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NEW “BELIEF” DEFENSE TO INDUCED INFRINGEMENT: FIXING WHAT ISN’T BROKEN?

Perhaps believing *can* make it so, at least according to the Federal Circuit’s latest ruling regarding induced infringement and invalidity.

In *Commil*, the two-judge majority, “strain[ing] to fix current law without ever showing exactly what is broken,”¹ created a new defense to induced infringement based solely on the accused infringer’s *belief* of invalidity.² After a deeply divided Federal Circuit denied a petition for rehearing en banc, the law now says that a good-faith belief of invalidity by an accused infringer may negate the intent necessary to prove induced infringement under 35 U.S.C. § 271(b).³

Is this new rule “[L]ike waking up and unexpectedly finding the sky is now green,”⁴ or “axiomatic?”⁵ A review of *Commil* and the new defense to induced infringement provides valuable insights into dissecting this vexing question.

Background

By statute, “Whoever actively induces infringement of a patent shall be liable as an infringer.”⁶ To prove a claim of induced infringement, the patent owner must show (1) the patent is directly infringed, and (2) the accused infringer knowingly induced infringement while possessing specific intent to encourage another’s infringement.⁷ Thus, liability for induced infringement extends to one who “advises, encourages, or otherwise induces” others to engage in infringing conduct.⁸

In *Global-Tech*, the U.S. Supreme Court made it clear that some intent is necessary to prove induced infringement under § 271(b).⁹ The “knowingly induced” prong requires the accused infringer to know that the induced acts constitute patent infringement.¹⁰

Knowledge that the induced acts constitute patent infringement may result either from (1) actual knowledge of the infringement, or (2) the doctrine of “willful blindness.”¹¹ A willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of the underlying direct infringement and who can almost be said to have known of the critical facts.¹² By contrast, a reckless defendant is one who merely knows of a substantial and unjustified risk of wrongdoing and a negligent defendant is one who should have known of a similar risk but, in fact, did not.¹³

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1 *Commil USA, LLC v. Cisco Sys., Inc.*, No. 2012-1042, 2013 U.S. App. LEXIS 21713, *11 (Fed. Cir. Oct. 25, 2013) (Reyna, C.J. dissenting).

2 *Id.* at *3.

3 *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013), petition for reh’g denied, *Commil USA, LLC v. Cisco Sys., Inc.*, No. 2012-1042, 2013 U.S. App. LEXIS 21713 (Fed. Cir. Oct. 25, 2013).

4 *Commil USA, LLC*, 2013 U.S. App. LEXIS 21713, at *11 (Reyna, C.J. dissenting).

5 *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d at 1368.

6 35 U.S.C. § 271(b).

7 *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1312 (Fed. Cir. 2005).

8 *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307 (Fed. Cir. 2012).

9 *Global-Tech Appliances, Inc. v. SEB S.A.*, ___ U.S. ___, 131 S. Ct. 2060, 2065 (2011).

10 *Id.* at 2068.

11 *Id.*

12 *Id.* at 2070.

13 *Id.* at 2070-71.

“All three Federal Circuit panel members agreed that it was an error to instruct the jury that it could find induced infringement if ‘Cisco 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 instruction would allow the jury to find liability for induced infringement for mere negligence and was inconsistent with *Global-Tech* and erroneous as a matter of law.”

“Case law says that a good-faith belief of *non-infringement* is relevant to show that an accused infringer lacked the intent required to induce infringement. There is “no principled distinction” between a good-faith belief of *invalidity* and a good-faith belief of *non-infringement* for the purpose of determining whether a defendant possessed the specific intent to induce infringement.”

