

No. 10-6

IN THE
Supreme Court of the United States

**GLOBAL-TECH APPLIANCES, INC., AND
PENTALPHA ENTERPRISES, LTD.,**
Petitioners,

v.

SEB S.A.,
Respondent.

**On Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

**BRIEF OF COMCAST CORPORATION,
FACEBOOK, INC., INTUIT INC.,
MICROSOFT CORPORATION, NETFLIX, INC.,
OVERSTOCK.COM, INC., AND SAP AMERICA, INC.
AS *AMICI CURIAE* IN SUPPORT OF PETITIONER**

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**INTEREST OF *AMICI CURIAE*¹ AND
SUMMARY OF ARGUMENT**

This case presents the question of the degree of knowledge a defendant must possess to be held liable for “actively induc[ing] infringement” under 35 U.S.C. § 271(b). In the decision below, the Federal Circuit held that a defendant may be held liable for inducing infringement when it facilitates the acts that constitute the act of direct infringement (here, importation of a product) and does so with “deliberate indifference to the existence of a patent.” Pet. App. 29a (internal quotation marks omitted). Petitioner challenges that holding as inconsistent with this Court’s decision in *Metro-Goldwyn-Meyer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), which states that active inducement of infringement requires an “unlawful purpose” and “culpable expression and conduct.” *Id.* at 935, 937.

Amici curiae have a substantial interest in the correct resolution of that challenge. *Amici* are a di-

¹ Pursuant to this Court’s Rule 37.3(a), letters of consent from all parties to the filing of this brief have been submitted to the Clerk. Pursuant to this Court’s Rule 37.6, *amici* state that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than amici or their counsel made a monetary contribution intended to fund the preparation or submission of this brief.

verse group of technology, software, communications, and retailing firms. While they own, collectively, tens of thousands of patents, they also frequently are accused of inducing infringement. Sometimes, they are alleged to have induced infringement by distributing a product with a multitude of noninfringing uses that, when combined with another product, allegedly infringes a patent on the larger combination apparatus or system. Other times they are alleged to have induced infringement by selling a product that a purchaser uses to infringe a patent on a method, even though the product *amici* provided also has numerous admittedly noninfringing uses. *See, e.g., i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 851 (Fed. Cir. 2010), *cert. granted*, No. 10-290, 2010 WL 3392402 (U.S. Nov. 29, 2010). And still other times they are alleged to have induced infringement by providing a service with noninfringing uses that users also may use to infringe a method patent. *See, e.g., Amended Complaint, TQP Dev., LLC v. Comcast Corp. et al.*, No. 09-279 (E.D. Tex. Oct. 13, 2009).

Liability for inducing infringement historically has been premised on the accused inducer's knowledge that the acts it encouraged would infringe an enforceable patent. *See, e.g., Wallace v. Holmes*, 29 F. Cas. 74, 79-80 (C.C.D. Conn. 1871) (No. 17,100) (first U.S. case recognizing liability for "inducing" infringement of a patent, and doing so on the basis of "express purpose" and "certain knowledge" of infringement). In recent years, however, the Federal Circuit has significantly relaxed that requirement by permitting liability not only when the alleged inducer "knew" that "his actions would induce actual infringement," but also when the alleged inducer "should have known" as much—a standard that sounds in negligence. *DSU Med. Corp. v. JMS Co.*,

471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc) (internal quotation marks omitted). The decision below further shifts the scienter requirement toward strict liability by permitting imposition of liability not only when one is negligent regarding the possibility of *infringement* but also when one exhibits “deliberate indifference to the existence of a *patent*.” Pet. App. 29a (emphasis added) (internal quotation marks omitted); see also *id.* at 31a (“Pentalpha deliberately disregarded a known risk that SEB had a protective patent”).

This Court promised that the induced infringement doctrine recognized in *Grokster* would “do[] nothing to compromise legitimate commerce or discourage innovation having a lawful promise.” 545 U.S. at 937. *Amici* are concerned that, as the scienter standard slips closer to strict liability, the doctrine of induced infringement threatens to do just that.

There are currently more than 1.8 million enforceable U.S. patents. Whenever *amici* introduce a new product or service, or even propose new ways of using older products or services, there inevitably is a background risk that some facet of the new product, service, or method implicates one or more of these 1.8 million patents. If that background risk (perhaps supplemented by an ambiguous communication noting that a patent portfolio is “interesting”) were sufficient to establish a “known risk” that a protective patent exists, innovative firms such as *amici* could be exposed to new changes of inducement liability predicated on their supposed indifference to this risk—an assertion that the Federal Circuit suggests that defendants must disprove by “establish[ing] that

[they] actually believed that a patent covering the accused product did not exist.” Pet. App. 32a.

Wholly apart from the fact that this standard effectively could shift the burden to the defendant to disprove an element of a patentee’s cause of action, *amici* are concerned that the standard announced by the Federal Circuit badly distorts litigants’ incentives in patent litigation. It encourages patent owners who are not inclined to compete in the marketplace to conceal their allegations of infringement in the hope that their patents can “submarine” beneath a highly successful product and later surface to demand a outsized damage award, without notifying the alleged inducer or giving the alleged inducer an opportunity to correct its actions. And it also threatens to resurrect the recently-interred practice of requiring the preparation and production of noninfringement opinions for litigation defense. Such a regime self-evidently retards innovation and cannot seriously be maintained as promoting the “Progress of . . . useful Arts.” U.S. Const. art. 1, § 8, cl. 8.

