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Supreme Court Unanimously Rejects Federal Circuit Standards for Indefiniteness and Induced Infringement

The US Supreme Court issued two anticipated decisions on June 2, 2014, relating to the US Court of Appeals for the Federal Circuit's standards for indefiniteness and induced infringement.

In the first, *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 US ____ (2014), the Supreme Court overruled the Federal Circuit's test for patent invalidity for indefiniteness, criticizing the "insolubly ambiguous" standard as tolerating "some ambiguous claims but not others" and therefore not satisfying the statute. Instead, the Supreme Court held that a patent claim is invalid for indefiniteness if it fails to inform, with "reasonable certainty," one of skill in the art about the scope of the invention. Notably, the Supreme Court acknowledged that "Federal Circuit's fuller explications of the term 'insolubly ambiguous' . . . may come closer to tracking the statutory prescription." The Court ultimately remanded the case to the Federal Circuit to decide whether the claims at issue were indefinite under the "reasonable certainty" standard.

In the second, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 US ____ (2014), the Supreme Court reversed an *en banc* decision by the Federal Circuit, and held that induced infringement under 35 U.S.C § 271(b) may only be found where there has been direct infringement under 35 U.S.C § 271(a) or any other statutory provision. Moreover, while the Federal Circuit's *Muniauction* standard for direct infringement of a method claim stands, dividing steps of a method claim between multiple parties that do not direct or control each other does not amount to direct or induced infringement. A more detailed review of these cases is set forth below.

Indefiniteness Standard: *Nautilus, Inc. v. Biosig Instruments, Inc.*

The definiteness requirement of the patent statute requires that the "specification conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or joint inventor regards as the invention." 35 U.S.C. § 112(b). The central question presented to the Supreme Court in *Nautilus* was whether the Federal Circuit's acceptance of ambiguous patent claims with multiple reasonable interpretations—so long as the ambiguity is not "insoluble" by a court—defeats the statutory requirement. In an opinion authored by Justice Ruth Bader Ginsburg, the Supreme Court rejected the Federal Circuit's standard, concluding that the "insolubly ambiguous" framework permitted an intolerably high level of ambiguity in patent claims. Specifically, the Court stated:

It cannot be sufficient that a court can ascribe *some* meaning to a patent's claims; the definiteness inquiry trains on the understanding of a skilled artisan at the time of the patent application, not that of a court viewing matters *post hoc*. To tolerate imprecision just short of that rendering a claim "insolubly ambiguous" would diminish the definiteness requirement's public notice function, and foster the innovation-discouraging "zone of uncertainty," against which [the Supreme Court] has warned.

For more information, or if you have any questions, please contact your Katten Muchin Rosenman LLP attorney or any of the following members of Katten's **Intellectual Property Practice**.

Brian Sodikoff
+1.312.902.5462
brian.sodikoff@kattenlaw.com

Patrick Abbott
+1.312.902.5506
patrick.abbott@kattenlaw.com

Else E. Hanson
+1.312.902.5390
else.hanson@kattenlaw.com

Thomas J. Maas
+1.312.902.5258
thomas.maas@kattenlaw.com

(Citations omitted.) Thus, the Federal Circuit’s test placed too high a threshold for invalidating a claim based on indefiniteness, and encouraged patentees to “inject ambiguity into their claims.” In setting the stage for a new definiteness test, the Supreme Court recognized both the “inherent limitations of language” and the need for a “meaningful definiteness check.”

Under the Supreme Court’s new standard, the scope of the invention must be discernable with “reasonable certainty” by one of skill in the art:

[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 [at the time the patent was filed] about the scope of the invention.

Thus, the Court emphasized the importance of evaluating definiteness from the perspective of someone skilled in the art at the time the patent was filed, in view of the intrinsic evidence (i.e., the claim language, specification and prosecution history).

The secondary question presented to the Supreme Court was whether the presumption of validity diluted the definiteness requirement, as suggested by the Federal Circuit. The Supreme Court stated that the parties appeared to agree that the presumption of validity does not alter the standard required by 35 U.S.C § 112. Rather, the presumption of validity “incorporates that definiteness requirement by reference.”

The Supreme Court did not apply its standard to the facts at issue, stating that it is a “court of review, not of first view.” Thus, the standard will first be applied on remand.

Induced Infringement Standard: *Limelight Networks, Inc. v. Akamai Techs., Inc.*

The Supreme Court unanimously overturned yet another decision by the Federal Circuit, this time relating to induced infringement. In *Limelight Networks*, the Court held that a defendant is not liable for inducing infringement under 35 U.S.C § 271(b) unless someone has directly infringed under 35 U.S.C § 271(a) or another statutory provision.

The Federal Circuit had previously held that a defendant can be liable for inducing infringement under Section 271(b) even if no one has committed direct infringement within the terms of Section 271(a) (or any other provision of the patent laws), because direct infringement can exist independently of a violation of these statutory provisions. *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1314 (Fed. Cir. 2012).

The Supreme Court reversed, finding that the “Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent.” Applying but not passing judgment upon the Federal Circuit’s own *Muniauction Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), the Court found that there had been no infringement of the method patent and, without this or any evidence of direct infringement, no induced infringement could occur. In *Muniauction*, the Federal Circuit held that direct infringement of a method claim “requires a single party to perform every single step of a claimed method.” *Id.* at 1329. This requirement may be satisfied when third parties undertake steps if a single defendant “exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party.” *Id.*

The Court explained that induced infringement, like contributory infringement, must be predicated on direct infringement. It explained that defining direct infringement as anything beyond statutorily imposed infringement provisions would deprive Section 271(b) of ascertainable standards and require courts to develop two parallel bodies of infringement law. The Federal Circuit could not create “for §271(b) purposes some free-floating concept of ‘infringement’ both untethered to the statutory text and difficult for the courts to apply consistently.”

Limelight establishes that liability for induced infringement under Section 271(b) must be predicated by direct infringement under Section 271(a) or another statutorily established theory of infringement. The Federal Circuit had raised a concern—which the Supreme Court acknowledged—that the rule eventually endorsed by the Supreme Court could arguably allow would-be infringers to avoid liability “by dividing performance of a method patent’s steps with another whom the defendant neither directs nor controls.” The Supreme Court rejected the need to “fundamentally alter[] the rules of inducement liability” to address this potential issue, noting that “[a]ny such anomaly . . . would result from the Federal Circuit’s interpretation of §271(a) in *Muniauction*.” The Supreme Court did, however, discuss two other possible means to address any such risk.

First, the merits of the Section 271(a) standard and the *Muniauction* decision were not before the Court, so the Supreme Court refused to rule on “that important issue” without full briefing. Instead, the Court merely “presuppose[d] that Limelight has not committed direct infringement under §271(a).” The Court noted, however, that the Federal Circuit will have an opportunity to revisit the standards under Section 271(a) on remand, if desired.

Second, citing Section 271(f)(1) as an example, the Court noted that “when Congress wishes to impose liability for inducing activity that does not itself constitute direct infringement, it knows precisely how to do so.” The Supreme Court left the door open for potential legislative action in this area, noting broadly that “the courts should not create liability for inducement of non-infringing conduct where Congress has elected not to extend that concept.”

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