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Global-Tech Appliances, Inc. v. SEB S.A.
Inducing Infringement: Supreme Court Clarifies Knowledge Standard

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On May 31, 2011, the U.S. Supreme Court issued its decision in *Global-Tech Appliances, Inc. v. SEB S.A.* In an 8-1 decision written by Justice Alito with Justice Kennedy dissenting, the Court clarified the level of knowledge required to find a party liable for inducing patent infringement under 35 U.S.C. § 271(b). In so doing, the Court affirmed the judgment of the Federal Circuit, but established a stricter standard for finding liability for inducing infringement absent proof of actual knowledge of the patent at issue.

The Court agreed with the Federal Circuit that for a defendant to be found liable for inducing infringement, the plaintiff must prove that the defendant knew that the acts it induced constituted patent infringement. The primary question was whether actual knowledge of the patent is required or some lesser showing. In affirming the District Court's finding of liability, the Federal Circuit held that inducement may be found when a defendant acts with "deliberate indifference to a known risk" that a patent exists. The Supreme Court affirmed the judgment, but applied a stricter test: the knowledge element of induced infringement requires at least a showing that the defendant acted with "willful blindness"—that it subjectively believed that there was a high probability that a patent existed and then took deliberate actions to avoid learning that fact.

Background

The plaintiff, SEB S.A., is a French maker of home appliances. In the late 1980s, SEB invented a deep fryer with external surfaces that remained cool during the frying process, which it sold under the "T-Fal" brand. The fryer was commercially successful. In 1997, Sunbeam Products, a U.S. competitor of SEB, asked a subsidiary of the main defendant, Global-Tech Appliances, to supply it with deep fryers meeting certain specifications. To develop its fryer, Global-Tech's subsidiary purchased an SEB fryer in Hong Kong and copied it. Because the SEB fryer was purchased in Hong Kong, it bore no U.S. patent markings. After copying SEB's design, Global-Tech retained an attorney to conduct a right-to-use study but did not tell the attorney that its fryer was a copy of SEB's. The attorney failed to locate SEB's patent and in August 1997 issued an opinion letter concluding that Global-Tech's deep fryer did not infringe. Global-Tech then started selling deep fryers with this design to Sunbeam, which resold them in the United States under its trademarks.

SEB sued Sunbeam in March 1998, alleging that Sunbeam's sales infringed SEB's patent. Shortly thereafter, Sunbeam notified Global-Tech of the lawsuit. But Global-Tech continued to sell deep fryers to Fingerhut Corp. and Montgomery Ward & Co., both of which resold them in the United States. SEB settled its lawsuit with Sunbeam, and then sued Global-Tech, asserting two theories of recovery. First, SEB claimed that Global-Tech directly infringed SEB's patent in violation of 35 U.S.C. § 271(a) by selling or offering to sell the deep fryers. Second, SEB claimed that Global-Tech violated § 271(b) by actively inducing Sunbeam, Fingerhut and Montgomery Ward to sell or to offer to sell infringing fryers.

At trial, a jury found for SEB on both theories and found that Global-Tech's infringement was willful. Global-Tech filed post-trial motions seeking a new trial or judgment as a matter of law on several grounds, including that there was insufficient evidence to support the jury's finding of induced infringement under § 271(b). Global-Tech argued that it did not actually know of SEB's patent until it received notice of the

Sunbeam lawsuit in April 1998.

Both the district court and the Federal Circuit rejected Global-Tech's argument.

Summarizing an earlier en banc decision, the Federal Circuit stated that induced infringement under § 271(b) requires a "plaintiff [to] show that the alleged infringer knew or should have known that his actions would induce actual infringements" and that this showing "includes proof that the alleged infringer knew of the patent."

Although the record contained no direct evidence that Global-Tech knew of SEB's patent before April 1998, the Federal Circuit found adequate evidence to support a finding that "Global-Tech deliberately disregarded a known risk that SEB had a protective patent." Such disregard, the court said, "is not different from actual knowledge, but is a form of actual knowledge."

The Majority Decision

1. The Supreme Court first addressed whether active inducement requires (1) an intent to cause infringement or (2) merely an intent to cause actions that happen to result in infringement. Consistent with precedent, the Court adopted the first view.

Justice Alito's opinion for the Court began with the statutory text, which states, "Whoever actively induces infringement of a patent shall be liable as an infringer." The Court noted that although the statute does not expressly mention intent, intent must be required because the word "induce" means "to lead on" or "influence," and "actively" suggests taking affirmative steps to bring about a result. The Court recognized, though, that the statutory language is ambiguous as to whether intent to cause infringement was required. The Court thus turned to the case law for helpful constructions. However, the case law from before Congress enacted § 271 in 1952 was ambiguous—some cases followed the "happens to infringe" rule and others required the inducer to intend the resulting infringement.