In keeping with its common-law origins, inducement liability under 35 U.S.C. § 271(b) should be imposed only upon a showing that the defendant had actual knowledge that the acts it was encouraging infringed a patent. Evidence demonstrating that the defendant was deliberately indifferent to a known risk that a protective patent might exist is not remotely sufficient. Knowledge of *infringement* requires, at an irreducible minimum, evidence that the defendant had knowledge of the asserted scope of the claims of the patent at issue and how those claims related to the particular acts the defendant was encouraging.

ARGUMENT

The language of 35 U.S.C. § 271(b) does not explicitly address the degree of knowledge required to “actively induce[] infringement,” but “the case law and legislative history uniformly assert such a requirement.” *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (citing 4 Donald S. Chisum, *Chisum on Patents* § 17.04[2], [3] (and cases cited therein) (“Chisum”)); see also *Metro-Goldwyn-Meyer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005) (citing *Water Techs.* with approval). This is because patent infringement sounds in tort. *Schillinger v. United States*, 155 U.S. 163, 169 (1894). And in patent law, as in most areas of tort law, contributory liability, such as liability for active inducement, requires tortious intent—including knowledge that the acts brought about constitute a tort. Congress codified that understanding in enacting Section 271(b), and the Federal Circuit’s most recent effort to dilute that well-established requirement should be rejected.

I. INDUCEMENT LIABILITY REQUIRES KNOWLEDGE OF INFRINGEMENT.

In *Grokster*, this Court drew its standard for actively inducing infringement from that applied in a series of patent cases, a standard that this Court recognized is “codified in patent law.” 545 U.S. at 936 n.11 (citing 35 U.S.C. § 271(b)). This Court described those cases as creating a regime of “fault-based liability” that “premises liability on purposeful, culpable expression and conduct,” and thus requires that the defendant have an “unlawful purpose,” and “an affirmative intent that the product be used to infringe.” *Grokster*, 545 U.S. at 934-37. The Court emphasized that “the rule on inducement of in-

fringement as developed in the early cases is no different today”: For the sale of a product or service with noninfringing uses to be the basis for inducement liability, the alleged inducer must have the “object of promoting its use *to infringe*.” *Id.* at 936 (emphasis added).

As *Grokster* makes clear, to be held liable for inducing infringement, the defendant must affirmatively facilitate the acts that constitute the direct infringement; in the Court’s words, there must be “[e]vidence of ‘active steps . . . taken to encourage direct infringement.’” 545 U.S. at 936 (second alteration in original) (quoting *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 992 (N.D. Ill. 1988)). But what makes the defendant’s intent to encourage such acts “culpable,” “unlawful,” and “patently illegal” is its *knowledge* that the actions induced, once completed, *will constitute an act of infringement*. *Id.* at 937, 940, 941.

Knowledge of infringement was not disputed in *Grokster*; it was incontrovertible in that case that the online service providers knew they were facilitating massive amounts of copyright infringement. *See* 545 U.S. at 920 (“individual recipients of Grokster’s and StreamCast’s software . . . have prominently employed those networks in sharing copyrighted music and video files without authorization”). These underlying acts of copyright infringement were clear and undeniable.

But in patent cases, direct infringement is rarely so clearly defined. The question of infringement often turns on complex issues of claim construction. And patent claims today are often vague, overbroad, or both—“[b]road, to the point of inherently ambiguous”—such that it can be extraordinarily difficult to

determine the scope of the claimed invention from the patent. *Enzo Biochem, Inc. v. Applera Corp.*, 605 F.3d 1347, 1348 n.2 (Fed. Cir. 2010) (Plager, J., dissenting from denial of rehearing en banc). In part for that reason, liability for inducing infringement of a patent always has required knowledge of infringement.

A. Contributory Infringement, Including Induced Infringement, Historically Required Knowledge Of Infringement.

If *Grokster*'s emphasis on the need for "culpable," "unlawful," and "patently illegal" intent itself were not enough to demonstrate that an alleged inducer must have actual knowledge of infringement, the history of the induced-infringement doctrine and the circumstances surrounding the codification of that doctrine in Section 271(b) in 1952 place the proposition beyond doubt.

It is generally accepted that when Congress enacted Section 271(b) and (c) in 1952, those provisions were intended to "codify[] the basic principles of contributory infringement developed by the courts before 1952." Chisum § 17.04[3]; *see also* S. Rep. No. 82-1979, at 8 (1952) (expressing intention "to codify in statutory form principles of contributory infringement" that "ha[ve] been part of our law for about 80 years") ("Senate Report"); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 348 (1961) ("*Aro I*") (Black, J., concurring) ("Congress wanted to continue in force, but not expand, the judge-made doctrine of contributory infringement under which a person who knowingly aids, encourages or abets the direct infringement of a patent is to be held liable as a contributory infringer"). Among those "basic principles" was the central tenet that de-

fendants could be held liable for contributing to infringement only if they knew that the acts to which they contributed were, in fact, infringing.

From its earliest days, liability for contributory infringement always has been premised on the defendant's "certain knowledge" of infringement. See *Wallace v. Holmes*, 29 F. Cas. 74, 79-80 (C.C.D. Conn. 1871) (No. 17,100) (first U.S. case imposing liability for "inducing" infringement). Not long thereafter, this Court confirmed, in a series of cases that involved tying arrangements, that there could be *no liability* for contributory infringement in the *absence* of such knowledge.

