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Should A Good Faith Belief In Patent Invalidity Negate Induced Infringement?
(The Trouble with *Commil* is *DSU*)

In *Commil USA, LLC v. Cisco Systems*, the Federal Circuit (2-1) held that “evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”¹ The decision establishes a new defense to infringement actions under 35 U.S.C. § 271(b), one “that had never previously been recognized by the Federal Circuit.”² Indeed, the decision may “fundamentally change[] the operating landscape of inducement suits.”³ A petition for rehearing *en banc* was denied,⁴ but on December 5, 2014, the Supreme Court granted certiorari to consider the issue.⁵ Accordingly, it is worthwhile to analyze the basis of the *Commil* decision and its origins in *DSU Medical Corp. v. JMS Co. Ltd.*,⁶ to gain insight on how the Supreme Court may rule. *Commil* extends *DSU*’s holding—that a good faith belief in noninfringement negates the intent requirement of § 271(b)—to a good-faith belief in a patent’s invalidity. But it is not clear that, in the cases relied upon by *DSU*, an intent to induce actionable infringement is required in the first instance. This conclusion not only challenges the *Commil* holding but also raises questions as to whether *DSU* is sound.

After a brief review of *DSU*, the article examines cases cited in that decision—*Manville*, *Grokster* and *Water Technologies*—and contends that none of these cases supports the

¹ 720 F.3d 1361, 1368 (Fed. Cir. 2013) (footnote omitted).

² Brief for the United States as Amicus Curiae at 14, *Commil USA, LLC v. Cisco Systems, Inc.*, 2014 WL 5299431 (2014). To support the grant of Certiorari, the government cited Coggio, “Avoid Inducement Liability with an Early Opinion of Counsel,” IP 360 (March 21, 2014).

³ Brief for the United States as Amicus Curiae at 14, *Commil*, 2014 WL 5299431 (2014) (citing *Commil USA, LLC v. Cisco Sys., Inc.*, 737 F.3d 699, 703 (Fed. Cir. 2013) (Reyna, J., dissenting)).

⁴ *Commil USA, LLC v. Cisco Sys., Inc.*, 737 F.3d 699 (Fed. Cir. 2013).

⁵ *Commil USA, LLC v. Cisco Sys., Inc.*, No. 13-896, 2014 WL 318394 (U.S. Dec. 5, 2014).

⁶ 471 F.3d 1293 (Fed. Cir. 2006).

proposition that a good faith belief in noninfringement negates the intent requirement of § 271(b). The article then examines how this principle has wrongly been extended in *Commil* to include a good faith belief in invalidity.

Good Faith Belief in Non-Infringement

In *DSU*, the Federal Circuit *en banc* resolved conflicting precedents as to the required intent for inducement, holding that it “requires evidence of culpable conduct, directed to encouraging another's infringement, not merely that the inducer had knowledge of the direct infringer's activities.”⁷ Earlier, in *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, the court held that “proof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement,” but did not expressly address the intent to *cause* actual infringement.⁸ In that same year, the court in *Manville Sales Corp. v. Paramount Systems, Inc.* went further and held that “[t]he plaintiff has the burden of showing that the alleged infringers’ actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.”⁹ The *DSU* court, in adopting the *Manville* standard,¹⁰ relied heavily on its earlier opinion in *Water Technologies Corp. v. Calco, Ltd.*¹¹ and the Supreme Court’s decision in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*¹² As such, both decisions are worth exploring before analyzing *DSU*.

⁷ *Id.* at 1306.

⁸ 471 F.2d 1464, 1469 (Fed. Cir. 1990) (citation omitted).

⁹ 917 F.2d 544, 553 (Fed. Cir. 1990) (emphasis in original).

¹⁰ *See DSU*, 471 F.3d 1293, 1306 (Fed. Cir. 2006).

¹¹ 850 F.2d 660 (Fed. Cir. 1988).

¹² 545 U.S. 913 (2005).

