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Supreme Court Sets the Bar High: Requires Knowledge or Willful Blindness to Establish Inducing Infringement of a Patent

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Today, the Supreme Court of the United States issued its opinion in *Global-Tech Appliances, Inc. v. SEB S.A.* The Court ruled that induced infringement under 35 U.S.C. §271(b) requires knowledge that the induced acts constitute patent infringement, but also held that knowledge could be established under the doctrine of “willful blindness.”

CASE BACKGROUND

The Supreme Court granted certiorari in *Global-Tech Appliances, Inc. v. SEB S.A.* to determine the standard of intent necessary to establish liability for actively inducing patent infringement under 35 U.S.C. § 271(b).¹ This case is on appeal from the Federal Circuit, which held Global-Tech liable for inducing patent infringement.²

The controversy originated when Pentalpha, a subsidiary of Global-Tech Appliances, designed a deep fryer that infringed one of SEB’s patents. Of importance to the trial court’s analysis of inducement to infringe, Pentalpha designed its infringing deep fryer by purchasing an SEB deep fryer in Hong Kong and copying some of its features. Subsequently, Pentalpha prepared to launch its deep fryer in the U.S. market and in that connection secured a non-infringement opinion from a U.S. patent attorney. This opinion stated that Pentalpha’s fryer did not infringe any U.S. patent; Pentalpha failed, however, to inform its attorney that it had designed the fryer by copying features from another product on the market—a disclosure that might have enabled the attorney to locate SEB’s patent. The parties agree that Pentalpha did not learn of the infringed patent, U.S. Patent No. 4,995,312 (the “312 patent”), until SEB sued to enforce the patent.³

THE DISTRICT COURT CASE

SEB filed this case in the U.S. District Court for the Southern District of New York. There, a jury found Global-Tech liable for both direct infringement and inducement of infringement. Only the inducement claim is before the Supreme Court.

SEB based its inducement claim on Global-Tech’s sales of the Pentalpha deep fryers to retailers such as Sunbeam, Montgomery Ward, and Fingerhut, which then infringed SEB’s patent by importing and selling the deep fryers in the United States. Purportedly following the Federal Circuit’s en banc opinion in *DSU Med. v. JMS*,⁴ the district court found that a successful plaintiff on an inducement claim must demonstrate both “that the alleged infringer knowingly induced infringement of a patent and possessed specific intent to encourage another’s infringement,” and that the inducer had

¹ 35 U.S.C. § 271(b) states: “Whoever actively induces infringement of a patent shall be liable as an infringer.”

² *Global-Tech Appliances, Inc. v. SEB S.A.*, No. 10-6, Slip. Op. at 3. The Federal Circuit opinion appears at 594 F.3d 1360 (2010).

³ Brief for Petitioners, 7, *Global-Tech*, No. 10-6 (Nov. 29, 2010).

⁴ *DSU Med. Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc).

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“actual or constructive knowledge of the patent.”⁵ However, despite Global-Tech’s lack of actual knowledge of the ‘312 patent prior to SEB’s suit, the court affirmed the jury’s finding of inducement of infringement (and infringement), stating that the “evidence was sufficient to establish specific intent and action to induce infringement.”⁶

THE FEDERAL CIRCUIT APPEAL

The parties appealed the case to the Federal Circuit, which began its opinion by acknowledging that under its en banc decision in *DSU Medical*, “the plaintiff must show that the alleged infringer knew or should have known that his actions would induce actual infringements,” a showing which “necessarily includes the requirement that he or she knew of the patent.”⁷ However, focusing on the knowledge element, the Federal Circuit held that “a claim for inducement is viable even where the patentee has not produced direct evidence that the accused infringer actually knew of the patent-in-suit,” if the defendant “deliberately disregarded a known risk that [the plaintiff] had a protective patent.”⁸ The Federal Circuit held that this standard was met because Global-Tech failed to disclose to its attorney that it designed its product through copying.⁹

THE SUPREME COURT’S DECISION

The Supreme Court affirmed the judgment of active inducement, although it applied a different standard than the Federal Circuit.

The Court (in an opinion written by Justice Alito for eight Justices) held first that “induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.”¹⁰ The Court first examined the statutory text and found it ambiguous as to what the inducer was required to know to be liable. Likewise, the Court found that the case law regarding contributory infringement prior to the 1952 enactment of §271(b) was also ambiguous.

The Court concluded that §271(b) should be interpreted consistently with §271(c), given their common origin in the pre-1952 understanding of contributory infringement, and similar ambiguous phrasing. The Court held that its prior badly-fractured decision in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), had interpreted §271(c) to require knowledge of the existence of the patent that is infringed. It thus applied the same knowledge requirement to §271(b).¹¹

The Court, however, made clear that it did not require actual knowledge on the part of the inducer. It is enough to show that the defendant was willfully blind to the possibility that the induced acts constituted patent infringement. Drawing on the doctrine of willful blindness in criminal law, the Court stated that the standard requires “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.”¹²

⁵ *SEB S.A. v. Montgomery Ward & Co.*, No. 99 Civ. 9284, 2007 U.S. Dist. LEXIS 80394, at *9 (S.D.N.Y. Oct. 9, 2007) (internal quotation omitted).

⁶ *Id.*

⁷ *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360, 1376 (Fed. Cir. 2010) (quoting *DSU Med.*, 471 F.3d at 1304).

⁸ *Id.* at 1377.

⁹ *Id.*

¹⁰ *Global-Tech Appliances, Inc. v. SEB S.A.*, No. 10-6, Slip. Op. at 10.

¹¹ *Id.* at 8-10.

¹² *Id.* at 13.

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This standard thus has “an appropriately limited scope that surpasses recklessness and negligence.”¹³ The Court rejected the Federal Circuit’s “deliberate indifference to a known risk” standard, on the grounds that the presence of a “known risk” that the induced acts are infringing is insufficient to show knowledge, and that mere deliberate indifference “does not require *active efforts* by an inducer to avoid knowing about the infringing nature of the activities.”¹⁴

While the Court thus rejected the Federal Circuit’s test, the Court nonetheless affirmed the Federal Circuit’s judgment because, in the Court’s view, there was easily sufficient evidence for the jury to have found that “Pentalpha willfully blinded itself to the infringing nature of the sales it encouraged Sunbeam to make.”¹⁵

The Court reserved the question whether the willful blindness standard would also extend to the occurrence of the induced acts that constitute infringement. The Court explained that that question was not presented in the case because Pentalpha was indisputably aware that its customers were selling its product in the American market.¹⁶

Justice Kennedy, dissenting alone, would have rejected the “willful blindness” standard.

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¹³ *Id.* at 14.

¹⁴ *Id.* (emphasis added).

¹⁵ *Id.* The Court rejected Pentalpha’s request for remand for a new trial under the Court’s standard, because Pentalpha had not objected to the jury instructions in the Federal Circuit. *Id.* at 14 n.10.

¹⁶ *Id.* at 12.