In *Cortelyou v. Charles Eneu Johnson & Co.*, 207 U.S. 196 (1907), the issue was whether a third party who supplies ink to a licensee for use in a patented machine would be liable for infringement on the ground that it "induc[ed] a breach of the license," which thereby rendered the licensee an infringer. *Id.* at 199. The *Cortelyou* Court held that there could be no secondary liability because there was "no sufficient evidence of notice" to the accused inducer that the use of its ink by the purchaser constituted infringement. *Id.* at 200. Although the defendant had supplied ink to be used in violation of the license, liability did not attach because the defendant was not "notified by the plaintiffs of the rights which they claimed, or that anything which it did was considered by them an infringement upon those rights." *Id.* In short, without knowledge of infringement, there could be no liability for inducement.²

² Significantly, the *Cortelyou* Court also rejected the suggestion that knowledge of a single employee could be imputed to
[Footnote continued on next page]

A few years later, this Court faced a factually similar case, except that the ink seller did have notice of the license and sold the ink (1) with “knowledge that under the license [the license holder] could not use the ink . . . without *infringement*,” and (2) with the expectation that the ink would be used in the patented machine. *Henry v. A.B. Dick Co.*, 224 U.S. 1, 49 (1912) (emphasis added), *overruled on other grounds by Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917); *see also Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 33-34 (2006). On those facts the Court found the ink seller liable for what was then known as “contributory infringement” (but would, under modern terminology, be viewed as active inducement). *A.B. Dick*, 224 U.S. at 48. The Court rejected the proposition that secondary liability for infringement could be based solely on the sale of a staple article that could be put to “an infringing use.” *Id.* The Court held instead that there must be an “intent and purpose that the article sold will be so used.” *Id.*

Shortly thereafter, *A.B. Dick* was overruled in *Motion Picture Patents* on the ground that such tying arrangements constituted patent misuse and rendered the patent unenforceable. 243 U.S. at 518. After *Motion Picture Patents*, the Court enlarged the doctrine of patent misuse to hold patents unenforce-

[Footnote continued from previous page]
the whole company. The Court held that evidence that the defendant’s employee had been shown plaintiff’s device with a notice of the license printed on it was insufficient as a matter of law to support secondary liability for infringement, because the employee “was not an officer or general agent of the defendant company.” 207 U.S. at 201.

able in a variety of tying situations, effectively preventing patentees from pressing any similar suits for contributory infringement. See *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27 (1931); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942), abrogated by *Ill. Tool Works*, 547 U.S. 28; *B.B. Chem. Co. v. Ellis*, 314 U.S. 495 (1942). Finally, the Court called the entire doctrine of contributory infringement into question. *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 669 (1944) (“The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider.”)

Congress responded some years later by enacting Sections 271(b), (c), and (d) in the 1952 Patent Act. See generally *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 188-98 (1980) (recounting history of contributory infringement and patent-misuse doctrine). These sections codified what was known as “contributory infringement,” while limiting the doctrine of patent misuse. Senate Report at 8. The object of this legislation was to restrict the doctrine of patent misuse, and to thereby restore secondary infringement liability when defendants act with “an intent and purpose that the article sold will be so used” and “with knowledge that” the purchaser’s use of the article would infringe. *A.B. Dick*, 4 U.S. at 48-49.

In enacting Section 271(b), Congress plainly did not intend to impose secondary liability on the basis of negligence or strict liability. That conclusion follows directly from Congress’s use of the term “actively induces” in Section 271(b).

Prior to 1952, there were just four reported appellate cases that addressed “active inducement” of

patent infringement. And in each of those cases, the allegation of active inducement was predicated on the defendant's actual knowledge of infringement. In the first of those cases, the so-called "Button-Fastener Case," the Sixth Circuit considered a charge that defendants "actively induced" infringement by persuading plaintiff's customers "to infringe . . . with the malicious purpose of causing them to violate their licenses." *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 F. 288, 297 (6th Cir. 1896). The court allowed the charge to stand because "[i]t is the *knowledge* that the [goods] made and sold by defendants are to be used for the purpose of infringing, coupled with the active intent that they shall be so used, which . . . constitutes contributory infringement." *Id.* (emphasis added); see also *Individual Drinking Cup Co. v. Errett*, 297 F. 733, 737, 741 (2d Cir. 1924) (quoting the "actively inducing" language in the Button-Fastener Case and holding liable defendant who "induced" another's infringement after consulting counsel regarding the patent).

The term "active inducement" then fell into desuetude before it was unearthed by Judge Magruder of the First Circuit in *B.B. Chemical Co. v. Ellis*, 117 F.2d 829, 836 (1st Cir. 1941) (Magruder, J., concurring). After the First Circuit held the defendants to be contributory infringers for their efforts to "sell materials for use in an infringing operation with *knowledge* that they will be so used," *id.* at 834 (emphasis added), Judge Magruder characterized the defendants' conduct as "*actively inducing* unlicensed shoe manufacturers to practice the process." *Id.* at 836 (Magruder, J., concurring) (emphasis added); see also *id.* at 835 (majority opinion) ("furnishing of un-

patented articles with the knowledge that they will be utilized in an infringing process”).

On certiorari, this Court likewise found that the defendants’ acts “amounted to active inducement of infringement.” *B.B. Chem.*, 314 U.S. at 497. And there could be no doubt whatsoever that the defendants had actual knowledge that the acts they had induced were acts of infringement: The principal defendant was the *inventor* of the patented invention; he had assigned his patent and then formed a company to compete with the assignee. *See* 117 F.2d at 830.

