

# When Is “Knowledge” Knowledge? Supreme Court Applies Criminal Standard to Patent Infringement Inducement Statute

By Michael A. Oropallo and W. Cook Alciati

## I. Introduction

35 U.S.C. §§ 271(b) and (c) codify the standard for contributory and induced patent infringement. The standard for contributory infringement has long required knowledge of the existence of the patent that is infringed. The U.S. Supreme Court, in *Global-Tech Appliances, Inc. v. SEB S.A.*,<sup>1</sup> has now extended this requirement to induced infringement, reflecting the common ancestry of sections 271(b) and (c). The Court, however, has taken the “knowledge” element to a new level, borrowing the criminal-law doctrine of “willful blindness” to infer intent even where there is no direct evidence that the accused infringer was aware of the patent-in-suit, so long as the accused *has a belief* that the patent exists and takes deliberate action to avoid learning of its existence.

In *Global-Tech* the accused infringer deliberately instructed its patent opinion counsel to examine a foreign-sold device, likely knowing that it would not contain a statutory patent marking but knowing that such marking would likely have been present on the same type of product if sold domestically. Lacking this information, the patent attorney provided a non-infringement opinion. The Court, clearly troubled by the infringer’s “willful blindness” of this fact, went out of its way to not only fashion a new “knowledge” standard for indirect infringement but also to affirm the district court’s finding of willful infringement without remanding the case to the Federal Circuit.

The Court’s new test for indirect infringement could have significant consequences in cases in which the plaintiff asserts both inducement and contributory infringement. There also will likely be a flurry of decisions addressing what constitutes a subjective belief that “a fact exists” and what type of avoidance behavior is necessary to constitute “willful blindness” and thus liability for inducement. One can also foresee opinions of counsel on these issues, similar to the pre-*Seagate* variety used to negate willful infringement before the Federal Circuit articulated the objective recklessness standard.<sup>2</sup>

## II. Facts and Procedural History

*Global-Tech* involved a U.S. patent for a deep fryer designed by SEB S.A., a French maker of home appliances that sold products in the United States. In 1997, Sunbeam Products, Inc., a competitor of SEB, asked Pentalpha Enterprises, Ltd. to supply it with deep fryers

on the market meeting certain specifications. In order to assist it in developing a deep fryer, Pentalpha purchased an SEB fryer in Hong Kong and copied its design, absent its cosmetic features. The fryer, purchased in Hong Kong because it was not sold domestically, did not feature any U.S. patent markings.

After copying the deep fryer design, Pentalpha hired an attorney to conduct a right-to-use study but refrained from informing the attorney that it had copied the design directly from SEB or that the product had not been purchased domestically. Despite conducting a prior art search, the attorney failed to locate SEB’s patent or any other problematic prior art. Following the prior art search, Pentalpha provided Sunbeam with its deep fryer design, and Sunbeam began selling it in the United States at a lower price than SEB. Triggered by its loss of market share, SEB investigated the Sunbeam product and ultimately sued Sunbeam for patent infringement. Sunbeam immediately notified Pentalpha. SEB eventually settled with Sunbeam, then sued Pentalpha in the Southern District of New York claiming, *inter alia*, that Pentalpha had violated section 271(b) by actively inducing Sunbeam, Fingerhut Corp., and Montgomery Ward & Co. to sell or offer to sell Pentalpha’s deep fryers.

The district court addressed the inducement issue on Pentalpha’s motion for summary judgment.<sup>3</sup> The court noted that because Pentalpha knew about SEB’s patent and continued to sell the deep fryer until SEB was awarded injunctive relief, a reasonable jury could find induced infringement.<sup>4</sup> The court also rejected Pentalpha’s argument that reliance on counsel can be dispositive of liability under section 271(b).<sup>5</sup>

On appeal, the Federal Circuit held that induced infringement under section 271(b) requires a plaintiff to demonstrate that “the alleged infringer knew or should have known that his action would induce actual infringements....”<sup>6</sup> The court further held that Pentalpha “deliberately disregarding a known risk meets the standard” and found that Pentalpha’s deliberate disregard “[was] not different from actual knowledge, but is a form of actual knowledge.”<sup>7</sup>

## III. The Supreme Court Decision

The Supreme Court, in an opinion by Justice Samuel A. Alito, Jr., focused its analysis on Pentalpha’s principal argument on appeal: that active inducement liability un-

der section 271(b) requires more than deliberate indifference to a known risk that the induced acts may violate an existing patent. Specifically, Pentalpha argued the statute requires *actual knowledge* of a known patent.

Section 271(b) is ambiguous. It states: “Whoever actively induced infringement of a patent shall be liable as an infringer.” Notably absent is any mention of the type or degree of knowledge or intent that is necessary for liability. In addressing this issue, the Supreme Court noted that “at least some intent [is] required” and based its conclusion on the dictionary definition of “active”: “to lead on; to influence; to prevail on; to move by persuasion or influence.”<sup>8</sup> The Court reasoned that there were two possible interpretations: one, “merely that the inducer lead another to engage in conduct that happens to amount to infringement, i.e., the making, using, offering to sell, or importing of a patented invention;”<sup>9</sup> the other, that the inducer “must persuade another to engage in conduct that the inducer knows is infringement.”<sup>10</sup>

Ultimately, after devoting a substantial portion of its opinion to the history of section 271 and inducement case law, the Court concluded that its decision in *Aro Mfg. Co. v. Convertible Top Replacement, Co. (“Aro II”)*<sup>11</sup> controlled and is applicable by analogy to section 271(b).

