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Inducement of Patent Infringement: The Supreme Court Sets a New Standard for Proving Intent

The Supreme Court's recent decision in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) establishes a new standard for proving intent to induce patent infringement. 35 U.S.C. § 271(b) provides that a defendant may be liable for "indirect infringement" if it actively induces another to infringe. Unlike direct infringement, which is a strict liability offense, indirect infringement requires a showing of intent.

For decades, the Federal Circuit was split over whether inducement merely requires that the defendant intend that a third-party perform the infringing acts, or whether the defendant must also intend that the induced acts infringe the asserted patent. Compare *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990), with *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990). In *DSU Med. Corp. v. JSM Co., Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc), the Federal Circuit resolved the split, holding that intent to induce requires that the defendant "knew or should have known that [its] actions would induce actual infringements." In doing so, that "[t]he requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement that he or she knew of the patent." In *DSU*, the defendant had actual knowledge of the patent, so that element was plainly satisfied.

In *SEB*, the Federal Circuit squarely addressed the required standard for knowledge of the asserted patent. *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360 (Fed. Cir. 2010), *aff'd on other grounds sub nom. Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011). It held that the knowledge of the patent requirement is satisfied if the defendant acted with a "deliberate indifference to a known risk" that the asserted patent existed. It explained that "the standard of deliberate indifference of a known risk is not different from actual knowledge, but is a form of actual knowledge."

In *Global-Tech*, the Supreme Court overturned the "deliberate indifference" standard, instead, holding that the required intent for inducement is actual knowledge or "willful blindness." Significantly, the Supreme Court also considered more generally the intent standard for inducement. It remains to be seen how the new standard for intent will affect inducement claims given the unusual facts in *Global-Tech*.

Facts of the Case

SEB, a French manufacturer of consumer appliances, developed a popular T-Fal deep fryer. This fryer incorporated an innovative design that allowed the outer surface to remain cool while the fryer was in use. The design used inexpensive plastic to form the outer shell coupled with an air gap separating a heated cooking pan from the outer shell to insulate the shell from the pan. The novel design avoided the use of special, high-temperature plastics.

Global-Tech's subsidiary Pentalpha, a Hong Kong-based manufacturer of consumer household goods, set out to commercialize a competing fryer. Pentalpha purchased a T-Fal fryer in Hong Kong that did not bear any U.S. patent markings, as it was not intended for the U.S. market. After copying everything but the cosmetic features of SEB's T-Fal fryer, Pentalpha sought an opinion of counsel regarding freedom to operate, but did not inform its patent attorney that its fryer was *nearly an exact copy of SEB's T-Fal product*. Pentalpha's attorney did not locate any patent that appeared to be infringed by the product – not even SEB's patent covering the T-Fal fryer design – and provided a right-to-use opinion to that effect.

Proceedings in the District Court

SEB subsequently sued Pentalpha for patent infringement, asserting two theories of liability: First, SEB claimed that Pentalpha had directly infringed SEB's patent in violation of 35 U.S.C. § 271(a) by selling or offering to sell its deep fryers. Second, SEB claimed that Pentalpha had violated § 271(b) by actively inducing third parties to sell or to offer to sell Pentalpha's deep fryers in the U.S. At trial, the jury found for SEB on both claims. The district court subsequently denied Pentalpha's motion for JMOL, holding that there was sufficient evidence to find inducement even though Pentalpha did not actually know of SEB's patent until it received notice of the lawsuit.

Federal Circuit Appeal

On appeal, Pentalpha argued that the jury's verdict was not supported by the evidence because it did not know that SEB's T-Fal fryer was patented or that there was a risk that such a patent existed. The Federal Circuit disagreed. Although it acknowledged the lack of direct evidence that Pentalpha was aware of SEB's patent, Pentalpha's pattern of behavior suggested that it had purposefully remained ignorant of the existence SEB's patent. Pentalpha had chosen to reverse

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engineer a product purchased outside the U.S. that would not be marked with any U.S. patents and did not inform its attorney that it had copied SEB's fryer. These facts, according to the Federal Circuit, demonstrated Pentalpha's deliberate indifference to the risk that a patent covering the T-Fal product existed.

The Supreme Court granted certiorari to review: "Whether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is 'deliberate indifference' to a known risk that an infringement may occur, as the Court of Appeals for the Federal Circuit held, or 'purposeful, culpable expression and conduct' to encourage an infringement, as this Court taught in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005)." Notably, the question under review was broadly directed to intent to induce, even though the appeal to the Federal Circuit had focused on Pentalpha's knowledge of the asserted patent and did not explicitly address intent with respect to the inducement of infringing acts performed by a third-party.

The Supreme Court's Decision

In an 8-1 decision on May 31, 2011, the Supreme Court affirmed the result below, but rejected the Federal Circuit's "deliberate indifference" standard. Instead, the Supreme Court held that inducement of infringement requires actual knowledge or "willful blindness" that the induced conduct itself infringes.

The Court noted the common origin of both inducement and of contributory infringement, concluding that the same actual knowledge requirement applies to both. It further refined the actual knowledge requirement by analogy to criminal law, where courts have held that statutes requiring proof that a defendant acted willfully or knowingly may be satisfied – even though the defendant lacked actual knowledge – if the defendant "deliberately shield[ed] [himself] from clear evidence of critical facts that [were] strongly suggested by the circumstances." By analogy, the Court explained that the actual knowledge of infringement requirement to prove inducement may be shown by "willful blindness," which involves a two-part test: First, the defendant must subjectively believe that there is a high probability that a fact exists; second, the defendant must take deliberate actions to avoid learning of that fact. According to the Court, these requirements give willful blindness an "appropriately limited scope that surpasses recklessness and negligence."

Although the Supreme Court rejected the Federal Circuit's "deliberate indifference" standard, it nevertheless affirmed the judgment because the evidence was "plainly sufficient to support a finding of Pentalpha's knowledge under the doctrine of willful blindness."