Neither *Grokster* nor *Water Technologies* Supports the Position That the Inducer Must Intend Actual, Actionable Infringement

In *Grokster*, a copyright case, the Supreme Court held that liability for inducement exists “where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions [by the inducer] directed to promoting infringement”¹³ The Court cited *Water Technologies*, stating “liability for inducement [exists] where one actively and knowingly aid[s] and alert[s] another’s direct infringement.”¹⁴ The original passage in *Water Technologies* emphasized “knowingly,” likely because of the defendant’s argument that his “lack of knowledge preclude[d] a finding of intent to induce infringement” because (i) he was unaware of the infringing sales of the original, accused resin products, and (ii) believed that his improved resin products did not infringe.¹⁵ The Federal Circuit held that the requisite intent for inducement could be supported by sufficient circumstantial evidence, noting that the defendant had given infringing formulas to the manufacturer, helped it make the infringing products, prepared consumer use instructions, and exerted control over the manufacture.¹⁶ Nowhere in the opinion, however, does the court hold that a defendant is liable under § 271(b) only if it knew its conduct induced an *actual* infringement.

After citing *Water Technologies* and other cases stressing the inducer’s active conduct as the basis for inducement, the Supreme Court in *Grokster* concluded “one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement[s] is liable for the resulting acts of

¹³ *Id.* at 935, citing Black’s Law Dictionary 790 (8th ed. 2004).

¹⁴ *Id.* at 936.

¹⁵ *Water Technologies*, 850 F.2d at 668.

¹⁶ *Id.* at 668-69. The lower court noted that the defendant had not obtained an opinion of counsel and thus “had no way of knowing... whether his ‘improvement’ avoided infringement.” *Id.* at 669.

infringement by third parties.”¹⁷ Once again, under this decision, it does *not* appear that a plaintiff must establish that defendant *knew* the he induced an *actual* infringement. As noted above, in *DSU*, the basis for *Commil*, the court relied heavily on *Grokster* and its favorable citation of *Water Technologies*.¹⁸ But neither decision supports the position that the inducer must intend *actual*, actionable infringement. Only that “mere knowledge of the acts alleged to constitute infringement” is not enough.¹⁹

**The *Manville* Standard Adopted by *DSU* does not Seemingly
Require Actual Knowledge or Intent**

DSU adopted the *Manville* standard²⁰ under which “the plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts *and* knew/or should have known that his actions would induce actual infringements.”²¹ The *Manville* Court relied on the “knowingly” language of *Water Technologies*—in the context of “knowledge” of the patent-in-suit, and not of its infringement—to assess liability under § 271(b).²² The defendants escaped liability because they had a “good faith belief” that the accused product did not infringe.²³ But this belief is relevant only if knowledge that *actual* and *actionable* infringement is required before liability attaches, and the cases relied upon in *DSU* do not seemingly require this degree of knowledge and/or intent. Yet in *DSU* the Federal Circuit again excused the defendant

¹⁷ *Grokster*, 545 U.S. at 936-37.

¹⁸ *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293, 1305-06 (Fed. Cir. 2006).

¹⁹ *Id.* at 1305 (citation omitted).

²⁰ *See id.* at 1306.

²¹ *Manville*, 917 F.2d at 553 (emphasis in original). The “should have known” aspect was clarified by the Supreme Court in *Global-Tech Appliances, Inc. v. SEB SA*, 131 S.Ct. 2060 (2011), where the Court held that willful blindness, but not recklessness, constituted culpable knowledge under § 271(b). *See id.* at 2068-69.

²² *Manville*, 917 F.2d at 553.

²³ *See id.* at 553-54.

inducer's conduct because the defendant did not believe the accused product infringed.²⁴ One could argue that this "good faith" belief in noninfringement is irrelevant because, as noted above, the inducer may not be required to believe that its conduct induced *actionable* infringement.

