

No. 13-896

IN THE

Supreme Court of the United States



COMMIL USA, LLC,
Petitioner,

—v.—

CISCO SYSTEMS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of
Appeals for the Federal Circuit

**BRIEF *AMICI CURIAE* FOR SIXTEEN
INTELLECTUAL PROPERTY LAW PROFESSORS
IN SUPPORT OF THE RESPONDENT**

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INTEREST OF THE *AMICI CURIAE*¹

Amici are law professors who specialize in intellectual property law and who have previously published on, or have interest in, the issue of induced infringement and, more broadly, the proper functioning of the patent system. Amici have no personal stake in the outcome of this case, but have an interest in seeing that the patent laws develop in a way that promotes rather than impedes innovation.

SUMMARY OF THE ARGUMENT

This Court's decision in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011), incentivized parties to review patents before engaging in activity that could result in inducement of patent infringement. Eliminating a good faith belief that the patent is invalid as a way to negate the required intent for induced infringement undermines this incentive. Removal of a good faith belief as a defense also undermines the policy

¹ Pursuant to Supreme Court Rule 37.6, *amici curiae* affirm that no counsel for a party authored this brief in whole or in part, that no counsel or a party made a monetary contribution intended to the preparation or submission of this brief and no person other than *amici curiae*, their members, or their counsels made a monetary contribution to its preparation or submission.

Pursuant to Supreme Court Rule 37.2, each party has consented to the filing of this brief, and copies of the consents are on file with the Clerk of the Court.

articulated by this Court in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), of encouraging parties to challenge likely invalid patents through litigation. Finally, this Court should make clear that a good faith belief that the patent is invalid or not infringed should only bar past damages; prospective relief, such as an injunction or ongoing royalties, should remain available to the patent owner. The availability of prospective relief acts as a check on the problem of “rubber stamp” legal opinions.

ARGUMENT

I. A GOOD FAITH BELIEF THAT A PATENT IS INVALID NEGATES THE REQUISITE SCIENTER FOR ACTIVE INDUCEMENT OF PATENT INFRINGEMENT

Under 35 U.S.C. § 271(b), a third party can be held liable for the directly infringing acts of another if the third party has “actively induced” that infringement. *See Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2118-19 (2014) (“[T]he reason Limelight could not have induced infringement under § 271(b) is . . . that no direct infringement was *committed*.”). This Court has made clear that, to induce infringement, the inducer must possess the requisite knowledge and intent. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). Specifically, the party must have “knowledge that the induced acts constitute patent infringement.” *Id.* at 2068.

This case involves specifically whether one can have the requisite culpable mental state to induce infringement if she believes the patent is invalid. This Court should answer that question in the negative, holding that a good faith belief in invalidity acts as a defense to active inducement, but only as to past damages, and not prospective relief.

A. Only Truly Culpable Parties Should Be Held Liable for Inducing Patent Infringement.

When courts find that parties have induced infringement, they are holding those parties liable for the infringing acts of others, even though their own behavior does not infringe the patent. Indeed, the allegedly infringing conduct may be laudably pro-competitive. As such, liability for inducing infringement should be the exception, not the rule. The doctrine should not create an opportunity for patentees to pursue innocent parties for additional payment. This Court noted as much in *Global-Tech*, specifically noting that an inducer must have “knowledge that the induced acts constitute patent infringement.” 131 S.Ct. at 2068.

The intent requirement is consistent with the common law origins of § 271(b). The 1952 Patent Act codified what had developed in the common law as indirect infringement, which Congress bifurcated into active inducement under § 271(b) and contributory infringement under § 271(c). Pre-1952 cases required an intent for a party to be liable for indirect infringement. Lynda J. Oswald, *The Intent Element of “Inducement to Infringe” Under Patent*

Law: Reflections on Grokster, 13 MICH. TELECOMM. & TECH. L. REV. 225, 227–28 (2006). Indirect infringement was defined as the “*intentional* aiding of one person by another in the unlawful making, or selling, or using of a third person’s patented invention.” *N.Y. Scaffolding Co. v. Whitney*, 224 F. 452, 459 (8th Cir. 1915) (citing *Henry v. A. B. Dick Co.*, 224 U.S. 1, 34 (1912)). Absent the element of intent, the inducing infringer cannot be a truly culpable party.

