The Latest Intellectual Property News

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Welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

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INDIRECT INFRINGEMENT REQUIRES FINDING OF DIRECT INFRINGMENT OF ONE

By Sean A. Passino, Ph.D., Esq./Partner (spassino@ipfirm.com)

The United States Supreme Court reversed an *en banc* United States Court of Appeals for the Federal Circuit's holding that a defendant who performed some steps of a method patent and encouraged others to perform the rest could be liable for inducement of infringement even if no one was liable for direct infringement. *Limelight Networks, Inc. v. Akamai*, no. 12-786 (Jun. 2, 2014). The Court held that a defendant is not liable for inducing infringement under §271(b) when no one has directly infringed under §271(a) or any other statutory provision. Liability for inducement is predicated on direct infringement. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961). Otherwise ascertaining inducement per §271(b) is applicable to behavior constituting less than direct infringement, e.g., less than performing all acts of a method patent.

Furthermore, the Court noted that §271(f)(1) evidences that Congress could, if it wanted, explicitly impose liability for inducing activity that does not itself constitute direct infringement (imposing liability on whoever "supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention … 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*" (emphasis added)).

Conduct that would be infringing in altered circumstances—e.g., if all the recited steps were performed by one actor—was rejected for contributory infringement, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U. S. 518 (1972), and not adopted here for inducement.

The Court refused to address the holding in the Federal Circuit's *Muniauction, Inc. v. Thomson Corp.*, 532 F. 3d 1318 (2008). There, the Federal Circuit rejected a claim that the defendant's method, involving bidding on financial instruments using a computer system, directly infringed the plaintiff's patent. The defendant performed some of the steps of the patented method, and its customers, to whom the defendant gave access to its system along with instructions on the use of the system, performed the remaining steps. The Federal Circuit

assumed that "direct infringement requires a single party to perform every step of a claimed method." *Id.*, at 1329. According to *Muniauction,* this requirement is satisfied even though the steps are actually undertaken by multiple parties, if a single defendant "exercises 'control or direction' over the entire process such that every step is attributable to the controlling party." *Id*. In denying consideration of *Muniauction*, the Court noted that the question presented assumed a lack of direct infringement: "Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U. S. C. §271(b) even though no one has committed direct infringement under §271(a)."

COURT INVALIDATES PATENT CLAIMING ABSTRACT CONCEPT

By Aman Talwar (atalwar@ipfirm.com)

Alice Corporation is the assignee of a patent that is designed to facilitate the exchange of financial obligations between two parties by using a computer system as a third-party intermediary. Specifically, the patent claims (1) a method for exchanging financial obligations, (2) a computer system configured to carry out the method for exchanging obligations, and (3) a computer-readable medium containing program code for performing the method of exchanging obligations. Respondents (CLS Bank) filed a suit against the petitioner, arguing that the patent claims at issue are invalid, unenforceable, or not infringed. The Supreme Court held that because the claims are drawn to a patent-ineligible abstract idea, such claims are not patentable under 35 U.S.C § 101. *Alice Corporation PTY. v. CLS Bank Intn'l,* No. 13-298 (Jun. 19, 2014).

In reaching the above decision, the court relied upon the framework of *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. __, (2012). Specifically, the test first required the Court to determine whether the claims at issue are directed to a patent-ineligible concept. Next, if so, the Court must determine 'whether the claim's elements, considered both individually and "as an ordered combination," "transform the nature of the claim" into a patent-eligible application.'

With respect to the first part of the test, the Court held that the claims at issue are directed to an abstract idea and therefore constitute a patent-ineligible concept. The Court drew a parallel with the concept of risk hedging in *Bilski* and held that the concept of intermediated settlement is "a fundamental economic practice long prevalent in our system of commerce." Therefore, the Court ruled that the concept of intermediated settlement is an abstract idea.

With respect to the second part of the test, the Court held that the method claim at issue fails to transform the abstract concept into patent-eligible subject matter. Specifically, the Court reasoned that the method claim at issue does no more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic computer. In particular, the Court emphasized that the claims at issue do not improve the functioning of the computer itself or effect an improvement in any other technology or technical field. The Court thus ruled that an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer is not "enough" to transform the abstract concept into a patent-eligible invention.

COURT ADOPTS CLEAR NOTICE STANDARD FOR §112/¶2

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§112, ¶2 merely "requires that the claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. ___ (2014), slip op. 13-369 (Jun. 2, 2014). Although the United States Supreme Court overruled the "insolubly ambiguous"

doctrine, it also rejected an invitation to find a claim invalid when "readers could reasonably interpret the claim's scope differently." The Court recognized that §112, ¶2 "must take into account the inherent limitations of language" and tolerate a "modicum of uncertainty." "At the same time, the patent must be precise enough to afford clear notice of what is claimed, thereby 'apprisi[ing] the public of what is still open to them.'" According to the Court, the "presumption of validity of patent claims does not alter the degree of clarity that §112, ¶2 demands from patent applicants," which suggests that patent applications and patents are treated the same way. Moreover, the Court put off the standard of review for factual findings subsidiary to the ultimate legal issue of definiteness and what deference is due to the USPTO's resolution of disputed issues of fact.

ADDITIONAL INFORMATION

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