Good Faith Belief in Invalidity

In *Commil*, the Federal Circuit held that the district court erred in preventing defendant Cisco from presenting evidence of its good faith belief in invalidity to rebut Commil's allegations of induced infringement. Citing *DSU*, the court noted that "a good-faith belief of non-infringement is relevant evidence that tends to show that an accused inducer lacked the intent required to be held liable for induced infringement."²⁵ And going one step further, it stated "we see no principled distinction between good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent."²⁶

The crux of the court's decision was that one cannot infringe an invalid patent. Therefore, where an inducer has a good-faith belief in invalidity, "it can hardly be said that the alleged inducer intended to induce infringement."²⁷ Thus, citing *Global-Tech Appliances, Inc. v. SEB S.A.*, the Federal Circuit held that "evidence [of good faith] should be considered ... in determining whether an accused party knew that the induced acts constitute patent infringement."²⁸ In *Global-Tech*, the Supreme Court ruled: "[W]e now hold that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent

²⁴See *DSU*, 471 F.3d at 1307. Interesting, *DSU* never expressly recognized that the new standard was based on the "intent" required to hold corporate officers liable.

²⁵ *Commil USA, LLC v. Cisco Systems*, 720 F.3d 1361, 1367-68 (Fed. Cir. 2013).

²⁶ *Id.* at 1368.

²⁷ *Id.* The court cited district court decisions supporting this view.

²⁸ *Id.* at 1368 (citation omitted).

infringement.”²⁹ But in the sentence preceding that “holding,” the Court, comparing the requirements of § 271(c) and (b), stated: “It would be strange to hold that knowledge of the relevant patent is needed under § 271(c) but not under § 271(b).”³⁰ But exactly what knowledge is that? Is a belief that the induced acts *actually* constitute infringement necessary such that a good faith belief in noninfringement absolves the inducer? Significantly, in *Global-Tech*, the critical issue was the inducer’s *knowledge* of the asserted patent, *not* the inducer’s intent to infringe.

The government’s discussion of *Global-Tech* in its brief amicus curiae supporting the grant of certiorari in *Commil* is particularly relevant to the intent and knowledge required to induce infringement:

Global-Tech clearly establishes that a defendant may be held liable under Section 271(b) only if it knew about the patent at issue. *Global-Tech* does not clearly resolve, however, whether the defendant must additionally possess actual knowledge that the induced conduct constitutes infringement. On the one hand, certain passages in *Global-Tech* suggest that Section 271(b) requires only knowledge of (or willful blindness to) the patent’s existence. On the other hand, prominent passages in *Global-Tech* suggest that Section 271(b) additionally requires proof that the defendant knew the induced conduct to be infringing. The factual circumstances of *Global-Tech* did not require the Court to choose between those two potential understandings of Section 271(b)’s scienter requirement.³¹

Later, the government notes: “As explained above, *Global-Tech* does not resolve whether defendant must know in addition that the induced conduct actually infringed the patent.”³² But,

²⁹ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011).

³⁰ *Id.*

³¹ Brief for the United States as Amicus Curiae at 9, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 752 (2014) (emphasis added) (citations omitted).

³² *Id.* at 11.

because neither party has challenged the *DSU* holding, the soundness of the Federal Circuit’s reasoning “is not squarely at issue here.”³³ Perhaps it should be.

In *Commil*, a petition for rehearing *en banc* was denied over the dissent of five judges. Judge Reyna’s dissent contended that the legislative history explains the language of § 271(b) “recites in broad terms that one who aids and abets an infringement is likewise an infringer.”³⁴ But this does not require an intent to induce *actionable* infringement. According to Judge Reyna, neither the statute nor the legislative history shows that an inducer can escape liability by showing it held a good faith belief in invalidity.³⁵ But does either source show that a good faith belief in noninfringement excuses such conduct? According to Judge Reyna, since invalidity and infringement are separate issues, the Federal Circuit erred in conflating the two defenses into one.³⁶

Judge Newman, in dissent, took issue with the key basis of the majority opinion that “one cannot infringe an invalid patent.”³⁷ Rather, according to Judge Newman, one *can* infringe such patent, but no liability will attach. This approach, while legally correct, seems to ignore practical realities, i.e., does an inducer care if it “infringes” an invalid patent? At a minimum, the inducer would have a good-faith belief that, while infringement may exist, no liability will attach.