These cases demonstrate that prior to the enactment of the 1952 Patent Act appellate courts limited their use of the term “active inducement” to circumstances in which defendants had actual knowledge of the infringing character of the acts they were inducing. “When Congress codifies a judicially defined concept, it is presumed, absent an express statement to the contrary, that Congress intended to adopt the interpretation placed on that concept by the courts.” *Davis v. Mich. Dep’t of Treasury*, 489 U.S. 803, 813 (1989). And this Court confirmed that presumption in *Grokster* when it observed that the “rule on inducement of infringement as developed in the early cases is no different today.” 545 U.S. at 936. Against this background, there is no room to debate that the provision enacted by Congress as Section 271(b) requires that the defendant have actual knowledge of infringement of the patent.

B. The General Law Of Civil Aiding-And-Abetting Liability Also Requires Knowledge Of The Violation.

The conclusion that Congress incorporated into Section 271(b) the knowledge requirement reflected

in the pre-1952 decisional law is bolstered by compelling indicators that Congress equated “actively inducing” with civil “aiding and abetting” liability, which itself requires knowledge of the underlying violation.

The Senate Report, in discussing Section 271, states that “[p]aragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer.” Senate Report at 8. The report later states “[o]ne who actively induces infringement as by aiding and abetting the same is liable as an infringer.” *Id.* at 21. The House Report uses identical language. H.R. Rep. No. 82-1923, at 9, 28 (1952). Thus, the basic understanding of Congress was that “actively inducing infringement” was similar to “aiding and abetting infringement”—and this codified meaning controls today.

Civil aiding-and-abetting liability, as invoked by Congress in enacting Section 271(b), requires actual knowledge of the rights violated. Section 876(b) of the First Restatement of Torts (which is the relevant treatise for purposes of establishing the common-law backdrop to the 1952 Patent Act, see *Field v. Mans*, 516 U.S. 59, 70 (1995)) states that a third party is liable for another’s breach of duty “if he . . . *knows* that the other’s conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other.” RESTATEMENT (FIRST) OF TORTS § 876(b) (1939) (emphasis added). Section 876(a), addressing “[p]ersons acting in concert,” likewise suggests liability when one “orders or induces [tortious] conduct, *knowing* of the conditions under which the act is done or *intending the consequences* which ensue.” *Id.* § 876(a) (emphases added). Knowledge of the wrong—here, knowledge of infringement—thus was

a prerequisite to civil aiding-and-abetting liability at the time Section 271(b) was enacted.³

The extant general common law of aiding and abetting the commission of a tort thus strongly suggests that Congress required actual knowledge of infringement as an element of liability under Section 271(b).⁴

³ One who “induces” a third person to breach a contract similarly is subject to liability to the other contracting party only if the inducer had “the purpose to cause the result,” *i.e.*, the breaching of the contract. RESTATEMENT (FIRST) OF TORTS § 766 cmt. d (1939). To have that purpose, one “must have knowledge of the business expectancy with which he is interfering.” *Id.* at cmt. e.

⁴ It is true that the Second Restatement of Torts relaxed the standard somewhat by providing for liability for one who “orders or induces” the tortious conduct of another “if he knows or *should know* of circumstances that would make the conduct tortious if it were his own.” RESTATEMENT (SECOND) OF TORTS § 877(a) (1979) (emphasis added). But this modification and the cases on which it relies all post-date the 1952 Patent Act and therefore offer little or no guidance as to the common-law doctrine Congress was codifying in 1952. *See* 2B Norman J. Singer & J.D. Shamblé Singer, *Sutherland on Statutory Construction* § 50.2 (7th ed. 2008). In any event, the Second Restatement imposes this liability only for persons “[d]irecting or permitting conduct of another.” RESTATEMENT (SECOND) OF TORTS § 877 (capitalization altered). This is akin to the vicarious liability theory that the Court passed over *Grokster* in favor of induced infringement (545 U.S. at 930 n.9), and thus could not be viewed even as an accurate reflection of post-1952 standards governing active inducement.

C. The Close Relationship Of Section 271(b) And Section 271(c) Demonstrates That Knowledge Of Infringement Is Required For Inducement Liability.

Sections 271(b) and (c) “were intended as complementary provisions, together codifying the basic principles of contributory infringement developed by the courts before 1952.” Chisum § 17.04[3]. Section 271(b) codified aiding-and-abetting liability, while Section 271(c) reflected the “usual situation in which contributory infringement arises” (Senate Report at 8)—that is, when one sells a product that is “especially made . . . for use in an infringement.” 35 U.S.C. § 271(c).

