

FLACHSBART & GREENSPOON, LLC
SUPREME COURT PATENT CASE ALERT
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“Patentees should now find it easier to prevail in an inducement case before a jury.”

Today in *Global-Tech Appliances, Inc. v. SEB S.A.*, the Supreme Court confirmed the level of “intent” needed to prove inducement of infringement. The 8-1 decision, authored by Justice Alito, concludes that “knowledge” is the pertinent scienter standard, namely, “that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” Our firm helped win a jury trial in an inducement case earlier this year under a tougher patentee standard, and now shares its views on this important pro-patent decision.

At the February 23, 2011 oral argument, Justice Alito had actually suggested there was no scienter requirement at all:

JUSTICE ALITO: When I look at the language of the statute, I see no scienter requirement whatsoever. Whoever actively induces infringement of the patent -- infringement is strict liability. So if you actively induce somebody to engage in conduct constituting infringement, you're -- you're liable as an inducer.

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JUSTICE ALITO: . . . I don't understand why the scienter requirement for inducing should be higher than the scienter requirement for a direct infringement. Isn't the standard rule for aiding and abetting that the aider and abetter -- if (b) is an aiding and abetting provision, as one of the congressional reports said, the -- the scienter for aiding and abetting is the scienter of the underlying offense? So if the underlying offense is a strict liability offense, then the inducement should be strict liability as well.

But writing for the majority, the Justice found “knowledge” to be the correct standard.

The Court’s analysis first found the language of § 271(b) to be ambiguous. It could mean either knowledge of acts that happen to infringe, or knowledge those acts constitute infringement. The Court tried to resolve the ambiguity by applying Congress’s design to codify the 80 years of case law predating the Patent Act of 1952. But it found that case law itself was ambiguous. Then the Court reviewed its own decision on another indirect infringement statute – contributory infringement under § 271(c) – in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*). Invoking principles of *stare decisis*, the Court gave effect to the 5-4 holding in *Aro II* (a “fractured” decision) that contributory infringement requires knowledge of the existence of the patent that is infringed. Since the two provisions (contributory and inducement of

infringement) have a common origin in the pre-1952 understanding of contributory infringement, and the language of the two provisions “creates the same difficult interpretive choice,” the Court held it would be “strange” to hold that knowledge of the patent is needed for contributory infringement, but not inducement of infringement. From this, the Court concluded “that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.”

The Court also turned substantial attention to an issue that should only rarely arise. The record on appeal did not contain direct evidence of the accused infringer’s actual knowledge of the patent, so the patentee pointed to other facts to support scienter. Those facts included the alleged inducer’s failure to tell United States patent counsel, in the course of seeking a patent clearance opinion, that it had copied the functional aspects of the patentee’s commercial deep fryer product. The trial court had found sufficient scienter on these facts under a negligence “should have known standard.” The Court of Appeals for the Federal Circuit affirmed, though under a more difficult recklessness standard going to “deliberate indifference.” The Supreme Court raised the standard even higher, holding that there must be proof of “willful blindness” of the existence of the patent in the absence of proof of actual knowledge. Even under this standard, the Supreme Court affirmed the judgment based on the record. The “willful blindness” issue will probably not arise often, since most patentees claiming inducement of infringement only claim it from the date they sent actual notice of the patent to the alleged infringer – a fact over which patentees ordinarily have total control.

Since this decision likely wipes out an entire line of Court of Appeals decisions imputing a full blown “intent” standard, the decision will probably be viewed positively for patentees. The intent requirement for inducement until today had been to show defendant had an “affirmative intent to cause direct infringement.” *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (*en banc* in relevant part). Even under this higher standard, a trier of fact was permitted to infer intent based simply on the alleged inducer’s knowledge of the patent and control over the design or manufacture of the product used for direct infringement. *Ricoh Co. Ltd. v. Quanta Computer Inc.* 550 F.3d 1325, 1343 (Fed. Cir. 2008) (discussing how one proves specific intent to cause direct infringement). Since the relevant scienter standard is reduced to knowledge, not “specific intent,” patentees should now find it easier to prevail in an inducement case before a jury. They should also find it easier to defeat defendant summary judgment motions directed to scienter.

- Robert Greenspoon

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