelight* –Section 271(b) Induced Infringement

- Supreme Court:
  - Induced infringement liability arises only if there is direct infringement
  - Under the Federal Circuit’s decision in *Muniauction, Inc. v. Thomson Corp.*—which the Supreme Court assumed to be correct, direct infringement of a method claim requires proof that the defendant either performed all the claimed steps or directed and controlled others who did so.
  - Rejected Federal Circuit’s induced infringement rule, holding that proof of direct infringement under section 271(a) or another statute is required to prevail on an inducement claim

# *Limelight* – Section 271(b) Induced Infringement

- Supreme Court:

- Fed. Cir.’s view would require two parallel bodies of infringement law
- Section 271(f) reinforces reading of section 271(b) – “when Congress wishes to impose liability for inducing activity that itself does not constitute direct infringement, it knows precisely how to do so.”
- Performance of all the claimed steps cannot be attributed to a single entity, and direct infringement did not occur.
- Under *Muniauction* rule, no patent rights were infringed

# Limelight –Section 271(b) Induced Infringement

- Supreme Court:
  - Acknowledged concern about making infringement of a method claim easy to evade:
    - “A desire to avoid *Muniauction*’s natural consequences does not justify fundamentally altering the rules of inducement liability that the text and structure of the Patent Act clearly require—an alteration that would result in its own serious and problematic consequences, namely, creating for §271(b) purposes some free-floating concept of ‘infringement’ both untethered to the statutory text and difficult for the lower courts to apply consistently.”
  - Declined to review the merits of the *Muniauction* rule for direct infringement
    - “[O]n remand, the Federal Circuit will have the opportunity to revisit the §271(a) question if it so chooses.”

# *Nautilus* – Standard for Definiteness of Patent Claims

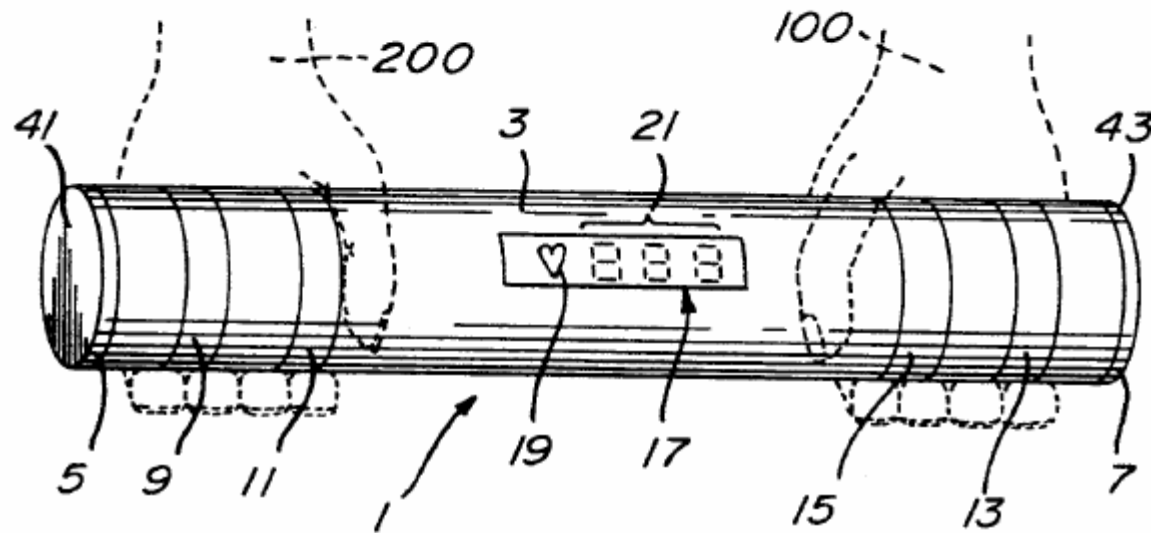
- Section 112(b) (formerly section 112, ¶2):
  - Patent specification must conclude with a claim “particularly pointing out and distinctly claiming” the subject of the invention
- Federal Circuit:
  - Patent claim is definite so long as the claim is “amenable to construction” or not “insolubly ambiguous”.
- Supreme Court:
  - “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.”

# *Nautilus* – Standard for Definiteness of Patent Claims

- Background:

- Patent relates to a heart-rate monitor used with an exercise apparatus
- Measures ECG signals and an improvement over prior art in which EMG signals can mask ECG signals
- Patent claim recites, in part, a live electrode and a common electrode “mounted . . . *in spaced relationship* with each other.”
- Biosig sues Nautilus for infringement over StairMaster products
- Reexamination proceedings ensued and original case dismissed
- After reexamination and claims confirmed, Biosig sues again

# *Nautilus* – Standard for Definiteness of Patent Claims



# *Nautilus* – Standard for Definiteness of Patent Claims

- Background:

- District court construes “spaced relationship”: “there is a defined relationship between the live electrode and the common electrode on one side of the cylindrical bar and the same or a different defined relationship between the live electrode and the common electrode on the other side of the cylindrical bar”
- *Nautilus* moved for MSJ of indefiniteness, asserting that “spaced relationship” as construed is indefinite
- D. Ct. granted summary judgment of indefiniteness
- Fed. Cir. reversed and remanded

# *Nautilus* – Standard for Definiteness of Patent Claims

- Federal Circuit:

- Majority applied not amenable to construction or insolubly ambiguous standard:

- Looked to intrinsic evidence
- “certain inherent parameters of the claimed apparatus, which to a skilled artisan may be sufficient to understand the metes and bounds of ‘spaced relationship.’”
- distance separating the live and common electrodes on each half of the bar “cannot be greater than the width of a user’s hands”



# *Nautilus* – Standard for Definiteness of Patent Claims

- Supreme Court:

- Definiteness is to be evaluated from the perspective of someone skilled in the relevant art
- In assessing definiteness, claims are to be read in light of the patent's specification and prosecution history
- The test is measured from a skilled artisan *at the time the patent was filed*

# *Nautilus* – Standard for Definiteness of Patent Claims

- Supreme Court:

- “Section 112, we have said, entails a ‘delicate balance.’ *Festo*, 535 U. S., at 731. On the one hand, the definiteness requirement must take into account the inherent limitations of language. *See ibid.* Some modicum of uncertainty, the Court has recognized, is the ‘price of ensuring the appropriate incentives for innovation.’”
- [A] patent must be precise enough to afford clear notice of what is claimed, thereby “‘appris[ing] the public of what is still open to them.’”

# *Nautilus* – Standard for Definiteness of Patent Claims

- Supreme Court:

- “[W]e are told, patent applicants face powerful incentives to inject ambiguity into their claims.”
- “Eliminating that temptation is in order, and ‘the patent drafter is in the best position to resolve the ambiguity in . . . patent claims.’”
- “The definiteness requirement, so understood, mandates clarity, while recognizing that absolute precision is unattainable. The standard we adopt accords with opinions of this Court stating that ‘the certainty which the law requires in patents is not greater than is reasonable, having regard to their subject-matter.’”

# *Nautilus* – Standard for Definiteness of Patent Claims

- Supreme Court:
  - Ensuring the Fed. Cir. test is “probative of the essential inquiry”
  - “Federal Circuit invoked a standard more amorphous than the statutory definiteness requirement allows.”

# Impact of *Limelight* and *Nautilus*

- What do the decisions mean for patent owners and potential or accused infringers?
  - Do we know?
  - What's next?
- Status of the “single entity” rule under *Muniauction*?
- How will the new “definiteness” standard be applied?

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Questions?

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