Unlike Section 271(b), Section 271(c) allows imposition of liability even in the absence of direct evidence that the defendant intended its article to be used in an infringing way. Under Section 271(c), the defendant’s “intent to infringe” is conclusively “imput[ed]” from the fact that its article “is good for nothing else but infringement.” *Grokster*, 545 U.S. at 932 (internal quotation marks omitted). Yet, this Court has been clear that such unlawful intent can be ascribed to the defendant only when the “alleged contributory infringer *knew* that the combination for which his component was especially designed *was both patented and infringing*.” *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964) (emphases added). In that situation, there is “no injustice in presuming or imputing an intent to infringe” under Section 271(c). *Grokster*, 545 U.S. at 932. When one sells a product with knowledge that it is “good for nothing else but infringement,” the obvious and inevitable consequence of that sale is that

the product will be put to its intended, infringing purpose. *Id.* (internal quotation marks omitted)

But there can be no liability under Section 271(c) for the sale of a product that has substantial noninfringing uses—a “staple article or commodity of commerce.” 35 U.S.C. § 271(c). This exclusion was incorporated into Section 271(c) “to deny patentees control over staple goods used in their inventions.” *Dawson Chem.*, 448 U.S. at 200-01. Thus, secondary liability in connection with the sale of staple articles of commerce—*e.g.*, a general-purpose microprocessor—can be imposed only under Section 271(b). See *Grokster*, 545 U.S. at 935 n.10.

If Section 271(b) were construed to impose liability in the absence of actual knowledge of infringement it would typically be easier to prove a case under Section 271(b) than under Section 271(c). Strangely, producers of staple articles of commerce would be exposed to greater secondary liability than that which Congress intended to impose on marketers of articles especially made to infringe. In the latter case, to impose liability under Section 271(c), the patentee would need to prove the defendant knew that its product was good for nothing but infringement; but the producer of a product with myriad noninfringing uses could be held liable under Section 271(b) without any similar showing of knowledge of infringement. This differential knowledge requirement would push Section 271(c) into virtual obsolescence as few patentees would bring suit against the producer of an article especially made to infringe under Section 271(c) when they could bring suit under Section 271(b) and dispense with proof of knowledge of infringement.

Such an anomalous result cannot possibly be squared with the prior case law or with Congress's understanding that Section 271(c) addressed the "usual situation" in which secondary liability would arise. Senate Report at 8; *see also Grokster*, 545 U.S. at 932. Nor can it be squared with Congress's evident intent to require a *greater* showing for secondary liability in cases involving staple goods, so as to carve out an area of unfettered commerce and "deny patentees control of staple goods." *Dawson Chem.*, 448 U.S. at 201. Thus, as one of the drafters of the 1952 Act explained, in the course of distinguishing Section 271(b) and Section 271(c), "to make out a case of active inducement under paragraph (b)" based on the sale of a staple article of commerce, "*something more than mere knowledge* of an intended infringing use would have to be shown." P.J. Federico, Commentary on the New Patent Act, 35 U.S.C.A. preceding § 1 at 53 (West 1954) (emphasis added). And this Court echoed that solicitude for preserving competition in the sale of staple goods, stating that liability for active inducement requires "evidence [that] *goes beyond* a product's characteristics or the *knowledge that it may be put to infringing uses*, and shows statements or actions directed to promoting infringement." *Grokster*, 545 U.S. at 935 (emphases added).

The structural relationship between Section 271(b) and Section 271(c) requires that liability under *either* provision be imposed only when the defendant had actual knowledge of infringement, and that liability under Section 271(b)—precisely because it can restrain distribution of staple products with a vast multitude of noninfringing uses—be imposed

only when the defendant *also* took affirmative steps to encourage a use it knew to be infringing.⁵

II. “DELIBERATE INDIFFERENCE” TO A “KNOWN RISK” THAT A PATENT MAY EXIST IS INSUFFICIENT TO DEMONSTRATE THE KNOWLEDGE OF INFRINGEMENT NECESSARY FOR INDUCEMENT LIABILITY.

The court of appeals held that the knowledge requirement for inducement liability could be satisfied with evidence sufficient to demonstrate that the defendant acted with “deliberate indifference” to a “known risk” of a patent. Pet. App. 30a. That holding is incorrect on two independent levels.

First, while knowledge of a *patent* is an indispensable element of knowledge of *infringement*, the two concepts are not the same. Knowledge of a patent’s existence is necessary, but not sufficient, to demonstrate knowledge of infringement. Knowledge of in-

⁵ That the accused inducer had knowledge that the use it encouraged was infringing is absolutely essential to the imposition of liability under Section 271(b). Imposing liability solely on the basis of a defendant’s encouragement of an act that turns out to be infringing (but was not known to be infringing *ex ante*) essentially converts Section 271(b) into a strict liability statute, much like Section 271(a). While it might make sense to hold persons strictly liable for the products they themselves make, use or sell, and the methods they themselves perform—as under Section 271(a)—a producer of staple articles of commerce cannot be held to account for every conceivable use of that technology in the absence of culpable intent. Congress made that policy judgment in 1952, and it is even more justified today as the capabilities and uses of elemental instruments of technology—microprocessors, operating systems, Internet portals, etc.—continue to grow at exponential rates and in unpredictable ways.

fringement requires, at an irreducible minimum, evidence that the defendant had actual knowledge of the asserted scope of the claims of the patent as they relate to the actions the defendant is accused of inducing.

Second, even if mere knowledge of a possible patent could establish knowledge of infringement—and it cannot—“deliberate indifference” to a “known risk” of a patent is not adequate to establish knowledge of the patent.

A. Knowledge Of Infringement Requires Evidence That The Defendant Had Knowledge Of The Asserted Scope Of The Claims Of The Patent As They Relate To The Induced Acts.

