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Induced Infringement

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Over the past few years, the Supreme Court has been active in the area of patent law, specifically in the area of induced infringement. This article discusses the Supreme Court's recent decision in *Commil USA v. Cisco Systems* and how district courts have responded to it.

COMMIL BACKGROUND

The Supreme Court and Federal Circuit have issued recent opinions that have re-shaped the scope of, and approach to, induced infringement in patent cases. Specifically, in *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. 1920 (2015), the Supreme Court held that an accused infringer's good-faith belief of patent invalidity is not a defense to a claim of induced infringement and stressed that induced infringement requires knowledge of infringement (as opposed to mere knowledge of a patent).

By way of background regarding *Commil*, in 2007, Commil brought suit against Cisco alleging direct infringement of wireless networking equipment, and induced infringement claiming Cisco induced its customers to infringe by selling them the infringing equipment. The jury found Commil's patent was not invalid, Cisco was liable for direct but not induced infringement, and awarded \$3.7 million in damages.

Commil filed a motion for new trial on induced infringement and damages, which was granted by the district court. A second jury concluded Cisco was liable for induced infringement and awarded \$63.7 million in damages. Cisco appealed to the Federal Circuit, resulting in a split panel affirming-in-part, vacating-in-part, and remanding the case for a new trial. *See Commil*, 720 F.3d 1361 (Fed. Cir. 2013). At this time, the Federal Circuit did not address Cisco's arguments on non-infringement and damages because the case was remanded for a new trial. This decision to delay analysis of non-infringement will be important later.

Commil sought certiorari on the limited question of whether a defendant's belief that a patent is invalid is a defense to induced infringement, which the Supreme Court granted, reversing the majority's decision on that issue, and vacating and remanding the case to the Federal Circuit.

In 2013, the Federal Circuit's previous opinion in this case had remanded the case to the district court for a new trial. *See Commil*, 720 F.3d 1361 (Fed. Cir. 2013). Upon receiving the case from the Supreme Court in 2015, the Federal Circuit granted Cisco's request to retain the case and address Cisco's remaining non-infringement arguments which the Federal Circuit had declined to address in its previous opinion. In particular, Cisco argued that because neither Cisco nor its customers directly infringe by performing both method steps, Commil cannot prevail on its infringement charges.

Upon review of Cisco's arguments regarding infringement, the Federal Circuit held there was no infringement by concluding that "substantial evidence did not support the jury's finding that Cisco's devices, when used, perform the 'running' step of the asserted claims." The Federal Circuit reviewed testimony by Cisco's engineer, and Commil's expert in considering Commil's

arguments, which were unpersuasive, and reviewed the jury's determinations of infringement for substantial evidence. In what may seem a strange twist for a case that went all the way to the Supreme Court on a defense to induced infringement based on a belief of invalidity, in its December 2015 ruling in *Commil*, the Federal Circuit held there was no infringement concluding that "substantial evidence did not support the jury's finding that Cisco's devices, when used, perform the 'running' step of the asserted claims." See *Commil USA, LLC, v. Cisco Sys., Inc.*, No. 2012-1042, 2015 WL 9461594 (Fed. Cir. Dec. 28, 2015). As such, the Federal Circuit held there was no direct infringement. Of course, that means that as a matter of law there could be no indirect infringement as well. The district court's judgment was reversed, since the Federal Circuit's conclusion precludes liability under either of *Commil*'s direct or inducement theories.

The Knowledge Requirement

In 2011, the Supreme Court addressed the knowledge requirement of inducers in *Global-Tech Appliances, Inc., v. SEB S.A.* 131 S. Ct. 2060 (2011). Under the *Global-Tech* standard, induced infringement liability requires (1) knowledge of the patent and (2) knowledge that "the induced acts constitute patent infringement." *Id.* at 2068.

In *Global-Tech*, the issue before the court was "whether a party who 'actively induces infringement of a patent' under 35 U.S.C. § 271(b) must know that the induced acts constitute patent infringement." *Id.* at 2063. The plaintiff, SEB, patented a deep fryer. *Id.* at 2063. Sunbeam asked Pentalpha to supply deep fryers, and Pentalpha copied SEB's fryer in order to satisfy the order. *Id.* at 2064. Sunbeam then sold the deep fryers to customers. *Id.* SEB brought suit against Pentalpha for induced infringement. *Id.* As a defense, Pentalpha claimed they did not know the deep fryer was patented. *Id.* In the alternative, Pentalpha argued that induced infringement required "more than deliberate indifference to a known risk that the induced acts may violate an existing patent," that actual knowledge was required. *Id.* at 2065.

The Supreme Court acknowledged that § 271(b)'s reference to a party that "induces infringement" was understandably vague. *Id.* It could be interpreted as only requiring the inducer to encourage another to engage "in conduct that happens to amount to infringement." *Id.* Likewise, it could be interpreted as requiring the inducer to encourage conduct that the inducer knows is infringement. *Id.*

After failing to find a definitive answer in the text of the statute, the Supreme Court turned to contributory infringement case law. *Id.* The Supreme Court looked to contributory infringement case law because contributory infringement has "a common origin in the pre-1952 understanding of contributory infringement and the language of the two provisions creates the same difficult interpretive choice." *Id.* at 2068. Therefore, the Supreme Court determined that requiring the same level of knowledge for contributory and induced infringement was appropriate, reasoning that the opposite outcome would be "strange." *Id.* Accordingly, the Supreme Court held that induced infringement "requires knowledge that the induced acts constitute infringement." *Id.*

Accused infringers cannot, however, circumvent liability by purposefully avoiding knowledge. The Supreme Court made it clear that willfully blind defendants may still be liable. *Id.* at 2071. A willfully blind defendant "is one who takes deliberate actions to avoid confirming

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