In *Aro II*, the Court found that “a violator of § 271(c) must know that the combination for which his component was especially designed was both patented and infringing.”<sup>12</sup> Borrowing from that holding, the Court concluded that section 271(b) requires “knowledge that the induced acts constitute patent infringement.”<sup>13</sup>

Having resolved the standard required for inducement, the Court then turned to an analysis of the facts. The Court agreed with Pentalpha that something more than deliberate indifference to a known risk is required by section 271(b). Nonetheless, the Court affirmed, finding that Pentalpha’s actions satisfied the requisite statutory knowledge under the doctrine of willful blindness. The Court reasoned that ignorance of a fact that an infringer has reason to believe exists—i.e., a patent that is listed on a domestically sold product—but that the infringer fails to reasonably investigate, is akin to satisfying the knowledge requirement for certain criminal statutes. The Court arrived at this conclusion based on its finding that Pentalpha’s conduct in deliberately failing to disclose relevant prior art of which it was aware to its opinion counsel rose to a level of culpable conduct beyond that of deliberate indifference to a known risk. Specifically, the Court found that Pentalpha’s conduct rose to the level of willful blindness.

#### IV. Willful Blindness

The Supreme Court’s new knowledge standard for patent inducement seems reasonable in light of *Aro II* and the similarity of section 271(b) to section 271(c).

But a plaintiff’s ability to invoke the doctrine of willful blindness almost certainly will require further refinement in years to come as courts and juries grapple with the elements of inducement liability, such as what constitutes a belief that a fact exists and what type of deliberate conduct amounts to willful blindness.

The doctrine of willful blindness has its roots in criminal statutes that require proof that an accused acted knowingly or willfully. Courts applying the doctrine of willful blindness have held that defendants “cannot escape the reach of [certain criminal] statute[s] by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances.”<sup>14</sup> In other words, a defendant cannot escape liability for acting knowingly or willfully by simply turning a blind eye to facts that make his or her conduct culpable.

The two requirements of the willful blindness doctrine are that the defendant (1) must subjectively believe that there is a high probability that a fact exists and (2) must take deliberate steps to avoid learning of that fact. Thus, “a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.”<sup>15</sup> This test differs from that applied by the Federal Circuit, which permitted liability for inducement when there is only a known risk that the acts are infringing.<sup>16</sup> That deliberate indifference standard did not rise to the level of actual knowledge, as does the willful blindness doctrine adopted by the Supreme Court.

#### V. Looking Ahead

It is easy enough to see how Pentalpha’s actions in this case made it liable under the willful blindness standard. However, in closer cases, the willful blindness standard may prove difficult to apply. One particularly troubling area is the Supreme Court’s reference to a “subjective belief” that there is a “high probability” that a fact exists. This almost certainly makes the analysis fact-specific and could lead to more litigation, as the analysis calls for examination not only of the accused infringer’s subjective belief but also of whether there is a “high probability” that a fact exists.

Another aspect of the standard that is sure to present difficult issues for judges and juries is the relationship between willful blindness and willful infringement. In *Seagate* the Federal Circuit adopted a standard of “objective recklessness” for willful infringement.<sup>17</sup> Specifically, the court ruled that a plaintiff must present clear and convincing evidence that the alleged infringer acted despite an objectively high likelihood that the action constituted infringement and that the alleged infringer knew or should have known of the objective high likelihood of infringement. It may be difficult to reconcile this “objective recklessness” standard with the “subjective belief” inquiry now required for inducement. It seems inconsis-

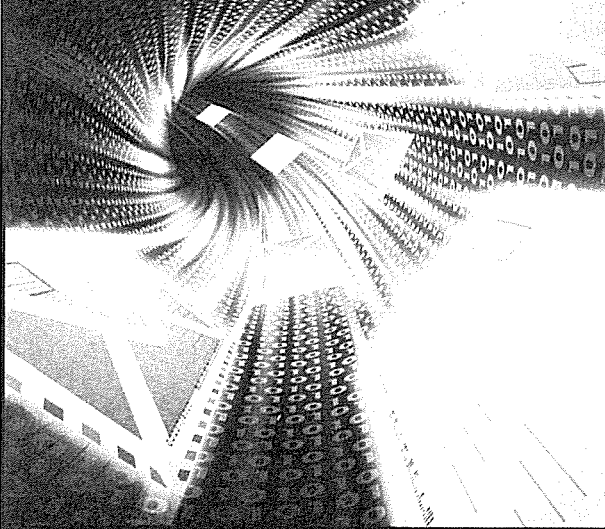
tent to argue that a person can be willfully blind but not objectively reckless.

## Endnotes

1. *Global Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011).
2. *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
3. *SEB S.A. v. Montgomery Ward & Co.*, 412 F. Supp. 2d 336, 344 (S.D.N.Y. 2006).
4. *Id.*
5. *Id.*
6. *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360 (Fed. Cir. 2010).
7. *Id.*
8. *Global-Tech*, 131 S. Ct. at 2065.
9. *Id.*
10. *Id.*
11. 377 U.S. 476 (1964).
12. *Id.* at 490.
13. Section 271(c) states: "Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."  
*In re Seagate Technology, LLC*, 497 F.3d at 1371.
14. *Global-Tech Appliances, Inc.*, 131 S. Ct. at 2062.
15. *Id.* at 2069.
16. *SEB*, 594 F.3d at 1376.

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