

PATENT AND TRADEMARK LAW



On the Evolution of Induced Infringement Jurisprudence

A petition for certiorari from the decision in *Commil v. Cisco*—in which the U.S. Court of Appeals for the Federal Circuit recognized for the first time that “evidence of an accused infringer’s good-faith belief of invalidity may negate the requisite intent for induced infringement”¹—is expected within the month. On Oct. 25, 2013, the Federal Circuit denied Commil’s petition for rehearing en banc by a vote of 6-5 and two strongly worded dissenting opinions. Whether this disagreement will capture the attention of the Supreme Court is yet to be seen. Notwithstanding the high court’s potential future involvement, *Commil* may represent a culmination of a broad transformation in the law of induced infringement, albeit one without particular clarity or resolution.

The doctrine of induced infringement, codified in 35 U.S.C. §271(b), seeks to “protect patent rights from subversion by those who, without directly infringing the patents themselves, engage in acts designed to facilitate infringement by others.”² The reach of the doctrine of induced infringement, however, has historically been tempered by considerations of potential abuse and discouragement of lawful commerce.³ Indeed, the Supreme Court has noted, with reference to the related doctrine of contributory infringement, that the judicial history of indirect infringement “may be said to be marked by a period of ascendancy, in which the doctrine was expanded to the point where it became subject to abuse, followed by a somewhat longer period of decline....”⁴ Induced infringement jurisprudence can thus be considered a manifestation of dynamic countervailing considerations which has reached disequilibrium—heralding disagreement, dissenting opinions, and uncertainty.

The current mechanism, established to both deter abuse of the patent system and to promote legitimate competition, is embodied in the



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requirement that an alleged inducer possess specific intent to induce such infringement.⁵ In 2008, the Federal Circuit’s decision in *Broadcom v. Qualcomm* espoused a low threshold for proving inducement, allowing plaintiffs to use failure to obtain a non-infringement opinion of counsel as evidence of specific intent. But since *Broadcom*, the specific intent requirement has steadily become more exacting.

‘Broadcom v. Qualcomm’

In *Broadcom v. Qualcomm*, the Federal Circuit held that failure to obtain a non-infringement opinion of counsel may be considered as a factor in determining whether a party had the requisite level of intent to induce infringement.⁶ *Broadcom* is a favorable holding for patentees and champions of protecting patent rights from subversion. The Federal Circuit’s opinion is founded upon the notion that inducement liability requires culpable conduct, i.e., that the induced infringer “knew or should have known that his actions would induce actual infringements.”⁷ In holding that circumstantial evidence, including failure to obtain a non-infringement opinion of counsel, may reflect on the alleged inducer’s intent, the court noted that “[i]t would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function...and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe.”⁸

‘Global-Tech v. SEB’

In *Global-Tech v. SEB*, the Supreme Court tightened the reins on the induced infringement standard, holding that negligence or reckless-

ness as to whether the induced acts constitute infringement is insufficient.⁹ The Supreme Court did acknowledge, however, that the doctrine of willful blindness may apply.

The court set forth a standard by which to evaluate willful blindness, requiring that “(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,” and noted that 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.”¹⁰ The Supreme Court’s holding represents an incremental increase in the specific intent threshold, rejecting the “deliberate indifference” standard adopted by the Federal Circuit opinion below and acknowledged by its predecessors.¹¹

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The America Invents Act

Section 17 of the America Invents Act (AIA) amends title 35 to include the provision that “[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that...the infringer intended to induce infringement of the patent.” This provision overrules *Broadcom*, stripping patentees of the ability to use lack of non-infringement opinions as circumstantial evidence of specific intent. The legislative history reflects the desire to curb abuses of the induced infringement doctrine, stating “that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship.”¹²

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'Commil v. CISCO'

In 2007, Commil USA brought suit against Cisco and a number of other Wi-Fi device suppliers in the U.S. District Court for the Eastern District of Texas, accusing Cisco of, inter alia, inducing infringement of U.S. Patent No. 6,430,395, directed to a method of providing handoffs of mobile devices from one base station to another. Prior to trial, Cisco proffered evidence supporting its good-faith belief that the '395 patent was invalid. In response to Commil's motion in limine, the district court excluded this evidence. In an April 2011 trial, the jury was instructed that it may find Cisco induced infringement if it "actually intended to cause the acts that constitute direct infringement and that Cisco knew or should have known that its actions would induce actual infringement." The jury returned a verdict finding induced infringement and awarded Commil \$63.8 million.¹³

Shortly thereafter, on May 31, 2011, the Supreme Court issued its opinion in *Global-Tech v. SEB*, holding that negligence or recklessness does not suffice for a showing of inducement. On appeal at the Federal Circuit Cisco argued that the jury instruction, which included the "knew or should have known" language recited in *Broadcom* and its predecessors, allowed the jury to find inducement on the showing of mere negligence and was thus legally erroneous in view of *Global-Tech*.¹⁴ Cisco further argued that the district court erred in excluding evidence of its good-faith belief of invalidity to rebut a showing of the specific intent necessary for inducement.¹⁵

The Federal Circuit agreed with Cisco, and in a panel opinion authored by Judge Sharon Prost, found that the jury instruction was erroneous because the jury was not instructed that, in order to find inducement, Cisco must "have had knowledge that the induced acts constitute patent infringement," as opposed to merely finding that Cisco "knew or should have known that its action would induce direct infringement."¹⁶ The court noted that the "knew or should have known" language, often cited as the standard for intent prior to *Global-Tech*, "would allow the jury to find the defendant liable based on mere negligence where knowledge is required."¹⁷

The Federal Circuit further held that exclusion of evidence supporting Cisco's good faith belief in invalidity was improper, because "[i]t is axiomatic that one cannot infringe an invalid patent" and, under circumstances in which one believes in good faith that a patent is invalid, "it can hardly be said that the alleged inducer intended to induce infringement."¹⁸ Interpreting *Global-Tech* as increasing the threshold for the requisite intent, the panel majority noted that "[w]e see no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the

purpose of whether a defendant possessed the specific intent to induce infringement of a patent," and concluded: "[w]e now hold that evidence of an accused inducer's good-faith belief of invalidity may negate the requisite intent for induced infringement."¹⁹

'Commil's' proclamation that a good-faith belief of invalidity may negate the specific intent requirement provides a powerful weapon against abuse of the doctrine of induced infringement.