Commil – Procedural Background

Commil USA, LLC (Commil) sued Cisco Systems, Inc. (Cisco) for patent infringement. A jury found for Commil on validity and direct infringement, awarding Commil \$3.7 million in damages.¹⁴ The jury also found that Cisco had not induced infringement of the patent.¹⁵

The trial court decided that trial statements by Cisco’s counsel were improper and “partially prejudicial” and granted Commil’s motion for a new trial on the issues of indirect infringement and damages.¹⁶ Cisco filed motions (1) for reconsideration or clarification of the order, and (2) seeking certification of the order for interlocutory appeal under 28 U.S.C. § 1292(b).¹⁷ The district court denied both motions.¹⁸

The Federal Circuit then denied Cisco’s petition for a *writ of mandamus* to direct the district court to vacate its order granting Commil a new trial on indirect infringement and damages.¹⁹

After a second trial examining only indirect infringement and damages, a jury returned another verdict in favor of Commil and awarded \$63.7 million in damages. The district court entered final judgment on the award, plus prejudgment interest and costs. Cisco appealed.²⁰

Commil – Panel Opinion

On appeal, Cisco argued, *inter alia*, that (1) an erroneous instruction allowed the jury to find inducement based on mere negligence, and (2) the district court erroneously precluded Cisco from presenting evidence of its good-faith belief of invalidity to show that it lacked the requisite intent to induce infringement—an issue of first impression for the Federal Circuit.²¹

All three Federal Circuit panel members agreed that it was an error to instruct the jury that it could find induced infringement if “Cisco 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.”²² The instruction would allow the jury to find liability for induced infringement for mere negligence and was inconsistent with *Global-Tech* and erroneous as a matter of law.²³ The court vacated the verdict on induced infringement and damages and remanded the case for a new trial.²⁴

Judge Sharon Prost, writing for the two-judge majority, agreed with Cisco that the district court erred in preventing Cisco from presenting evidence of its good-faith belief of invalidity to rebut allegations of induced infringement.²⁵ Analyzing the issue, Judge Prost reasoned:

- Case law says that a good-faith belief of *non-infringement* is relevant to show that an accused infringer lacked the intent required to induce infringement.²⁶ There is “no principled distinction” between a good-faith belief of *invalidity* and a good-faith belief of *non-infringement* for the purpose of determining whether a defendant possessed the specific intent to induce infringement.²⁷

14 *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1365 (Fed. Cir. 2013); *Commil USA, LLC v. Cisco Sys., Inc.*, No. 2:07-CV-341, 2011 WL 738871, *3 (E.D. Tex. Feb. 23, 2011).

15 *Id.*

16 *Commil USA, LLC*, 720 F.3d at 1365.

17 *Commil USA, LLC*, 2011 WL 738871, at *1.

18 *Id.* at *5.

19 *In re Cisco Sys., Inc.*, 410 F. App’x 339 (Fed. Cir. 2011).

20 *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1365 (Fed. Cir. 2013).

21 *Id.* at 1365, 1367.

22 *Id.* at 1366, 1373 (Newman, J.), 1375 (O’Malley, J.).

23 *Id.* at 1367.

24 *Id.*

25 *Id.*

26 *Id.* at 1367-68 (citing, e.g., *DSU Med. Corp.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc)).

27 *Id.* at 1368.

“If an accused infringer believed a patent was invalid, it can hardly be said that the alleged inducer intended to induce infringement. Thus, a good-faith belief of invalidity is evidence that may inherently negate the intent to induce infringement. Such evidence does not *preclude* a finding of inducement, but it is evidence that should be considered by the fact-finder.”

“[I]t is not ‘axiomatic that one cannot infringe an invalid patent’ as the majority opinion states. The issue of infringement is an entirely separate question capable of determination without regard to validity.”

- It is “axiomatic” that an invalid patent cannot be infringed.²⁸
- If an accused infringer believed a patent was invalid, it can hardly be said that the alleged inducer intended to induce infringement. Thus, a good-faith belief of invalidity is evidence that may inherently negate the intent to induce infringement.²⁹ Such evidence does not *preclude* a finding of inducement, but it is evidence that should be considered by the fact-finder.³⁰

Judge Pauline Newman vigorously dissented. While agreeing that remand was appropriate, she disagreed with the majority on the relevance of a good-faith belief of invalidity, reasoning:

- A good-faith belief of invalidity does not avoid liability for infringement when the patent is valid.³¹ Infringement in fact does not depend on the *belief* of the accused infringer—even a good-faith belief—that it might succeed in invalidating the patent.³² Simply put, a belief of invalidity cannot avoid liability for infringement of a patent whose validity is sustained.³³
- Section 271(b) does not import a validity criterion into proof of the act of infringement.³⁴
- The majority’s view is contrary to the principles of tort law codified in the inducement statute. One who aids or abets a tort is liable jointly and severally with the primary tortfeasor. A mistake of law, even made in good faith, does not absolve a tortfeasor.³⁵
- If patent infringement and invalidity are separate and distinct issues, it strains fairness to allow the jury to consider invalidity in a third trial while denying Cisco’s request to retry that issue.³⁶

While agreeing with Judge Prost on the issues presented here, Judge Kathleen O’Malley dissented as to other issues in the appeal.³⁷

Commil – En Banc Review Denied

Cisco petitioned for a panel rehearing and a rehearing en banc. Both were denied.³⁸ A total of five Federal Circuit judges dissented in two separate opinions.

Judge Newman, joined by Chief Judge Randall Rader and Judges Jimmie Reyna and Evan Wallach dissented to the denial of the petition for rehearing en banc, noting:

- “[I]t is not ‘axiomatic that one cannot infringe an invalid patent’ as the majority opinion states.”³⁹ The issue of infringement is an entirely separate question capable of determination without regard to validity.⁴⁰
- The court’s refusal to grant en banc review adds uncertainty to the law and its application.⁴¹
- Because the issues of invalidity and infringement are interwoven in the new defense of subjective belief, it was unfair, at a minimum, not to review the panel’s instructions for a limited retrial only on the issue of induced infringement.⁴²

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.* at 1368-69.

³¹ *Id.* at 1373.

³² *Id.* at 1374.

³³ *Id.*

³⁴ *Id.* at 1373.

³⁵ *Id.*

³⁶ *Id.* at 1374-75.

³⁷ *Id.* at 1376.

³⁸ *Commil USA, LLC v. Cisco Sys., Inc.*, No. 2012-1042, 2013 U.S. App. LEXIS 21714 (Fed. Cir. Oct. 25, 2013)

³⁹ *Id.* at *12.

⁴⁰ *Id.*

⁴¹ *Id.* at *13.

⁴² *Id.* at *14.

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Judge Reyna, joined by Chief Judge Rader and Judges Newman, Alan Lourie and Wallach also dissented:

- The majority opinion incorrectly adds invalidity to the definition of “infringement” in § 271(b) contrary to the language of the statute, case law and the legislative history.⁴³
- Infringement and invalidity are separate issues under the patent code and case law precedent. Given this, imputing questions of invalidity into § 271(b) has no reasonable basis. Rather than saying one cannot infringe an invalid patent, it is more accurate to say that *liability* for infringement depends on a patent being both valid and enforceable—that one cannot be *liable for infringement of an invalid patent*.⁴⁴
- The majority wrongly conflates the defense of noninfringement with the defense of invalidity, thereby ignoring the statutory presumption of patent validity. This fundamental difference between the defenses of noninfringement and invalidity must be acknowledged.⁴⁵

Conclusions

What color is the sky from your perspective—blue or green? In assessing the potential impact of this new rule, consider:

- What is your evidence of “a good-faith belief of invalidity,” which is not defined in *Commil*?
- What is the burden of proving “a good-faith belief”—clear and convincing evidence?
- Arguably, evidence of “good faith” must precede the lawsuit and, alone, is not dispositive of the inducement issue.
- Is “good faith” an issue of fact, law, or a mixed issue of fact and law?
- What is the interplay of the “good faith belief” defense to induced infringement and an invalidity defense at trial? How will this play out with the jury?

Special Note to My Readers:

I enjoy researching, preparing and distributing IpQ to you periodically throughout the year. I especially appreciate and value your feedback and suggestions. Please keep them coming to my e-mail address, pstrand@shb.com. Happy holidays to you, and a prosperous New Year in 2014.

*Warmest regards,
Peter*

43 *Id.* at *4-*5.

44 *Id.* at *7-*8.

45 *Id.* at *9-*10.