B. A Party with a Good Faith Belief of Invalidity is Not a Culpable Party and Instead is Engaging in Laudable, Pro-Competitive Conduct

The question in this case thus becomes whether a party with a good faith belief that a patent is invalid nevertheless constitutes a culpable party that should be held liable. The answer to that question is “no” because holding otherwise undermines important policies that underlie the patent system.

1. *Global-Tech Created an Incentive for Parties to Review Patents*

The patent system operates on a variation of constructive notice: We hope that third parties are reading patents not only to learn from their disclosure but also to assess whether they infringe them. This dynamic in part justifies the strict liability regime that we have for direct infringement.

We should also hope that potential inducers would review patents to assess their potential liability. In fact, one of the important collateral

consequences of this Court's adoption of the willful blindness standard in *Global-Tech* is that companies now have a stronger incentive to search for and review patents.

Before *Global Tech*, parties could have avoided liability for inducing infringement by simply ignoring patents altogether, burying their heads in the proverbial sand. Now such ostrich-like behavior will not immunize the party. *Global-Tech* held that "willful blindness" constitutes the required knowledge under § 271(b). *Global-Tech*, 131 S.Ct. at 2069. Specifically, the Court held that the knowledge requirement is satisfied if the defendant "subjectively believe[s] that there is a high probability that a fact exists," *i.e.* that there is a patent, and the defendant "take[s] deliberate actions to avoid learning of that fact." *Id.* at 2070. The message was clear: the law should not "protect[] parties who actively encourage others to violate patent rights and who take deliberate steps to remain ignorant of those rights despite a high probability that the rights exist and are being infringed." *Id.* at 2069 n. 8. *See* Kristin M. Hagen, *Eyes Wide Shut: Induced Patent Infringement and the Willful Blindness Standard*, 17 MARQ. INTELL. PROP. L. REV. 305, 317 (2013).

By adopting the willful blindness doctrine, the Court encouraged parties to seek out legal advice pertaining to whether their actions constitute infringement. If they fail to look for patents, they can be found to have knowledge of the patent, and they will not have the opportunity to develop a good faith belief in non-infringement or invalidity to

protect themselves. Better to look and develop a good faith belief than not to look and risk infringement liability. Potential inducers “will not suffer a negative inference if they ultimately decide not to rely on those opinions.” Richard Marsh, *The Aftermath of Akamai: Induced Infringement and Opinions of Counsel*, 7 LANDSLIDE Sept./Oct. 2014, at 29 (discussing 35 U.S.C. § 298, which states that failing to present “the advice of counsel with respect to any allegedly infringed patent...to the court or jury[] may not be used to prove that the accused infringer...intended to induce infringement of the patent”).

2. Allowing Liability for Induced Infringement When a Party Has a Good Faith Belief the Patent is Invalid Undermines the Incentive to Review Patents

Holding that a good faith belief cannot act as a defense to inducement, however, would undermine that beneficial side-effect of *Global-Tech*. If the good faith defense is eliminated, then the review of the patent may nevertheless result in liability, reducing the incentive to review them to begin with.

From the perspective of a potential infringer, there is no difference between a determination that either the conduct is non-infringing or the patent is invalid: there will be no liability for inducing the relevant allegedly infringing acts. In either scenario, there would be no direct infringement and, therefore, no liability for inducing infringement. From the *ex ante* perspective, therefore, a party who has investigated a patent and thinks there will not be

infringement or that the patent is invalid would believe that their activities would not trigger liability.

In light of such a belief, then, the inducer cannot be viewed as having the required culpability. The Federal Circuit has recognized this fact on the non-infringement side of the ledger, holding that a good faith belief in non-infringement negates the required intent under § 271(b). See *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013) (discussing cases where a demonstrated belief of non-infringement supported a jury verdict that intent was lacking). Because the plaintiff must prove “that the defendant possessed specific intent to encourage another’s infringement,” necessarily a good faith belief in non-infringement negates that specific intent. *Kinetic Concepts, Inc., v. Blue Sky Med. Grp., Inc.*, 554 F.3d 1010, 1024 (Fed. Cir. 2009).

To conclude that a good-faith belief that the patent is invalid is insufficient to negate the requisite intent, however, introduces an odd asymmetry into the law. It makes no sense to treat a good faith belief in non-infringement and a good faith belief in invalidity differently. A party that can prove its good faith belief that it would not be liable does not possess the specific intent to induce infringement that is contemplated by the induced infringement statute.

