

# Supreme Court Issues Landmark Rulings in Two Patent Cases, Further Admonishes Federal Circuit and Lowers the Bar for Patent Challenges

Article By:

Womble Bond Dickinson (US), LLP

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In two decisions with immediate and potentially far-reaching consequences, the Supreme Court yesterday unanimously overturned two Federal Circuit decisions. These decisions continue the trend of the Roberts Court, which has repeatedly overturned or vacated Federal Circuit jurisprudence.<sup>1</sup> These decisions demonstrate the Court's apparent intent to pull back on the protection offered by patents, and make it easier for alleged infringers to successfully challenge the validity of patents. With a more exacting indefiniteness standard and a more limited induced infringement doctrine, competitors and accused infringers now have even more arrows in the quiver to challenge patent owners in litigation.

## **Nautilus, Inc. v. Biosig Instruments, Inc.**

In *Nautilus, Inc. v. Biosig Instruments, Inc.*, No. 13-369, the Court unanimously struck down the Federal Circuit's long-standing rule that a claim passes the indefiniteness standard set forth in 35 U.S.C. § 112, ¶ 2 so long as the claim is "amenable to construction" and the claim, as construed, is not "insolubly ambiguous." The Supreme Court replaced this amorphous standard with a new "reasonable certainty" test, stating as follows:

[W]e read §112, ¶2 to require that a patent's claims, viewed in the light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.

*Id.*, at 11 (emphasis added).

In doing so, the Court recognized that "the definiteness requirement must take into account the inherent limitations of language," and that a "modicum of uncertainty . . . is the 'price of ensuring the appropriate incentives for innovation.'" *Id.*, at 9, citing *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731-32 (2002). The Court reasoned, however, that "any person skilled

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in the art” must be enabled to make and use the invention (Id., at 8) and that precision is necessary to apprise “the public of what is still open to them.” Id., at 10 (citations omitted). The Supreme Court reasoned that the newly articulated standard “mandates clarity, while recognizing that absolute precision is unattainable.” Id., at 11.

Nautilus has an immediate effect on patent prosecution and litigation strategies. The Court specifically stated that it was aware that patent attorneys and applicants were incentivized to inject ambiguity into patent claims and it was eliminating that temptation. Id. at 10. Moreover, it appears that this new indefiniteness standard will shift the burden in litigation from the accused infringer (struggling to focus the court on imprecise language and the potential harm of dual meanings) to the patentee to ensure that the court will find the boundaries of the patent reasonably certain. Courts must focus on whether the patentee has been sufficiently clear in expressing claim terms to enable any person of skill in the art to practice the invention.

The business consequences may extend much further than the future approach to prosecution and the current approach to patent litigation. Business models designed to capitalize on broad imprecise claim language, whether by purchasing or prosecuting patents, may have devalued portfolios and upended plans. In addition to providing enterprises and experimenters with a compass to navigate the sea, there may be a number of submarines that have suddenly lost bearings or realized their torpedoes may have been disarmed.

## **Limelight Networks v. Akamai Techs**

In *Limelight Networks v. Akamai Techs.*, No. 12-786, the Court unanimously rejected the Federal Circuit’s recent expansion of the inducement doctrine for method patents and lenient standard for proof of induced infringement with a far more rigid one.

The Patent Act provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). From this rule, the Federal Circuit developed a permissive standard for proof of induced infringement, stating that “[i]t is not necessary to prove that all the steps were committed by a single entity;” instead, “a party who performs some of the steps itself and induces another to perform the remaining steps that constitute infringement has precisely the same impact on the patentee as a party who induces a single person to carry out all of the steps,” and thus is an equitable expansion of patentees’ avenues for assertions of inducement liability. *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1306, 1309 (Fed. Cir. 2012). The Supreme Court disagreed, noting that the Federal Circuit’s own precedent makes underlying direct infringement a prerequisite to a finding of induced infringement. *Limelight Networks* at 5.

Despite reversing this decision, the Supreme Court recognized and concurred with the motivating policy concern underlying the Federal Circuit’s decision – that “a would-be infringer” could evade liability “by dividing performance of a method patent’s steps with another whom the defendant neither directs nor controls.” Id. at 10. However, the Supreme Court held that the cause of this concern is the Federal Circuit’s own strict “single actor” rule for determining direct infringement as set forth in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2009).<sup>2</sup> Id. The Supreme Court refused to create a rule that is “untethered to the statutory text and difficult for the lower courts to apply consistently” simply to alleviate this equitable concern. Id. On remand, the Federal Circuit may decide to consider a loosening of its strict single-actor rule for direct infringement to bring the principles of induced infringement more in line with the common traditions of respondeat superior liability.

The final word has not yet been spoken on how the doctrine of induced infringement will be practically applied in light of the Supreme Court's decision in *Limelight* and whether a reciprocal adjustment to the "single actor" rule for direct infringement under § 271(a) to account for the equitable concerns will result from the Federal Circuit's review of this case on remand. In the mean time, the Supreme Court has upped the ante on parties claiming induced infringement.

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1. To date, the Roberts Court has reversed the Federal Circuit ten times, vacated its decision four times, affirmed but changed the applicable standard twice, and affirmed three times. See Herman, Barry and Christine Dupriest, *Viewpoint: Roberts Court Reins in the Federal Circuit*, *The Recorder*, May

29, 2014.

2. There, the Federal Circuit held that a method's steps have not been performed as claimed by the patent unless all are attributable to the same defendant, either because the defendant actually performed the steps or because he directed or controlled others who performed them. *Muniauction*,

532 F. 3d at 1329-30.

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