

No. 12-786

IN THE
Supreme Court of the United States

LIMELIGHT NETWORKS, INC.,
Petitioner,

v.

AKAMAI TECHNOLOGIES, INC., ET AL.
Respondents.

**On Writ Of Certiorari To The United States
Court Of Appeals For The Federal Circuit**

**BRIEF FOR MICROSOFT CORPORATION
AS AMICUS CURIAE
IN SUPPORT OF PETITIONER**

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INTEREST OF *AMICUS CURIAE*

This case presents the question whether a defendant can be held liable for inducement of infringement under 35 U.S.C. § 271(b) when no person could be held liable for an act of direct infringement under 35 U.S.C. § 271(a). It arises in the context of so-called “divided infringement” of a method patent, where a defendant (here, petitioner Limelight Networks, Inc.) is accused of performing some steps of the patented method while others (here, Limelight’s customers) complete the remaining steps of the method. More generally, this case is about a statutory gap in the patent laws and which branch of government properly may fill it.*

The Federal Circuit recognized that, under longstanding precedents interpreting 35 U.S.C. § 271, “the patentee has no remedy” in situations of divided infringement of a method patent. Pet. App. 3a. The court of appeals saw this as a “doctrinal problem[]” because, on its view of “sound patent policy,” a defendant accused of divided infringement is no less “culpable” than a defendant who actually “induce[s] another to perform all the steps of a method claim.” *Id.* at 2a, 9a-10a, 29a. So, the Federal Circuit revised its interpretation of Section 271 to make “culpable” divided infringement defendants liable as inducers of infringement under 35 U.S.C. § 271(b).

* Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part, and that no person or entity other than *amicus curiae* and its counsel made a monetary contribution to the preparation or submission of this brief. Counsel of record for all parties consented to the filing of this *amicus curiae* brief.

Microsoft Corporation’s mission is to enable individuals and businesses throughout the world to realize their full potential by creating technology that transforms the way people work, play, and communicate. Microsoft develops, manufactures, licenses, and supports a wide range of software programs and services for many different types of computing devices, including the flagship Windows operating system and the Office suite of productivity applications.

Microsoft holds thousands of patents, which it relies upon to protect its substantial investments in research and development. But it also is frequently accused of infringing all manner of patents, including method patents on theories of “divided infringement.” For Microsoft, the patent laws provide the “baseline of free competition,” demarcating both its exclusive rights in its numerous inventions and also the spaces where it—and others—are free to operate. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 156 (1989). Microsoft thus has a substantial interest in the content of the patent laws and how courts interpret those laws.

SUMMARY OF THE ARGUMENT

The Federal Circuit’s decision to close what it perceived as a loophole in the regime of patent infringement liability set forth in 35 U.S.C. § 271 to capture the conduct of persons it deemed “culpable” is fundamentally flawed and should be reversed.

The Federal Circuit’s method of determining who is a “culpable” actor under the patent laws should be rejected. Patent infringement is a statutory tort. Both a patentee’s rights and the circumstances under which those rights are violated are defined by statute. A person cannot be “culpable” in an act of

infringement unless he has violated some provision of 35 U.S.C. § 271. And contrary to the view of the court of appeals, there is nothing anomalous—much less “bizarre” (Pet. App. 10a)—about denying a patentee a remedy when there has been no violation of the statute, because it is the violation of the statute that defines the injury. The Federal Circuit erred when it premised its interpretation of Section 271 on its policy-driven belief, untethered from the statute, of when a patentee is injured.

If there is a gap in Section 271’s regime of infringement liability, it was not the Federal Circuit’s job to fill it. The fact that established common law principles of vicarious liability do not address every situation in which the court of appeals might find a person “culpable,” *see* Pet. App. 10a, does not justify a judicial enlargement of the scope of infringement liability. This is all the more true given the substantial, unforeseen consequences likely to result from elimination of the requirement that indirect infringement liability be predicated on the existence of an underlying direct infringer. If there is a “statutory gap,” as the Solicitor General has opined, it is the role of Congress—not the courts—to close it, if Congress deems such action to be appropriate.

ARGUMENT

IF DIVIDED INFRINGEMENT IS A PROBLEM, IT CAN BE ADDRESSED ONLY BY CONGRESS—NOT THE FEDERAL CIRCUIT

The decision below reflects the en banc Federal Circuit’s effort to resolve what it characterized as “doctrinal problems” that arise “when the acts necessary to give rise to liability for direct infringement are shared between two or more actors.” Pet. App.

2a. The court recognized that, in such a case, there can be no liability for direct infringement “[a]bsent an agency relationship between the actors or some equivalent.” *Id.* at 6a (citing *Cross Med. Prods. v. Medtronic Sofamor Danek*, 424 F.3d 1293, 1311 (Fed. Cir. 2005)).

