

Willful Blindness of a Patent Is Sufficient to Show Knowledge of That Patent for Purposes of Induced Infringement

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Under U.S. patent law, a patent owner may recover damages for indirect infringement from someone who is contributing to or inducing another's infringement. Both theories of liability were codified in the 1952 Patent Act out of concerns that one party could influence another's infringement and escape redress. As the Supreme Court recognized in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, section § 271 of the patent statute was designed to 'codify in statutory form principles of contributory infringement' which had been part of our law for about 80 years." In *Aro*, the Supreme Court held that a contributory infringer under § 271(c) must know that a patent exists and is infringed. In *Global-Tech Appliances, Inc. v. SEB S.A.*,¹ the Supreme Court recently considered whether induced infringement under § 271(b) requires that a party know that a patent exists and is infringed. In an 8-1 decision, the Supreme Court concluded that it does, and the required knowledge can be satisfied by "willful blindness."

Background

The case involved a patent directed to a deep fryer with an insulated, inexpensive plastic outer shell, or skirt. SEB, a French company that specializes in home-cooking appliances, manufactured deep fryers under a license to the patented technology, which it called "cool touch." SEB's cool-touch deep fryer was a commercial success in the United States.

SEB's competitor Sunbeam asked Pentalpha, Inc. to supply it with deep fryers to compete with SEB. In developing its deep fryer, Pentalpha purchased an SEB fryer in Hong Kong and copied all but its cosmetic features, including its "cool-touch" features. Because the SEB fryer was purchased overseas it did not bear U.S. patent markings. Pentalpha hired an attorney to conduct a "right-to-use study." The attorney analyzed 28 patents and concluded that none read on Pentalpha's deep fryer. The attorney failed to discover SEB's patent. And Pentalpha did not tell the attorney that it had copied an SEB fryer.

SEB accused Pentalpha of inducing Sunbeam, who purchased Pentalpha deep fryers and sold them under its own trademarks, to infringe. At trial, Pentalpha argued that it could not have induced infringement because it did not have any actual knowledge of the

existence of the patent. SEB argued that a jury could infer Pentalpha's knowledge of the patent, through Pentalpha's actions in copying SEB's deep fryer and failing to disclose that to its attorney. The district court agreed with SEB. A jury found that Pentalpha induced others, including Sunbeam, to infringe the patent. Pentalpha appealed this and other findings to the Federal Circuit.

The Federal Circuit Decision

On appeal, the United States Court of Appeals for the Federal Circuit held in *SEB S.A. v. Montgomery Ward & Co.*, that "deliberative indifference" of the existence of a patent is sufficient to prove induced infringement under § 271(b). The Federal Circuit also held that a plaintiff must show that the alleged inducer knew or should have known that their actions would cause actual infringement by another. In so holding, the Federal Circuit required proof that an alleged inducer knew of the patent, but that proof could be satisfied by a showing of deliberate indifference.

The Federal Circuit affirmed the finding of induced infringement because evidence showed that Pentalpha deliberately disregarded the risk that SEB's product was patented, i.e., that disregard was akin to actual knowledge. The Supreme Court granted Pentalpha's request to review whether § 271(b) requires an alleged infringer to know that the induced acts constitute patent infringement.

The *Global-Tech* Decision

On appeal, Pentalpha argued that active inducement requires more than deliberative indifference to a known risk that the induced acts may violate an existing patent. It argued that actual knowledge of the patent is required. The Supreme Court agreed that § 271(b) requires actual knowledge of the patent but held that willful blindness as to the existence of the patent satisfies the requirement.

In deciding whether § 271 requires that an inducer leads another to engage in conduct that *happens* to be infringement or that an inducer leads another to engage in conduct that the inducer *knows* is infringement, the Supreme Court looked to its decision *Aro*. In *Aro*, a split Supreme Court held that contributory infringement under § 271(c) requires a violator to know "that the combination from which his component was especially designed was both patented and infringing." 377 U.S. at 488.

The Supreme Court also looked at the relationship between induced infringement and contributory infringement before the 1952 Patent Act. Before 1952, induced infringement was treated as evidence of contributory infringement rather than a separate theory of infringement. Because induced infringement and contributory infringement are so closely related, the Supreme Court concluded that it would be strange to not follow *Aro*. Based on that reasoning, the Supreme Court held that induced infringement under § 271(b) requires knowledge that the induced acts constitute infringement. In other words, the violator must know that a patent exists to induce another to infringe.

The Supreme Court then addressed the standard to prove that an inducer knew a patent existed. Rejecting the Federal Circuit's deliberate indifference standard, the Court held that knowledge of a patent may be proved under the doctrine of willful blindness.

Recognizing that the doctrine of willful blindness is well established in criminal law, the Supreme Court extended it to civil lawsuits for § 271(b), where knowledge is an element of the violation. The doctrine prevents defendants from "escap[ing] the reach of . . . statutes by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances." Slip op. at 10. The Supreme Court looked to the Courts of Appeals for the appropriate limited scope of willful blindness that surpasses recklessness and negligence. Based on those standards, the Court held that to prove willful blindness, the defendant must subjectively believe there is a high probability that a fact exists and take deliberate actions to avoid learning of that fact.

Applying the willful blindness standard, the Supreme Court affirmed the judgment of the Federal Circuit, holding Pentalpha liable for

induced infringement. The evidence was more than sufficient for a jury to conclude that Pentalpha subjectively believed that SEB's fryer was patented. SEB's fryer was a commercial success in the U.S. market when Pentalpha copied it. Moreover, Pentalpha knew it was designing a product for the U.S. market but copied an SEB fryer sold overseas, which its president knew would not carry a U.S. patent marking. Pentalpha also decided not to inform its patent counsel that it copied the SEB fryer. Taken together, the evidence showed that Pentalpha willfully blinded itself from the knowledge that SEB owned a patent for the cool-touch fryer technology.

Conclusion

The *Global-Tech* decision provides several lessons for companies looking to avoid allegations of inducing infringement.

1. When designing products, do not deliberately avoid learning about potential risks such as patents covering competing devices.
2. Obtain a freedom-to-operate opinion based on a proper patent search.
3. Provide patent counsel with information relevant to freedom to operate. In particular, note if you modeled your device off a competitor's product.

Endnotes

¹ The *Global-Tech* decision may be found at: <http://www.supremecourt.gov/opinions/10pdf/10-6.pdf>.

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