The court of appeals held that “deliberate indifference of a known risk,” Pet. App. 30a, of a patent “is a form of actual knowledge,” *id.*, of a patent and is therefore sufficient to satisfy what it termed “the knowledge-of-the-patent requirement.” *Id.* at 27a-28a. But, as demonstrated *supra*, what must be proven to establish inducement liability is not actual knowledge of the *patent*, but actual knowledge of *infringement*. The court below seemed to recognize this distinction, stating that knowledge of the patent is “necessarily include[d]” in knowledge of infringement. *Id.* at 22a (quoting *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc)). But it erred when it failed to recognize that knowledge of a *patent*, without more, is not sufficient to establish knowledge of *infringement*.

Circumstances that might permit one to argue that a defendant had knowledge of a patent are not remotely sufficient to demonstrate that the defendant knew that some act it had encouraged would in-

fringe that patent. For example, the Federal Circuit has held that evidence that a handful of a corporation's 90,000 employees had received a spam marketing email that listed the relevant patent number is sufficient to demonstrate the defendant's knowledge of the patent. *See i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 851 (Fed. Cir. 2010), *cert. granted*, No. 10-290, 2010 WL 3392402 (U.S. Nov. 29, 2010). And other courts even have permitted a citation to the relevant patent in the file history of any one of defendant's thousands of patents and patent applications to establish the defendant's knowledge of that patent (and presumably every other patent similarly cited). *See Veritas Operating Corp. v. Microsoft Corp.*, 562 F. Supp. 2d 1141, 1277 (W.D. Wash. 2008).

There simply is no reasonable chain of inferences that could allow a jury to infer from the mere fact that the patent-in-suit had been cited in one of the defendant's patent applications that: (1) the document containing the citation was transmitted to the defendant, (2) the defendant read and analyzed the cited patent, (3) the defendant correctly construed all the claim terms, and (4) the defendant developed actual knowledge that one or more of the thousands or millions of actions it was encouraging in the course of its business infringed one or more of the claims of the patent (so construed).

For a factfinder to make a reasonable inference that a defendant had knowledge of infringement there must be evidence *at least* that: the defendant had knowledge of the asserted scope of the claims of the patent at issue and of how those claims relate to particular acts being encouraged by the defendant.

That knowledge of infringement requires knowledge of the asserted scope of the claims of a patent as they read on a particular induced action is inherent in the nature of patent infringement. As this Court has observed, it is the claims of the patent that define the patented invention. *See, e.g., Aro I*, 365 U.S. at 339 (“the claims made in the patent are the sole measure of the grant”); *Gen. Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938) (“[t]he claims ‘measure the invention’” (quoting *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 419 (1908))). The Patent Act confirms this understanding. Section 112, paragraph 2, requires that the specification conclude with “one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.” *See also Aro I*, 365 U.S. at 358 (Black, J., concurring) (“[B]usinessmen are certainly entitled to know when they are committing an infringement. It is for that reason that the patent statutes require applicants to define with particularity and claim without ambiguity the subject matter which is regarded to be an invention.”).

Under Section 271(a), infringement of a “patented invention” is determined by comparing the product or acts at issue with the claims of the patent. It follows that knowledge of the infringement—a determination that a particular act infringes a particular claim of a patent—requires without exception knowledge of both the asserted scope of the claims of the patent at issue and how those claims relate to actions being encouraged by the defendant. Without knowledge of the asserted scope of the claims as they read on the acts accused of infringing, there can be no knowledge of infringement.

Of course, the requirement that the defendant have knowledge of the infringement may place some burden on patentees to provide notice before they can recover for induced infringement under 35 U.S.C. § 271(b). Typically, patentees will have to present the defendant with some basis for discerning the assertion of infringement—conveying the patentee’s assertions regarding the scope of the claims of its patent and how they are infringed by actions encouraged by the defendant.

This notice was present in the early inducement cases; the patentee often stamped a licensing notice on the machine itself and thereby informed all users of the tied machine of the asserted scope of the claims. *A.B. Dick*, 224 U.S. at 25-26; *Cortelyou*, 207 U.S. at 199, 201; *Cortelyou v. Charles Eneu Johnson & Co.*, 138 F. 110, 112 (C.C.S.D.N.Y. 1905) (describing license and patent labels). When that knowledge was transmitted to the alleged inducer through the notice, he could be held liable for contributory infringement. *A.B. Dick*, 224 U.S. at 49 (defendants had “knowledge that under the license from the patentee [the licensee] could not use the ink . . . without infringement”). Without such notice there was no liability. *Cortelyou*, 207 U.S. at 200.

Patent markings perform a similar notice function today by allowing the patentee to present both the existence of the patent and the asserted scope of the claims. A marked product informs the world that the patentee regards the product so marked to be within the scope of the claims of the patent. 35 U.S.C. § 287(a). When a defendant copies a marked product wholesale, it presumably has at least some knowledge of the asserted scope of the claims embodied by the marked product (because the marking sig-

nifies, on pain of substantial false marking penalties (see 35 U.S.C. § 292), that *some* aspect of the product is assertedly covered by the patent) and also at least some knowledge that the copied product implicates those claims (because a true copy necessarily would practice the patented invention to the same extent as the marked product).⁶

But most cases alleging induced infringement do not involve accusations of copying, much less the copying of a marked product. Far more often, they involve assertions that technology independently developed by the defendant induces third parties to make an apparatus or perform a method that was earlier patented by the plaintiff. In those cases, the question is the same as the Court confronted in *Cortelyou*—whether the defendant actually knew that the acts it was inducing were acts of infringement. Because the defendant in *Cortelyou* did not know that its product implicated the metes and bounds of the plaintiff’s exclusive rights, there could be no liability for induced infringement.