Agreeing with Judge Newman’s criticism of the majority opinion, *Commil*’s petition for certiorari argues that the “crux of the Federal Circuit panel majority’s reasoning in support of its new defense to a charge of inducing infringement is that ‘[i]t is axiomatic that one cannot

³³ *Id.* at 13.

³⁴ *Commil USA, LLC v. Cisco Sys., Inc.*, 737 F.3d 699, 701 (Fed. Cir. 2013) (Reyna, J., dissenting). Chief Judge Rader and Judges Newman, Lourie and Wallach joined in Judge Reyna’s dissent.

³⁵ *See id.*

³⁶ *See id.* at 701-02.

³⁷ *Commil USA, LLC v. Cisco Sys., Inc.*, 737 F.3d 699, 703 (Fed. Cir. 2013) (Newman, J., dissenting).

infringe an invalid.”³⁸ Thus, according to the Federal Circuit, there is no principled distinction between a good-faith belief of invalidity and good-faith belief of non-infringement with regard to a defendant’s specific intent to induce infringement.³⁹ One could submit that, as a practical matter, the Federal Circuit is correct.

Cisco’s brief in opposition relies on *Global-Tech*, which “establishes that intent to induce infringement requires ‘knowledge that the induced acts constitute *patent infringement*.’”⁴⁰ Accordingly, Cisco argues that since “patent infringement” cannot exist if the asserted patent is invalid, a good-faith belief in invalidity—as with non-infringement—should negate the intent required for a § 271(b) violation.⁴¹ But *Global-Tech*, as the government’s amicus brief recognized, did not go that far. Certainly the facts addressed in *Global-Tech* did not require such a broad ruling.

In its brief amicus curiae, the government states: “The court of appeals erred in holding that a person who knowingly induces another to engage in infringing conduct may avoid liability under Section 271(b) by demonstrating that it had a good-faith belief that the infringed patent was invalid.”⁴² The government, as noted above, asserted that *Global-Tech*—relied on by the Federal Circuit in *Commil*—“does not resolve whether the defendant must know in addition [to affirmative steps to induce infringement] that the induced conduct actually infringed the patent.”⁴³ Regardless, the government contends that even if such knowledge were required, a defendant’s belief that the patent is invalid is likewise not a defense to § 271(b) liability because

³⁸ Petition for Writ of Certiorari at 13, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 752 (2014) (citation omitted).

³⁹ *See id.* at 14 (citation omitted).

⁴⁰ Brief in Opposition to Certiorari at 9, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 752 (2014) (citation omitted) (emphasis in original).

⁴¹ *See id.* at 9-10.

⁴² Brief for the United States as Amicus Curiae at 6, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 752 (2014) (emphasis added).

⁴³ *Id.* at 11.

the validity of a patent is not an element of direct infringement under § 271(a).⁴⁴ But the validity of the patent is, in a practical sense, an element of liability under § 271(a) because no liability exists for “infringing” an invalid patent. The same is true for § 271(b).⁴⁵

In conclusion, the government argues that § 271(b) neither requires knowledge of the patent’s validity nor suggests that a good faith belief in invalidity is a proper defense.⁴⁶ But can the same be true of infringement and a good faith belief in noninfringement? Accordingly, the question that should be addressed, but is not before the Court, is whether a good faith belief in noninfringement negates the intent requirement of § 271(b). In other words, is the *DSU* decision sound? If not, *Commil* must certainly be reversed.

⁴⁴ *See id.*

⁴⁵ The government also cited *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), in support of its position, but recognized that “[t]he Court in *Aro II* focused not on whether the defendant *believed* that the conduct it facilitated was actually infringing, but on whether the defendant had been notice given adequate warning of the risk of secondary liability.” Brief for the United States as Amicus Curiae at 8-9, *Commil*, 135 S. Ct. 752 (emphasis in original). This too would not support the broad ruling of *DSU*.

⁴⁶ Brief for the United States as Amicus Curiae at 11, *Commil*, 135 S. Ct. 752 (2014).