Introduction

Under the patent law, one is liable for infringement if he "without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent."\(^1\) Direct infringement requires that a single party's activities meet all the limitations as claimed. However, the analysis becomes much more complex when two or more parties are involved. For example, Company A in Taiwan manufactures and sells components to Company B in China which incorporates the components into final products that are subsequently shipped to the United States by Company C. In such cases, if there is a U.S. patent that reads on the final products but not the components, would any of them, or all of them, be liable for patent infringement under the U.S. law?

The U.S. law recognizes two types of indirect infringement: inducing infringement and contributory infringement. According to 35 U.S.C. § 271(b), inducement infringement is defined as "[w]hoever actively induces infringement of a patent shall be liable as an infringer." To find inducement, the Federal Circuit explains, the patentee must show that: (1) another person actually infringed; (2) the alleged inducer knew of the patent, and, nevertheless; (3) knowingly induced the infringing acts with a specific intent to encourage infringement by that person.\(^2\)

On the other hand, contributory infringement occurs when: (1) there is a direct infringement; (2) the accused infringer knew its components were designed for a combination which was both patented and infringing; (3) the component has no substantial non-infringing uses; and (4) the component is a material part of the combination.\(^3\) More importantly, the Federal Circuit further held that, unlike inducing infringement, the contributory infringement "has a territorial limitation requiring contributory acts to occur in the United States."\(^4\)

Heighthed Pleading Standard for Indirect Infringement

In Global-Tech Appliances, Inc. v. SEB S.A., the United States Supreme Court held that indirect infringement, whether contributory or induced infringement, requires knowledge of the patent-in-suit and the direct infringement of that patent.\(^5\) Following this decision, courts are more open to dismiss indirect infringement claims if the complaint fails to specify the defendant's knowledge of the patent or the direct infringement. For example, recently, three courts have dismissed indirect infringement claims where the plaintiff is unable to plead non-conclusory facts to support a plausible claim of knowledge.\(^6\) Likewise, speculative and attenuated allegations are also found insufficient to plead the requisite knowledge for indirect infringement.\(^7\)

There are consequences to failing to plead indirect infringement appropriately. Even if the defendant prevails in a motion to dismiss, the patentee is usually allowed to amend its complaint by including more factual allegations. However, the additional time for amendment may give the defendant a better chance to file a request for re-examination of the patent-in-suit followed by a motion to stay pending re-examination. Also, if the patentee cannot show a date for the defendant's knowledge prior to the suit, the potential exposure of indirect infringement may be significantly reduced. For those foreign defendants who commit no direct infringing acts within the United States, a successful motion to dismiss could terminate the entire case.

Nevertheless, some courts maintain that a barebones pleading of indirect infringement is enough. Indeed, pre-Global-Tech a few courts concluded that, even without factual allegations to establish individual elements of indirect infringement, it is sufficient when a pleading complies with Form 18 of Federal Rules of Civil Procedure 84.\(^8\) While Global-Tech is not a case
where the Supreme Court specifically addressed the pleading standard, it would be interesting to see whether Global-Tech may swing these courts as it clearly strengthens the knowledge requirement for indirect infringement claims.

**Defending Inducement Infringement Claims by Legal Opinion**

In *DSU*, the Federal Circuit held that a patentee must show the accused inducer's knowledge of direct infringement so as to establish inducement. In *Global-Tech*, on the other hand, the court tackled the scope of the knowledge instead of the nature of the knowledge. While affirming that "§ 271(b) requires knowledge that the induced acts constitutes patent infringement," the United States Supreme Court rejected the Federal Circuit's "deliberate indifference" test and adopted "the willful blindness" test to decide whether the accused inducer possessed the required knowledge. The court stated that willful blindness occurs when a defendant subjectively believes that there is a high probability that a fact exists and that the defendant takes deliberate actions to avoid learning of those facts.

To negate the accused inducer's alleged knowledge of direct infringement, a legal opinion of non-infringement from a competent patent attorney may be helpful. Indeed, because inducement requires a showing of "specific intent to encourage another's infringement," the Federal Circuit found that a foreign defendant cannot possess the requisite intent if it does not believe a device infringes. To form this conclusion, the Federal Circuit appeared to rely upon the fact that the defendant contacted a foreign attorney and a U.S. patent counsel, and was advised that the accused products would not infringe.

Citing *DSU*, a district court also found no inducement where foreign defendants obtained a letter of non-infringement from a U.S. patent attorney before selling the accused products to American defendants. Notably, while this letter is in a draft form, the court granted summary judgment for defendants by finding that the legal opinion at issue "bears the earmarks of reliability for an opinion regarding infringement of a U.S. patent." On the other hand, a motion for summary judgment of no inducement infringement may be denied without an opinion letter obtained prior to lawsuit.