The same result should obtain today: Inducement liability cannot apply unless the defendant has knowledge of the asserted scope of the claims of the patented invention, and of which aspects of the defendant’s business—which products or services and which acts induced—are implicated by those claims.

⁶ Copying an unmarked product, in contrast, cannot alone support a finding of knowledge of infringement. To the contrary, an unpatented article “can be copied in every detail by whoever pleases.” *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964). Therefore, there is nothing culpable or morally wrong with copying a product when there is no notice of patent protection.

If this imposes a burden on patentees in many instances, it is not an unfair one. Patentees are generally in the best position to understand and assert the scope of the claims of their patents and to recognize when acts induced by another implicate those claims. Far better, at least, than producers of staple goods facing a thicket of 1.8 million presumptively enforceable patents and a potentially limitless array of uses to which their customers may put their products.

B. “Deliberate Indifference” To A “Known Risk” That A Patent May Exist Is Insufficient To Demonstrate Even Knowledge Of The Patent.

In addition to misapprehending the extent of the knowledge required for liability under Section 271(b), the court below also erred in imputing knowledge of the patent to Pentalpha under a standard of “deliberate indifference of a known risk.” Pet. App. 30a. That standard is insufficient even to demonstrate knowledge of the patent, much less the required knowledge of infringement.

It is well established that, in circumstances where imputation of knowledge is permissible, the minimum showing required to permit such imputation is willful blindness. *See United States v. Chavez-Alvarez*, 594 F.3d 1062, 1067 (8th Cir. 2010) (“The concept of willful blindness is a limited exception to the requirement of actual knowledge, and the jury may find willful blindness only if the defendant was aware of facts that put him on notice that criminal activity was probably afoot and deliberately failed to make further inquiries, intending to remain ignorant.”). The Federal Circuit recognized as much, and expressed the view that its deliberate-indifference standard was the equivalent of willful

blindness; the court opined that its standard was “not different from actual knowledge, but is a form of actual knowledge.” Pet. App. 30a. In reality, however, the Federal Circuit’s standard, both as stated and as applied, does not even appear to rise to the level of recklessness.

The Federal Circuit’s standard falls well short of actual knowledge and is legally flawed because it requires only “deliberate indifference” of a mere “known risk” of a patent’s existence. Pet. App. 30a; *see also id.* at 31a (“Pentalpha deliberately disregarded *a known risk* that SEB had a protective patent”) (emphasis added); *id.* at 33a (“Pentalpha deliberately ignored *the risk* that SEB had a patent that covered its deep fryer”) (emphasis added). Willful blindness requires deliberate avoidance of a very *high* risk of harm or liability. *See, e.g., United States v. Santos*, 553 U.S. 507, 521 (2008) (Scalia, J., plurality opinion) (“the Government will be entitled to a willful blindness instruction if the [defendant], *aware of a high probability* [of illegality], deliberately *avoids* learning the truth”) (emphases added). As the Second Circuit put it—in a case relied on by the Federal Circuit—the law “does not tolerate a person shutting his eyes to a fact . . . *after* realizing its high probability in order to deny that he acted with the requisite knowledge.” *Woodman v. WWOR-TV, Inc.*, 411 F.3d 69, 84 n.14 (2d Cir. 2005); *see also* Pet. App. 30a (citing *Woodman* in support of “the standard of deliberate indifference of a known risk”).

As explicated by the Federal Circuit, deliberate indifference to a known risk is likewise a lower standard than recklessness, which requires a “high risk of harm, objectively assessed.” *See Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 69 (2007). The court below

relied on *Farmer v. Brennan*, 511 U.S. 825, 840 (1994), in adopting its “deliberate indifference” standard. Pet. App. 29a. But *Farmer* did not hold that deliberate indifference regarding a mere “known risk” constituted recklessness. Instead, *Farmer* defined recklessness as acting in the face of “an *unjustifiably high risk* of harm that is either known or so obvious that it should be known.” 511 U.S. at 836 (emphasis added). And *Farmer* set the bar for deliberate indifference even *higher*, requiring that the defendant both “know[] of *and* disregard[] an excessive risk,” *i.e.*, the defendant “must both be aware of facts from which the inference could be drawn that a substantial risk of serious harm exists, *and* he must also draw the inference.” *Id.* at 837 (emphases added). Deliberate indifference is thus a significantly higher standard of liability than that imposed by the Federal Circuit below.

III. REQUIRING ACTUAL KNOWLEDGE PREVENTS THE INDUCEMENT RULE FROM TRENCHING ON LEGITIMATE COMMERCE.

In a patent system truly dedicated to the protection of intellectual property and the prevention of its infringement, patentees who become aware of direct infringement that is being facilitated by a third party would promptly inform the third party of the claim of direct infringement—including how the patent claims read on the activity being facilitated. With that information, the accused business would be in a position to cease any promotion of infringing activities and thereby avoid liability for secondary infringement (or if it failed to do so, the patentee could then recover for inducement). But the Federal Circuit’s minimalist approach to knowledge does not promote this economically efficient behavior. In-

stead, it encourages patentees to provide only enough information to trigger a “known risk” that a patent exists to start the clock on induced infringement damages, while withholding more detailed allegations of infringement that might permit their recipient to take remedial steps. This is because many patentees—especially those who do not practice their claimed inventions—ironically want infringement to *continue* as long as possible so that so-called “reasonable royalty” damages may continue to accumulate.