Moreover, permitting liability for inducing infringement in the context of a good faith belief that the patent is invalid undermines the benefits of *Global Tech*. A party that takes the initiative to proactively search for patents and to determine in

good faith whether its conduct will result in liability now may be exposed to liability even if she believes the patent is invalid, reducing the incentive to incur the cost to perform such a review at all.

C. Allowing Liability In the Face of a Good Faith Belief of Invalidity Inappropriately Discourages Challenges to Patents

Not only does elimination of the good faith belief as a defense undermine the effects of *Global-Tech*, it also would undermine the policy articulated by this Court in favor of challenging likely invalid patents through litigation. This Court has emphasized a “strong federal policy favoring free competition in ideas which do not merit patent protection.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969). If a party believes a patent is invalid, we should want them to enter the market and, if sued, to challenge the patent they believe to be invalid.

This Court’s cases confirm this policy interest. In *Lear*, the Court rejected licensee estoppel, which precluded a licensee from challenging a patent’s validity. *Id.* at 671. In so doing, the Court noted that contractual interest in good faith negotiations is trumped by “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.” *Id.* at 670. This Court subsequently noted the “desirability of encouraging licensees to challenge the validity of patents, to further the strong federal policy that only inventions which meet the rigorous requirements of patentability shall be

withdrawn from the public domain.” *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 264 (1979). The Court later furthered this policy aim in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), holding that the licensee “was not required...to break or terminate [its] license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.” *Id.* at 136. Most recently, in *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S.Ct. 843 (2014), this Court noted that “licensees may often be the only individuals with enough economic incentive to litigate questions of a patent’s scope.” *Id.* at 852 (quoting *Lear*, 395 U.S. at 670).

Encouraging the challenge of patents believed to be invalid is important to clear markets of inappropriately issued patents. Invalidation of a patent, in contrast to a non-infringement determination, is in important respects a public good that may be undersupplied: securing an invalidity judgments costs the accused infringer but benefits everyone in the market. *See generally* Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L. J. 667, 677–95 (2004) (discussing an accused infringer’s incentives to challenge a patent’s validity versus accepting an attractive settlement). The patent becomes invalid as to the world, including the accused infringer’s competitors who will not have born the cost of the challenge. Challenging patents that are believed to be invalid vindicates “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.” *Lear*, 395 U.S. at 673–74.

Indeed, because of the risk of free riding—that those who did not incur the cost of challenging the patent can now practice the invention if the patent is invalidated—it is important to create incentives to challenge patents. *See* Miller, *supra*, at 688–95 (discussing undersupply of validity challenges).

The need to preserve the incentive to challenge patents in court is great. The data show that many litigated patents are in fact invalidated. A recent study of all patent cases filed in 2008-2009 showed that validity challenges were successful 42.4% of the time. John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 TEXAS L. REV. 1769, 1787 (2014). Such an invalidity rate is particularly striking given that patents are presumed valid and accused infringers must prove invalidity under the heightened clear and convincing standard. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S.Ct. 2238, 2242 (2011). Invalid patents can have significant impacts on competition, even if they are not enforced. *See generally* Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 MINN. L. REV. 101, 113-139 (2006) (discussing the relationship between patent law and antitrust). The Federal Trade Commission has noted that “[p]oor patent quality and legal standards and procedures that inadvertently may have anticompetitive effects can cause unwarranted market power and can unjustifiably increase costs. Such effects can hamper competition that would otherwise stimulate innovation.” FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 5 (2003). As such, there are a considerable

number of invalid patents lurking in the marketplace, with potential harmful consequences for competition, and *Lear* and its progeny support a policy of incentivizing challenges to those patents.

Permitting liability even when a potential inducer has a good faith belief in invalidity undermines this interest in challenging patents because it risks chilling appropriate market entry and the potential attendant patent challenge. With a good faith belief defense, the company can enter the market with a reduced sense of risk that their behavior will trigger liability. If they have such a good faith belief, then we should want them to enter the market to challenge the patent. The potential exposure to liability may deter such behavior.

