

Evolving Standards for Patent Infringement

Value of Clearance Opinions Confirmed

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Building upon a 2011 decision of the U.S. Supreme Court addressing the intent requirement for inducing patent infringement, the Court of Appeals for the Federal Circuit recently clarified in *Commil USA, LLC v. Cisco Systems, Inc.* that an accused inducer's good-faith belief of patent invalidity or noninfringement may negate the requisite intent required for finding any inducement liability.



Following *Commil*, companies that may be foreseeably subject to a claim of inducing infringement of a patent should seriously consider obtaining an opinion of qualified independent legal counsel as evidence of their good-faith belief that the patent is invalid, or not directly infringed by the end user, in order to prevent a costly verdict.

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Inducing Infringement Requires Specific Intent

Patent infringement liability can result either from direct infringement or from indirect infringement by encouraging the directly infringing activity of another party. Added in 1952, Section 271(b) of the Patent Act provides the statutory basis for a claim of inducing patent infringement. Inducement of infringement is commonly alleged against product manufacturers where the patent claims only cover direct infringement by the customer, for example in patented methods of using the product, or when the product is installed as a component of a larger claimed system. Therefore, unlike direct infringement, which is a strict liability offense, inducing infringement includes a specific intent requirement. However, the statute is silent regarding the appropriate level of intent necessary to find an accused indirect infringer liable for inducing direct infringement by another party.

Over the years, the Federal Circuit developed a line of cases interpreting the statute as requiring proof that: (1) an accused infringer actually intended to cause the acts that constitute direct infringement of the patent; and (2) the accused infringer knew or should have known that its actions would induce actual infringement. In applying this standard, the Federal Circuit reasoned that the second prong would be satisfied by an accused infringer that deliberately disregarded a known risk that its actions would induce infringement.

In 2011 in *Global-Tech Appliances, Inc. v. SEB S.A.*, the U.S. Supreme Court specifically addressed the appropriate level of intent for inducing infringement under Section 271(b). In doing so, the Court replaced the Federal Circuit's "knew or should have known" standard, holding that the statute requires either actual knowledge or willful blindness that the acts being induced would constitute infringement of the patent.

Similar to the doctrine's use in criminal law, "willful blindness" in the context of inducing infringement requires that: (1) the accused infringer subjectively believes that there is a high probability that an infringement exists; and (2) the accused infringer takes deliberate actions to avoid learning of that fact. In this manner, *Global-Tech* clarified that mere negligence or recklessness are not sufficient to establish the requisite intent for inducing infringement.

Good-Faith Belief of Patent Invalidity Negates Specific Intent

In *Commil*, the accused infringer, Cisco, appealed a jury verdict of \$63.7 million in damages, asserting that the Eastern District of Texas erred in applying the old "knew or should have known" standard when instructing the jury on the issue of inducing infringement. Cisco further asserted that the lower court erroneously precluded evidence of the accused infringer's good-faith belief that the patent at hand was invalid.

Upon review, the three-judge panel of the Federal Circuit agreed that the jury instructions were erroneous and prejudicial, when allowing the jury to find inducement based on a showing of mere negligence where actual knowledge or willful blindness is required, as set forth in *Global-Tech*. The panel also concluded that “a good-faith belief of invalidity is evidence that may negate the specific intent to encourage another’s infringement, which is required for induced infringement.”

Commil established that accused infringers may present evidence of their good-faith belief that the patent is invalid or not directly infringed to avoid any liability for inducing infringement. Such evidence of a good-faith belief that the patent is invalid or not directly infringed can also avoid treble damages liability for willful direct infringement, despite the 2007 Federal Circuit ruling in *In re Seagate*, codified in the America Invents Act enacted in 2012, that the lack of such an opinion cannot be used as evidence of willful intent.

The *Commil* decision clarifies that to avoid willfulness or inducement damages, the necessary good-faith belief of patent invalidity or noninfringement can be evidenced by a well-reasoned written opinion of qualified independent legal counsel.

Value of the Freedom-to-Operate Opinion of Legal Counsel

For many companies, prudent consideration of possible claims of inducing patent infringement is particularly important in view of the 2012 Federal Circuit decision in *Akamai Tech. v. Limelight Networks*, directed specifically to inducing infringement of method claims by multiple parties. Sitting en banc, the court eliminated the longstanding rule that inducement of infringement liability requires proof that the underlying direct infringement was carried out by a single party actor. In this manner, the accused indirect infringer can be liable for inducement as long as each step of the claimed method is performed by one or more of the other actors, so long as the intent to induce such activity is found.

Akamai is currently on appeal for a grant of certiorari review by the U.S. Supreme Court. Regardless of that outcome, all of these recent cases highlight the benefits of avoiding willful direct or indirect inducement patent infringement liability by obtaining written freedom-to-operate opinions from qualified independent patent counsel before undertaking or contracting with others for an activity that may be alleged to infringe a known U.S. patent.

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