What is the scope of method patents in the USA? The US Supreme Court has just ruled – and set new narrowed standards for the requirements for induced infringement

A method can be viewed schematically as a number of process steps, which are conducted in a certain order. Method patents generally cover a series of such steps, which together define an inventive process. Under US patent law, a method patent can be infringed in two ways:

• Direct infringement; 35 USC §271(a), or
• Induced infringement; 35 USC §271(b)

Direct infringement refers to the situation, where a third party infringes a patented method or product by selling or using the invention. Induced infringement is where a third party does not itself infringe a patented method or product, but offers the relevant components to others, knowing that the relevant components will be used for infringing a patented method or product.

According to the current US case law, direct infringement is governed by the so-called single entity rule, under which liability for direct infringement requires that a single entity performs all steps of the patented method.

But what about induced infringement?

Are third parties liable for induced infringement, if one party performs some of the steps of a patented method and the other party performs the remaining steps? This question was recently considered by the US Supreme Court in the case Limelight networks, Inc. vs. Akamai Technologies, Inc., where Akamai had sued Limelight for infringement.

Akamai is the exclusive licensee of a patent that covers a method for delivering web content using a “content delivery network” (CDN). Limelight operates a CDN and carries out most of the steps of Akamai’s method. However the last step, known as “tagging,” is performed by Limelight’s customers, not by Limelight.

Akamai sued Limelight for patent infringement. The case proceeded to the Court of Appeals for the Federal Circuit, which, according to the single entity rule, concluded that Akamai’s patent was not directly infringed; the infringement occurred when Limelight’s customers performed the last step. Thus, no single entity had performed all of the method steps, and Limelight did not control the actions of its customers.

However, the Federal Circuit also held that induced infringement did not require all steps to be carried out be a single entity. Thus, a defendant, such as Limelight, could be liable for inducing a combination

The single entity rule

According to the single entity rule, one party must perform each of the steps of a patented method to be liable for direct infringement.

The single entity rule was applied by the US Court of Appeals for the Federal Circuit in Miniauction, Inc vs. Thompson, Inc, where joint direct infringement was rejected.
of parties to infringe, even where no single party was liable for direct infringement.

This view on induced infringement was appealed to the US Supreme Court, which unanimously concluded that there can be no liability for induced infringement, unless there has been direct infringement; and according to the single entity rule, it is required that the same party performs all steps of the method. Since Limelight did not directly infringe Akamai’s method, there could not be any induced infringement either.

Thus, the legal situation resulting from the decisions of the Federal Circuit and the Supreme Court is that

- Direct infringement requires all steps of a method patent to be carried out by a single entity. This single entity rule has been established by the Federal Circuit
- Induced infringement requires that direct infringement has occurred, and direct infringement must abide to the single entity rule

Is the single entity rule the golden standard for infringement in the future?

The Supreme Court acknowledged that under the single entity rule, a would-be infringer could evade liability by dividing performance of a method patent’s steps with another party whose conduct cannot be attributed to him. The single entity rule was applied by the Federal Circuit, and the Supreme Court refused to rule on the validity of the single entity rule saying merely that it was assumed to be correct. However, the Supreme Court also suggested that the Federal Circuit reconsider the single entity rule. Thus, there is a good chance the Federal Circuit will do so, which may lead to the development of a different standard for direct infringement in the future. What impact any change in the standard on direct infringement would have on non-method claims, like apparatus or system claims is unclear.

What now?

This Supreme Court decision significantly reduces the possibility to claim induced infringement, when the steps of a patented method are performed by two or more parties. This is clearly to the advantage of the defendants in infringement cases – especially in the software, Internet, and biotech/pharma fields. If a defendant can demonstrate that no single entity performs all of the steps of a claimed method, by not performing all the steps itself and not exerting sufficient control or direction over performance of the remaining steps, then there can be no liability for either direct or indirect infringement. With this decision, competitors to patent holders could review relevant issued patents and evaluate whether infringement can be evaded by dividing the infringement between different parties, thereby ensuring that no single entity carries out all the steps of a claimed method.

Divided infringement

Divided infringement (or split infringement) is when two or more parties together performs all steps of a patented method, but neither one performs all steps.

Under the single entity rule parties involved in divided infringement are neither liable for direct nor induced infringement.

Thus, when drafting patent claims and during prosecution before the U.S. Patent Office, the possibilities for divided infringement should be considered. It is specifically important to

- consider the contemplated business approach relevant to the subject–matter being patented to ensure that divided infringement issues do not arise later
- carefully analyze who will be performing the individual steps when drafting and prosecuting method claims.

If you want to know more about divided infringement, you are welcome to contact Jens Raabjerg Olesen

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