Of course, ultimately, that accused inducer's belief must have been wrong for this issue to arise in litigation—a court has found the patent infringed and not invalid. So, as in this case, the infringer “may believe the patent is invalid,” but, “[o]f necessity, litigated inducement decisions are all cases in which those beliefs turn out to be wrong; there can be no inducement if there is no direct infringement of a valid patent.” Mark A. Lemley, *Inducing Patent Infringement*, 39 UC DAVIS L. REV. 225, 243 (2005).

Nevertheless, from the *ex-ante* perspective, we would hope that parties holding such a belief would enter the market. Conversely, if a party can be liable for inducement even if they believe the patent is invalid, they may decline to enter the market or engage in expensive design-around activity if they are risk averse. A conclusion that a party may still

be liable for inducing infringement if she holds a good faith belief that the patent is invalid undermines the interest in encouraging patent challenges.

II. THE GOOD FAITH BELIEF IN INVALIDITY SHOULD IMMUNIZE THE INFRINGER AS TO PAST DAMAGES ONLY AND NOT PROSPECTIVE RELIEF

A. Once a Court Finds the Patent Not Invalid and Infringed, Future Acts of Inducement Constitute Infringement and Are Subject to Injunction or Ongoing Royalties

Of course, as is the case here, the only reason the issue of the inducer's good faith belief arises in litigation is because that belief was demonstrated to be incorrect in litigation. If the belief was correct, then the court would invalidate the patent, precluding liability. The question then is the extent to which the good faith belief in invalidity should serve as a defense.

The good faith belief should act as a defense only to past damages. Because we want to encourage market entry and patent challenges, it makes sense to privilege such pre-litigation conduct. The good faith belief in invalidity, however, would not bar prospective relief. Once a court has rejected the accused inducer's invalidity and non-infringement arguments, there is no longer a possibility that the inducer has a good faith basis for believing that the patent is invalid or not infringed. Unless the infringer alters her conduct after a final determination of infringement and validity, any

ongoing behavior will be infringing. Consequently, the inducer should be subject to a permanent injunction, if warranted,² or liable for future damages. *See* Timothy R. Holbrook, *The Intent Element of Induced Infringement*, 22 SANTA CLARA COMPUTER AND HIGH TECH. L. J. 399, 405-07 (2006); *see also* Jason A. Rantanen, *An Objective View of Fault in Patent Infringement*, 60 AM. U. L. REV. 1575, 1604-05 n.162 (2011) (“[W]ith respect to future infringement, arguably neither contributory infringement nor inducement requires the demonstration of fault In short, when litigating over future infringement, it should not be necessary to establish fault with respect to whether or not the third party conduct infringes.”). Once the patent is found not invalid and infringed, the intent of the infringer with respect to validity no longer matters. Any future infringing conduct should be stopped through injunctive relief or should be subject to an ongoing royalty.

The courts have not made clear whether a good faith belief in invalidity, or non-infringement for that matter, precludes prospective relief. In one recent non-precedential decision, the Federal Circuit

² This Court rejected the Federal Circuit’s near *per se* rule of granting permanent injunctions if a party is found to infringe a valid patent. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393-94 (2006). If a party is not entitled to the four-factor test articulated for a permanent injunction, it may still be subject to paying an ongoing royalty. *See, e.g., Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007) (“Under some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.”).

explored the temporal aspect of such a good faith belief but did not specifically hold that it failed to negate injunctive relief or ongoing damages. *Bose Corp. v. SDI Techs., Inc.*, 558 Fed. Appx. 1012 (Fed. Cir. 2014). In *Bose*, the court addressed the argument that the district court erred because its grant of summary judgment inappropriately “insulated SDI from potential post-verdict liability.” *Id.* at 1023. The Federal Circuit agreed, noting that, “[a] jury could, at trial, find the patent not invalid and infringed. In this scenario, SDI’s opinion of counsel would not shield it from post-verdict liability because SDI could not credibly argue that it maintained its good-faith belief of invalidity following a verdict to the contrary. The summary judgment improperly absolved SDI of potential post-verdict liability.” *Id.* The court remanded, however, because “[a] material dispute remain[ed] on the issue of whether SDI relied in good-faith on its opinion of counsel.” *Id.* at 1024.

Bose, however is non-precedential, and the discussion of post-verdict liability is technically dicta. Thus, although courts have alluded to this temporal aspect of induced infringement, no court has expressly held that inducers should be subject to prospective relief, regardless of their good faith belief. This Court should make clear that a finding of a good faith belief does not immunize the infringer from prospective relief.