This is not a particularly difficult scheme to perpetrate. There are over 1.8 million U.S. patents in force. See World Intellectual Property Organization, Statistics on Patents, Patents in Force by Patent Office (2004-2008), *available at* <http://www.wipo.int/ipstats/en/statistics/patents/>. Given that today’s high-technology products may have thousands of functions, it could be argued that the modern patent thicket itself establishes a background “known risk” that there may be a patent that could be alleged to cover at least one feature or use of such a product. If that background risk were amplified by a letter from a patentee stating that “my patent portfolio might be of interest to you,” that patentee then could argue that, under the Federal Circuit’s standard, the recipient’s failure to identify instances of infringement constituted “deliberate indifference” to the “known risk” of a patent. It is hard to imagine how such a result colorably could be said to promote the “Progress of . . . useful Arts.” U.S. Const. art. 1, § 8, cl. 8.

Relatedly, the Federal Circuit’s apparent instruction to one cognizant of any “risk” of a patent to “establish[] that he actually believed that a patent covering the accused product did not exist,” Pet. App.

32a, threatens to set newly askew a doctrine that the en banc Federal Circuit righted (in part) just three years ago in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), *cert. denied*, 552 U.S. 1230 (2008).

For many years, the Federal Circuit enforced a so-called “duty of care” affirmatively obligating all economic actors to investigate the existence and scope of patents, lest they be charged with willful infringement and exposed to treble damages under Section 284 of the Patent Act. *See Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). *Underwater Devices* and its progeny created a need for the preparation and production of noninfringement opinions for litigation defense as alleged infringers sought to avoid treble damages under a willfulness standard that amounted to nothing more than negligence. *Seagate*, 497 F.3d at 1371.

While beneficial for the patent bar, this process proved an expensive drag on innovation. Opinions were routinely produced in litigation to establish a non-willful state of mind, creating an expectation that privilege would be waived for these “opinions.” Ultimately, this undermined the disclosure function of patents, as companies discouraged their employees from reading patents lest they be exposed to charges of willfulness.

Seagate abandoned the affirmative duty of care and the corresponding obligation to obtain opinions of counsel as a shield against willfulness liability. 497 F.3d at 1371. In addition, the court raised the standard for enhanced-damages liability for willful infringement from negligence to recklessness. *Id.* *Seagate* thus has mitigated—though not elimi-

nated—the problems in this area of patent law. James E. Hopenfeld, *A Proposal for a “Good-Faith Offer” Standard for Evaluating Allegations of Willful Infringement—with Thanks to Major League Baseball*, 20 Fed. Cir. B.J. 5, 20 (2010).

The “known risk” standard adopted by the Federal Circuit in this case, however, threatens to reinvigorate—in more virulent form—the opinion-writing practice seemingly eliminated in *Seagate*. Under that standard, once a patentee establishes a “known risk” of a protective patent—perhaps with a spam email (*see i4i*, 598 F.3d at 851) or by unearthing a citation in a prosecution file (*see Veritas*, 562 F. Supp. 2d at 1277)—the patentee could argue that the burden shifts to the defendant to “establish[] that he actually believed that a patent covering the accused product did not exist.” Pet. App. 32a. The opinion-writing practice revived to meet that burden would be an even greater economic drain than its predecessor because inducement liability suggests the production of clearance opinions not just on what one makes, uses, or sells, but also on every downstream customer’s potential use or combination of those products and services.

The burden of mitigating every “known risk” of induced infringement, as formulated by the Federal Circuit below, is potentially orders of magnitude greater than that imposed by the Federal Circuit’s roundly and justly criticized pre-*Seagate* cases on willful infringement. Few innovators possibly could scrutinize *all* potential uses of *all* existing company products and compare them with every conceivably relevant patent without draining resources from actual innovation. As recast by the Federal Circuit, the induced infringement doctrine thus promises to

do exactly that which this Court assured it would not: “compromise legitimate commerce” and “discourage innovation.” *Grokster*, 545 U.S. at 937.

On the other hand, returning the doctrine to its common-law roots and enforcing a requirement of actual knowledge of infringement would not unfairly constrain the legitimate enforcement rights of patentees. In every case of induced infringement, a patentee has available to it the option of seeking relief against the direct infringer under a standard of strict liability. And patentees generally are in the best position to know and assert the scope of the claims of their own patents. This is not just because patent claims often reflect a convoluted combination of legal and technical jargon, see *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 389 (1996), but also because they often are drafted in a purposefully vague manner, precisely because vague claims can aid the patentee in litigation. Christopher A. Cotropia, *The Folly of Early Filing in Patent Law*, 61 *Hastings L.J.* 65, 117 (2009); see also *Enzo Biochem*, 605 F.3d at 1348 n.2 (Plager, J., dissenting from denial of rehearing en banc) (an ability to draft claims that are “[b]road, to the point of inherently ambiguous” is “a prized talent”). And the uncertainty is redoubled after trial, as the court of appeals—exercising *de novo* review under *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (en banc)—changes the construction of claim terms in nearly half of the cases involving issues of claim construction. See Michael Saunders, *A Survey of Post-Phillips Claim Construction Cases*, 22 *Berkeley Tech. L.J.* 215, 232-34 (2007) (summarizing empirical studies and concluding that the Federal Circuit changes the construction of at least one term in roughly 40% of claim construction cases).

There is no reason why defendants should bear the full weight of that uncertainty.

CONCLUSION

The judgment of the Federal Circuit should be reversed.

Respectfully submitted.

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