Commil's proclamation that a good-faith belief of invalidity may negate the specific intent requirement provides a powerful weapon against abuse of the doctrine of induced infringement. The holding in the majority panel opinion points in the opposite direction of that of *Broadcom*. *Broadcom*, now overruled by the AIA, facilitated proof of inducement by allowing an inference of specific intent from omission, i.e., failure to obtain a non-infringement opinion of counsel. By contrast, *Commil* hinders successful inducement theories by allowing negation of specific intent from an expanded set of facts, i.e., a showing of a good-faith belief of invalidity.

The accompanying dissenting opinions, however, suggest that the pendulum may have swung too far. Judge Pauline Newman writes in dissenting to the panel opinion that the "inducement statute is designed to allow remedy against an entity that provides an infringing product or method to direct infringers, but is not itself a direct infringer" and that the "majority's view...is contrary to the principles of tort liability, codified in the inducement statute."²⁰ And in dissenting from the denial of the petition for rehearing en banc, Judge Jimmie Reyna, joined by Judges Randall Rader, Newman, Alan Lourie, and Evan Wallach, forcefully disagree with the majority on a fundamental level, arguing that this new "powerful tool in patent litigation...establishes an escape hatch from liability of infringement that is not now in the statute."²¹

Reyna's language harkens back to the original goal of the doctrine of induced infringement—to prevent subversion of patent rights. That five out of the 11 judges participating joined in Reyna's dissent, and that Judge Newman penned a separate dissent to the denial of rehearing en banc, joined by Rader, Reyna, and Wallach, suggests that an era of restrictive induced infringement jurisprudence may well be at its peak.

Reyna's and Newman's dissents also suggest that the evolution of induced infringement jurisprudence has entered an era of disequilibrium,

and acknowledge the uncertainty resulting from disagreement within the Federal Circuit. Reyna expresses worry over such a dramatic change in inducement doctrine: "[a] grave concern that I have with the new rule is that it fundamentally changes the operating landscape, much like waking up and unexpectedly finding that the sky is now green."²² Newman likewise laments that "[i]nvestors, competitors, and trial courts cannot be confident as to the law that will be applied by the Federal Circuit. Such destabilization is a disservice not only to patentees but also to the public that benefits from technological advance."²³

Conclusion

Certiorari has already been granted this term in *Limelight v. Akamai*, another induced infringement case in which the Federal Circuit has overtly departed from precedent—holding that a theory of induced infringement may prevail where no one has committed direct infringement—and created its own wake of uncertainty.²⁴ Should a petition for certiorari be filed in *Commil* as expected, the Supreme Court would have an opportunity to establish, or reestablish, fundamental principles spanning a broad swath of induced infringement jurisprudence in a single term.

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1. *Commil USA v. Cisco Sys.*, 720 F.3d 1361 (Fed. Cir. 2013).
2. *Dawson Chemical v. Rohm and Haas*, 448 U.S. 176, 188 (1980).

3. *Id.* at 189 (discussing the related doctrine of contributory infringement); *Metro-Goldwyn-Mayer Studios v. Gorkster, Ltd.*, 545 U.S. 913, 936-37 (2005) (copyright case drawing from the doctrine of induced infringement in patent law, noting that the court is "mindful of the need to keep from trenching on regular commerce of discouraging the development of technologies with lawful and unlawful purposes" and that inducement "premises liability on purposeful, culpable expression and conduct").

4. *Dawson*, 448 U.S. at 189.

5. See, e.g., *DSU Med. v. JMS*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc); *Warner-Lambert v. Apotex*, 316 F.3d 1348, 1364 (Fed. Cir. 2003) ("The mere knowledge of possible infringement by others does not amount to inducement; specific intent and action to induce infringement must be proven").

6. *Broadcom v. Qualcomm*, 543 F.3d 683, 699 (Fed. Cir. 2008).

7. *Id.*

8. *Id.*

9. *Global-Tech Appliances v. SEB*, 131 S. Ct. 2060, 2070-71 (2011).

10. *Id.*

11. *Id.* at 1668 ("we agree that deliberate indifference to a known risk that a patent exists is not the appropriate standard"); *SEB v. Montgomery Ward & Co.*, 584 F.3d 1360, 1376-77 (Fed. Cir. 2010).

12. H.R. Rep. No. 112-98, pt. 1, at 53 (June 1, 2011).

13. *Commil USA v. Cisco Systems*, No. 2:07-cv-00341 (E.D. Tex. April 8, 2011).

14. *Commil*, 720 F.3d at 1366.

15. *Id.* at 1367.

16. *Id.* at 1366 (emphasis added).

17. *Id.*

18. *Id.* at 1368.

19. *Id.* at 1368-69.

20. *Id.* at 1373.

21. *Commil USA v. Cisco Systems*, No. 2012-1042, *7 (Fed. Cir., Oct. 23, 2013) (Reyna, J., dissenting from denial of rehearing en banc).

22. *Id.* at *2 (Newman, J., dissenting).

23. *Id.* at *7 (Reyna, J., dissenting).

24. Supreme Court No. 12-786 (cert. granted Jan. 10, 2014).