Under this proposed standard, the good faith belief in invalidity or non-infringement would function similarly to the way the defense of laches currently operates in patent law. Laches is used as a

defense when the accused infringer has been materially prejudiced by the patentee's unreasonable delay in bringing suit. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028–29 (Fed. Cir. 1992) (en banc) (“[L]aches may be defined as the neglect or delay in bringing suit to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar.”). Under current Federal Circuit law, however, laches only acts as a defense to past damages. *Id.* at 1028. (“Where the defense of laches is established, the patentee’s claim for damages prior to suit may be barred.”).³ The good faith belief would operate similarly here, negating only past damages and not prospective relief.

**B. The Risk of Exposure to Prospective Relief
Mitigates the Risk of “Rubber Stamp”
Opinions of Counsel**

Opponents of the good faith belief defense have expressed the concern of “rubber stamp” opinion letters – a party will simply hire an attorney who will opine that there is no infringement or the patent is invalid, allowing the party to escape liability for

³ Admittedly, the *en banc* Federal Circuit is revisiting its laches doctrine in light of this Court’s decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1963 (2014), which addressed laches in the copyright context. See *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 767 F.3d 1339, 1344-34 (Fed. Cir. 2014) (declining to change law in light of *Petrella*), *vacated en banc*, No. 2013-1564, 2014 WL 7460970 (Fed. Cir. Dec. 30, 2014).

inducement. *See, e.g.*, Br. for Intellectual Prop. Owners Ass'n as Amicus Curiae in Supp. of Pet'r 2 ("The end result is that virtually all potential infringers can easily absolve themselves of liability for inducing infringement of a valid patent for the price of an opinion letter from counsel."). One commentator has compared these opinion letters to consumer warning labels placed on products, which are viewed purely as a formality. *See* Michael N. Rader, *Toward a Coherent Law of Inducement to Infringe*, 10 Fed. Cir. B.J. 299, 332 (2000).

Such concerns are overstated. Minimally, this concern rests entirely on the assumption that attorneys would risk committing professional misconduct by rubber-stamping a letter that provides a legally inaccurate opinion. It is illogical to assume that an attorney would knowingly jeopardize her standing in the profession over an opinion letter.

More importantly, it ignores that, under the approach suggested in this brief, exposure to prospective relief would cabin an attorney's discretion in providing her opinion. As one commentator has noted:

If the relevance of the accused inducer's belief is limited to past damages, however, then the risk of rubberstamping by opinion letters is mitigated. The possibility of a permanent injunction would act as a check on the attorney being overly optimistic about the likelihood of defeating an infringement suit. The client is relying on the opinion to plan

its business operations and would want an honest assessment of the risk that they may have to shut operations down or alter them to avoid infringement.

Holbrook, *Intent Element*, at 409–10. That their clients may be exposed to future liability and injunctive relief should act as a check on any intuition that they should simply issue “rubber stamp” opinion letters.

C. The Argument Regarding the Difficulties of Assessing Damages is a Red Herring

Another proffered argument against the bifurcated approach offered in this brief is that determining when the accused infringer has lost, and thus when damages begin to accrue, would be difficult. Br. of Amicus Curiae Gilead Sciences, Inc. in Supp. of Pet'r 20. Additionally, the patent holder could be unfairly denied damages for the years the case spends in litigation. *Id.*

Such arguments are without merit. This argument rests on the false premise that courts cannot properly deal with such grey areas. To begin, complexities of litigation and damages calculations should not drive substantive patent law decisions. Lawyers should be able to sort out whatever point in time past damages end and future relief begins. Indeed, such complexities could arise in any case where injunctive relief comes into play. The Federal Circuit's current approach to laches belies the argument that such an approach is unworkable. Courts are well equipped to make the appropriate

determinations that take into consideration the rights of a patent holder on a case-by-case basis.

CONCLUSION

For the foregoing reasons, this Court should confirm that a good faith belief in the invalidity of a patent should shield an accused infringer from liability for past damages. A good faith belief in either non-infringement or invalidity, however, should not negate the possibility of prospective relief, such as injunctive relief or ongoing damages.

Respectfully submitted,

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* The views expressed in this brief are those of the individual signatories and not those of the institutions with which they are affiliated.

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