While it declined “to revisit” that fundamental limitation on the scope of direct infringement liability “at this time,” Pet. App. 6a, the court could see “no reason” to “immunize the inducer from liability for indirect infringement simply because . . . no single defendant has committed all the acts necessary for . . . direct infringement.” *Id.* at 9a. Such acts of inducement, the Federal Circuit reasoned, have “precisely the same impact on the patentee” as direct infringement, making the defendant no less “culpable.” *Id.* at 9a-10a. “[S]ound patent policy” thus counseled in favor of reinterpreting Section 271 to extend liability for indirect infringement to instances where there is no direct infringer who itself practices all the steps of the claimed method. *Id.* at 3a.

The Federal Circuit erred in concluding that a patentee is “injured” in the absence of direct infringement. And the court of appeals compounded that error when it took it upon itself to close what it perceived to be an undesirable loophole in Congress’s statutory regime of liability for patent infringement.

1. Patent infringement is a statutory tort; the public’s duties to the patentee and the patentee’s remedies in the event of breach both are defined by statute. Because Section 271(a) “defines infringement,” *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 (1961), a patentee’s exclusive rights are violated only when Section 271(a) is violated. *See also* H.R. Rep. No. 82-1923, at

9 (1952) (“Section 271, paragraph (a), is a declaration of what constitutes infringement in the present statute.”). And when that statute is not violated, there is nothing remotely anomalous about denying the patentee a remedy. That instead merely reflects the line Congress drew in creating and defining the statutory tort of infringement. It did not provide for relief whenever all of the steps of a patented method are completed. As the Federal Circuit acknowledged, Section 271(a) is violated only when a single person, personally or vicariously, performs all of the steps of the claimed method. *See* Pet. App. 6a (citing *Cross Med. Prods.*, 424 F.3d at 1311).

The Federal Circuit’s conclusion that there was no violation of Section 271(a) here should have led immediately to the conclusion that the respondent had not suffered any cognizable injury. But the court’s erroneous view that an act of divided infringement constitutes a “plain[] violat[ion]” of a patentee’s rights instead led it to seek out a “remedy” for the injury that it perceived. Pet. App. 3a. The absence of a statutory remedy, however, provides no warrant for the Federal Circuit to expand the scope of liability under the patent laws.

2. This Court repeatedly has cautioned lower courts interpreting the patent laws against using novel or expansive statutory constructions to address perceived shortcomings in Congress’s statutory scheme for infringement liability. First in *Deepsouth*, and then later in *Microsoft Corporation v. AT&T Corp.*, 550 U.S. 437 (2007), the court of appeals had sought to close perceived loopholes that enabled defendants to evade liability under Section 271. *See AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1371 (Fed. Cir. 2005) (rev’d by 550 U.S. 437)

(explaining the court of appeals' view that reading Section 271 to exclude liability would "subvert the remedial nature of § 271(f), permitting a technical avoidance of the statute"); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 525 (1972) (quoting the court of appeals' belief that reading Section 271 to exclude liability there would "subvert[] the Constitutional scheme of promoting the Progress of Science and useful Arts by allowing an intrusion on a patentee's rights") (internal quotations omitted). And in each case, this Court reversed the court of appeals, concluding that any liability gap in the patent laws "is properly left for Congress to consider, and to close if it finds such action warranted." *Microsoft*, 550 U.S. at 452; *see also Deepsouth*, 406 U.S. at 532 ("insist[ing] on a clear congressional indication of intent to extend the patent privilege").

That allocation of responsibility is particularly appropriate in the patent field given "the risk that the specialized court" that hears patent cases "may develop an institutional bias." *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 839 (2001) (Stevens, J., concurring). Indeed, over the last several years, when the Federal Circuit's "institutional bias" has surfaced, it often enough has resulted in interpretations of the patent laws that augment the power and exclusive rights of patents by expanding the scope of infringement liability. *See, e.g., Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011) (rejecting the Federal Circuit's view that "deliberate indifference to a known risk that a patent exists" is sufficient to meet the knowledge requirement for liability under Section 271(b)); *Microsoft Corporation v. AT&T Corp.*, 550 U.S. 437 (2007) (reversing the Federal Circuit's decision that computer software constituted a "compo-

ment” within the meaning of Section 271(f)). And on other occasions it has enhanced the power of patents by diluting statutory requirements for patent validity. *See, e.g., KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 402 (2007) (holding that the Federal Circuit’s rigid application of its “teaching, suggestion, or motivation” test for obviousness under 35 U.S.C. § 103 resulted in a flawed, overly “narrow conception of the obviousness inquiry”); *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891, 898 (Fed. Cir. 2013) (cert. granted Jan. 10, 2014) (holding that a claim is indefinite under 35 U.S.C. § 112 “only when it is not amenable to construction or insolubly ambiguous”) (internal quotations omitted).

This tendency in the specialized court to enlarge the power of patents contravenes the precept that the constitutional grant concerning patents is not merely “a grant of power,” but also “a limitation.” *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 5 (1966). That “limitation” precludes “enlarge[ment] [of] the patent monopoly without regard to the innovation, advancement or social benefit gained thereby.” *Graham*, 383 U.S. at 5-6; *see also LabCorp of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 127 (2006) (Breyer, J., dissenting) (“Patent law seeks to avoid the dangers of overprotection just as surely as it seeks to avoid the diminished incentive to invent that underprotection can threaten.”). For this reason, where a party is urging—as respondent does here—that “the beachhead of privilege [under 35 U.S.C. § 271] is wider, and the area of public use narrower, than courts had previously thought,” this Court has required that it be supported by “a clear and certain signal from Congress.” *Deepsouth*, 406 U.S. at 531. This is because the question whether an enlargement of infringement

liability will support, or instead impede, innovation is a quintessential policy judgment of the type that our Constitution appropriately allocates to the Branch that is most politically accountable to the people—Congress.