Ultimately, the Court was persuaded to carry over its interpretation of § 271 (c), the contributory infringement statute, from *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U. S. 476 (1964). The contributory infringement statute contains a similar ambiguity, requiring the defendant to "know" that a component was "especially made or especially adapted for use in an infringement." In *Aro*, the Court held that contributing to infringement requires that the defendant must know "that the combination for which his component was especially designed was both patented and infringing." Because the *Aro* interpretation requiring knowledge of the patent has been long followed by the courts and unchanged by Congress, the Court deemed that interpretation firmly established and binding. Because the two provisions of § 271 had a common origin in contributory infringement and the language of the two provisions created the same ambiguity, the Court held that induced infringement under § 271(b) requires the same type of knowledge, that is, "knowledge that the induced acts constitute patent infringement."

2. The Court then turned to Global-Tech's primary contention that liability absent direct proof of knowledge requires more than mere "deliberate indifference to a known risk that a patent exists." Although the Supreme Court agreed with Global-Tech and rejected the Federal Circuit's test, it nevertheless found Global-Tech liable under a new "willful blindness" standard.

Looking to criminal law for guidance, the Court found extensive precedent that "willful blindness" can suffice under criminal statutes that require a defendant to have acted "knowingly" or "willfully." The Court saw no reason not to extend this doctrine to the civil context of inducement of patent infringement. In establishing "willful blindness" as a proxy for proof of actual knowledge, the Court adopted the two-part test that the federal courts of appeals use in criminal cases. To establish willful blindness, the plaintiff must show that (1) the defendant subjectively believed that there was a high probability that a fact existed, and (2) the defendant took deliberate actions to avoid learning that fact. This test, the Court said, sets the bar for knowledge appropriately

high, somewhere above recklessness and negligence, such 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.” The Supreme Court rejected the Federal Circuit’s more lenient “deliberate indifference” standard for at least two reasons: (1) it permitted a finding of knowledge when there is merely a “known risk” that the induced acts are infringing; and (2) in demanding only “deliberate indifference,” it did not require active efforts by an inducer to avoid knowing about the infringing nature of the activities.

3. Despite adopting a more stringent test, the Supreme Court affirmed the judgment holding Global-Tech liable. The Court held that the jury was entitled to find that Global-Tech subjectively believed that there was a high probability that SEB’s fryer was patented; took deliberate steps to avoid knowing that fact; and therefore willfully blinded itself to the infringing nature of Sunbeam’s sales. First, SEB’s cool-touch fryer was an innovation in the U.S. market when Global-Tech copied it. Global-Tech performed market research, gathered as much information as possible, and believed that SEB’s fryer embodied advanced technology that would be valuable in the U.S. market. Second, Global-Tech had extensive knowledge of patents generally and copied an overseas model of SEB’s fryer that lacked patent markings, despite the fact that it was designing its product for the U.S. market. Finally, Global-Tech chose not to inform its patent attorney, from whom it sought a right-to-use opinion, that the product to be evaluated was simply a knockoff of SEB’s deep fryer. The Court “[could not] fathom what motive [Global-Tech] could have had for withholding this information other than to manufacture a claim of plausible deniability in the event that [the] company was later accused of patent infringement.”
4. Justice Kennedy dissented. He agreed with the majority that inducement requires knowledge that the induced acts constitute patent infringement, but disagreed with allowing “willful blindness” to substitute for actual knowledge of a patent. He was particularly troubled that the Court appeared to endorse the “willful blindness” standard for federal criminal cases in a civil patent case. Instead, he believed that “probabilistic judgments [may] count as knowledge” and would have remanded to allow the Federal Circuit to consider the sufficiency of the evidence of actual knowledge.

Significance

Although the Supreme Court affirmed the judgment of induced infringement, *Global-Tech* should benefit accused infringers, at least marginally. The Supreme Court has reaffirmed that an intent to infringe is required, and the standard for “willful blindness” (belief that there is a high probability that a patent exists and deliberate steps taken to avoid confirming that fact) will be difficult for patentees to meet. Some patent litigators had viewed the Federal Circuit’s “deliberate indifference” standard as problematic, fearing that juries might find “deliberate indifference” simply because the defendant failed to conduct a patent search despite a “known risk” that a patent existed. The law now requires a belief in a *high* probability that a product is patented and taking *active steps* to avoid learning about it.