

Legal Updates & News

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Federal Circuit Goes for it on Fourth Down – Decides That Inducement Under § 271(b) Requires Specific Intent to Cause Direct Infringement

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After “punting” on the issue in a series of decisions,^[fn1] the Federal Circuit recently clarified the “mens rea” required for inducement of infringement under 35 U.S.C. § 271(b). In *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006), the Federal Circuit held *en banc* that the intent required for inducement is to cause another to infringe the patent – not merely the intent to cause the acts that happen to constitute infringement:

- “[T]he intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement.” *DSU*, 471 F.3d at 1306 (*en banc*).
- “[I]nducement requires evidence of culpable conduct, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.” *Id.* (*en banc*) (citing *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2780 (2005) and *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990)).

In resolving a long-standing perceived conflict in its own precedent (stemming from seemingly inconsistent decisions issued less than three months apart in 1990 in *Manville* and *HP*^[fn2]), the Federal Circuit relied in part on the Supreme Court’s 2005 copyright decision in the *Grokster* case. ^[fn3] *Manville* stands for the “specific intent to cause infringement” standard adopted by the *en banc* portion of the *DSU* opinion, while *HP* had provided support for a lower “general intent to cause acts” threshold now deemed inadequate to prove inducement. The Federal Circuit had studiously avoided this issue in a string of cases in which the evidence established either that there was inducement under both standards (as in *Golden Blount*, *Fuji Photo*, and *Insituform*) or that neither threshold was met (as in *MercExchange*) – the *DSU* case fell squarely in the middle, forcing the Federal Circuit’s hand.

Ten of the 12 Federal Circuit judges joined the *en banc* section of the opinion (authored by Judge Radar), with the two remaining judges (Chief Judge Michel and Judge Mayer) concurring in a separate opinion that “agree[d] with the court’s analysis” on the intent issue, but expressed that it was not “necessary to address this issue *en banc*.” *DSU*, 471 F.3d at 1311. According to the concurrence, there was no conflict to resolve.

The Federal Circuit’s resolution (or clarification) of the intent issue in *DSU* would appear to make it more difficult to prove inducement. Finding evidence to establish that someone actively encouraged another to infringe would appear to be a tall order. However, direct evidence of intent is still not required, as the *DSU* decision reconfirmed that “circumstantial evidence may suffice.” *Id.* at 1306 (*en banc*) (quoting *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 n.3 (Fed. Cir. 1988)).

So, how does one avoid inducement? The answer may lie in obtaining and following competent advice of counsel. While the remainder of the *DSU* opinion was not issued *en banc*, the panel determination that one of the alleged infringers lacked the requisite specific intent to establish inducement provides an alternative rationale for obtaining opinions of counsel. In the wake of the

Federal Circuit's recent decisions in *Knorr-Bremse*^[fn4] and *In re EchoStar*^[fn5], there has been some debate as to whether securing opinions of counsel – and relying upon them in litigation – is advisable. Given that reliance upon opinions of counsel helped to establish an absence of specific intent in *DSU*,^[fn6] you might not want to throw away the phone number of your opinion counsel just yet.^[fn7]

And while it may be difficult for a patentee to establish inducement when an alleged infringer has secured and relied upon an opinion of counsel, at the same time it may be difficult for an adjudicated inducer to avoid a willfulness finding. These issues bear watching as courts interpret and apply the *DSU* decision.^[fn8]

Footnotes

¹ See, e.g., *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1364 n.4 (Fed. Cir. 2006); *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1332 (Fed. Cir. 2005); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377 (Fed. Cir. 2005); *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed. Cir. 2004).

² *Hewlett-Packard Co. v. Bausch & Lomb*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

³ “The inducement rule ... premises liability on purposeful, culpable expression and conduct[.]” *DSU*, 471 F.3d at 1306 (*en banc*) (quoting *Grokster*, 125 S. Ct. at 2780). According to the Federal Circuit in *DSU*, the Supreme Court’s decision in *Grokster* “validates this court’s articulation of the state of mind requirement for inducement” set forth in *Manville, Id.* (*en banc*).

⁴ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*) (eliminating adverse inference when alleged infringer does not obtain or rely upon an opinion of counsel).

⁵ *In re Echostar*, 448 F.3d 1294 (Fed. Cir. 2006) (discussing scope of waiver when alleged infringer relies upon exculpatory opinion). Note that the Federal Circuit is poised to consider *en banc* the scope of waiver stemming from reliance upon advice of counsel in *In re Seagate*, and may reconsider the duty of care standard itself in that case.

⁶ The Federal Circuit found record evidence consisting largely of noninfringement opinions to support the jury’s verdict of no inducement by one of the two defendants. Because that defendant “did not believe its [accused product] infringed” in view of its opinions of counsel, “it had no intent to infringe.” *DSU*, 471 F.3d at 1307.

⁷ Of course, not any opinion will do, as the alleged infringer found out in *Golden Blount* where the Federal Circuit affirmed a finding of inducement notwithstanding the alleged infringer’s “several opinions of counsel” which were dismissed as “incompetent.” 438 F.3d at 1364-65.

⁸ District courts have already begun to apply the *DSU* specific intent standard in deciding motions for summary judgment on the inducement issue. See, e.g., *Iridex Corp. v. Synergetics USA, Inc.*, 2007 U.S. Dist. LEXIS 6851, *14 (E.D. Mo. Jan. 31, 2007); *Lucent Techs. v. Gateway, Inc.*, 2007 U.S. Dist. LEXIS 20495, *16-17 (S.D. Cal. Mar. 21, 2007). The *Lucent* decision broke the standard into the following four elements that must be proven to establish inducement under *DSU*: “(1) an act of direct infringement; (2) the defendant knowingly induced infringement with the intent to encourage the infringement; (3) the defendant must have intended to cause the acts that constitute the direct infringement; [and] (4) the defendant must have known or should have known that its action would cause the direct infringement.” *Id.* at *17.