The court of appeals seemed to deny that it was enlarging the power of patents or effecting any “change in the law” of induced infringement. Pet. App. 28a. But plainly it had. The Federal Circuit pointed to no decision of any court before or after the codification of the 1952 Patent Act that had held a defendant liable for induced infringement in the absence of direct infringement of the patent. The court of appeals instead suggested one of its 1983 decisions had established a special rule for method claims under which performance of less than all of the steps of a patented method potentially could make one liable for contributory infringement under Section 271(c). Pet App. at 28a (citing *Fromson v. Advance Offshore Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983)); *but see Eolas Techs. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir. 2005) (“This court cannot construct a principled reason for treating process inventions different than structural products.”)

But in that—and indeed, every case involving contributory infringement of a method—it was not the performance of some of the steps of the method that triggered potential liability for indirect infringement, but the rather the sale of material for use in the patented process. *See Fromson*, 720 F.2d at 1567 (“Advance manufactured and sold ‘wipe-on’ plates; Advance cannot be liable for direct infringement with respect to those plates but could be liable for contributory infringement”). That is because Section 271(c) imposes liability for contributory in-

fringement only when one offers, sells, or imports a physical item—“a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process.” 35 U.S.C. § 271(c). Section 271(a) does not provide a standard of infringement unique to method patents; to the contrary, Section 271(a) defines the acts of infringement of “any patented invention.” 35 U.S.C. § 271(a). The Federal Circuit’s suggestion that its decision here is a return to a “pre-existing regime with respect to induced infringement of method claims,” Pet App. 28a, thus lacks support.

In fact, the change in the law here is quite substantial. Under the decision below, a defendant can be liable for the actions of a multitude of unrelated actors each performing only a small portion of the patented method at various times and places. This is a significant expansion of the rights granted to the patentee under Section 271. Yet, there is nothing even remotely approaching “clear and certain signal” from Congress indicating its intent to exclude method claims from the rule requiring a direct infringer as a prerequisite to liability under Section 271(b). *See Deepsouth*, 406 U.S. at 531.

All the court of appeals could say is that “it is unlikely that Congress intended to endorse the ‘single entity rule,’ at least for purposes of induced infringement.” Pet. App. 29a. That assessment of legislative probabilities seemed to have been impelled by the court’s belief that Congress would not have created a patent system that allows persons to “knowingly sidestep infringement liability,” and that “permit[s] ready evasion of valid method claims.” *Id.* But, as noted, a court cannot lightly assume that Congress intended to give method claims (and meth-

od claims alone) a broader scope, because the enlargement of infringement liability necessarily impinges on the freedom of the public to operate. Indeed, the implicit encouragement the patent monopoly offers the public to design around a patent—to find a new, and perhaps more efficient or more satisfying way, of accomplishing an objective—is as much a part of the “patent system’s incentive to creative effort,” as the reward of the limited monopoly is to the inventor. *See Bonito Boats, Inc.*, 489 U.S. at 156–57. The Federal Circuit thus erred in taking as an interpretive guide-post its belief that patent laws should not permit patents to be “eva[ded].” Pet. App. 29a.

* * *

The Solicitor General has opined that the issue concerning divided infringement of method claims is caused by a “statutory gap,” which is to say the fact that Congress did not make a tort the type of divided infringement alleged here. Br. for the United States as Amicus Curiae, at 10. Reasonable persons can debate whether that gap is “unfortunate,” as the Solicitor General has suggested, *id.*, or entirely appropriate, but it cannot be disputed that such a gap only can be addressed by Congress. In the absence of congressional action, the so-called “problem of divided infringement” (Pet. App. 2a) in method patent cases should be addressed in accordance with the same vicarious liability principles that generally apply to all tort actions.

As this Court’s precedent reflects, patent law is not an island separate from the main of American tort law jurisprudence. *See eBay Inc. v. Merc Exchange, L.L.C.*, 547 U.S. 388, 391 (2006) (rejecting the Federal Circuit’s presumption in favor of injunc-

tive relief in patent infringement cases as “a major departure from the long tradition of equity practice [that] should not be lightly inferred”); *Global-Tech*, 131 S. Ct. at 2071 (correcting the active inducement test applied by the Federal Circuit because it did not accord with the common law doctrine of “willful blindness”). The Federal Circuit should not have departed from these established principles.

CONCLUSION

The decision of the Federal Circuit should be reversed. In doing so, this Court should confirm that active inducement under Section 271(b), like contributory infringement under Section 271(c), requires a direct infringer and that in instances of so-called “divided infringement,” liability for infringement is limited to those instances where the performance of every step of the patented method can be attributed to at least one party based on established common law principles of vicarious liability.

Respectfully submitted.

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