After *Global-Tech* which emphasizes the defendant's subjective belief of direct infringement, the Federal Circuit affirmed a jury's verdict of no inducement largely based on a non-infringement opinion. In this case, a jury was presented with evidence relating to an oral non-infringement legal opinion, including testimonies from a patent attorney who made this opinion. By citing *DSU*, the Federal Circuit held that "[t]he fact and general content of [a patent lawyer's] opinion was relevant and admissible ... with respect to [the defendant's] state of mind and its bearing on indirect infringement."-American courts may swing these courts as it clearly strengthens the knowledge requirement for indirect infringement claims.

**Implications for Foreign Defendants**

In sum, for a foreign defendant who commits no infringing acts in the United States or does not perform all steps (or supply all elements) of an asserted claim, indirect infringement can be the only basis for its exposure. As such, a successful motion practice to dismiss indirect infringement claims may win it all or at least limit damages by forcing an amended pleading with a specific date for the defendant's knowledge. Additionally, it is important to know the value of a competent legal opinion that can help negate the requisite intent for inducement infringement.

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1 - *35 U.S.C. § 271(a).*
2 - See *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328 (Fed. Cir. 2009).
3 - *Fujitsu Ltd. v. NETGEAR Inc.*, 620 F.3d 1321, 1326 (Fed. Cir. 2010).
4 - *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1303-04 (Fed. Cir. 2006).
5 - *131 S. Ct. 2060, 2067-68 (2011).*
6 - See e.g., *Wistron v. Adams & Assocs.*, 2011 WL 4079231 (N.D. Cal.) (granting dismissal for failure to plead the required knowledge where the plaintiff merely alleged that the defendants "knowingly and intentionally induced others to infringe ... such as [their] customers ... by intentionally aiding, assisting and encouraging their infringement"); *Discflo Corp. v. Am. Process Equip. Inc.*, 2011 WL 6888542 (S.D. Cal.) (holding that a barebones pleading fails to state a claim of indirect infringement where the plaintiff simply alleged that "[d]efendants are inducing and/or contributing to the infringement ... by selling pump products to others"); *Wright Mfg., Inc. v. Toro Co.*, 2011 WL 6211172 (D. Md.) (dismissing inducement claims in the absence of "factual allegations sufficient to create a plausible claim of intent and knowledge").
7 - *Eon Corp. IP Holdings LLC v. Flo TV Inc.*, 802 F. Supp.2d 527 (D. Del. 2011) (finding as insufficient to plead the required knowledge of indirect infringement where the patentee alleged that the defendant obtained a license to practice two patents that cite the patent-in-suit as prior art and the defendant participates in an industry which is the subject of the patent-in-suit).
8 - See *Sony Corp. v. LG Elecs. U.S.A.*, Inc., 768 F. Supp.2d 1058, 1063 (C.D. Cal. 2011) (finding that the pleading standard does not require plaintiff to "plead each individual element of a claim for contributory infringement"); *Tune Hunter Inc. v. Samsung Telecomms. Am. LLC*, 2010 WL 1409245 (E.D. Tex.) (holding that neither *Twombly* nor *Iqbal* requires plaintiff to provide any factual allegations more than barebones pleading of indirect infringement"); also, *Charles E. Hill & Assocs., Inc.*
v. ABT Elecs., Inc., 2010 WL 3749514 (E.D. Tex.) (noting that "neither Form 18 nor the holdings from the Federal Circuit require the pleading of each individual element of a claim for indirect infringement").
9 - DSU, 471 F.3d at 1305 (finding that "knowledge of the acts alleged to constitute infringement is not enough").
10 - Global-Tech, 131 S. Ct. at 2068-71.
11 - Id. at 2070.
12 - See, DSU, 471 F.3d at 1306-07 ("Thus ... the jury was well within the law to conclude that ITL did not induce JMS to infringe by purposefully and culpably encouraging JMS's infringement. To the contrary, the record contains evidence that ITL did not believe its Platypus infringed. Therefore, it had no intent to infringe.")
13 - Id.
15 - Id. at 1116.
16 - Dataquill Ltd. v. High Tech Computer Corp., 2011 WL 6013022, at *10 (S.D. Cal.) (denying HTC's motion for summary judgment based on lack of specific intent to induce infringement where HTC only presented opinions and arguments of its trial counsel rendered after the filing of this lawsuit).
17 - Bettcher Indus., Inc. v. Bunzl USA, Inc., 661 F.3d 629 (Fed. Cir. 2011).
18 - Id. at 649.

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