

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 FOR INTELLECTUAL PROPERTY
OWNERS ASSOCIATION AS *AMICUS
CURIAE* IN SUPPORT OF PETITIONER**

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INTEREST OF *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.¹ IPO's membership includes more than 200 companies and over 12,000 individuals who are involved in the association either through their companies or as inventor, author, executive, law firm, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and the U.S. Patent and Trademark Office and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The filing of this brief was approved by the IPO Board of Directors. A list of the IPO board members can be found in the Appendix.²

IPO submits this brief in support of reversing the Federal Circuit's holding that an accused infringer's good-faith belief in a patent's invalidity may be a defense to inducement under 35 U.S.C. § 271(b).

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. The parties have consented to the filing of this brief.

2. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

SUMMARY OF THE ARGUMENT

In the decision below, the Federal Circuit held that an accused infringer's good-faith belief in a patent's invalidity may negate the requisite intent for induced infringement under 35 U.S.C. § 271(b), thereby creating a brand new defense to inducement. *Commil USA, LLC v. Cisco Systems, Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013).

This new defense is unsupported by the text of Section 271(b), which nowhere mentions validity. Indeed, the patent statute lists noninfringement and invalidity as separate and distinct defenses in Section 282(b). Infringement and validity are independent questions and, although invalidity may preclude a defendant's *liability* in a patent suit, it does not preclude a finding of infringement.

In practice, the Federal Circuit's decision in *Commil* renders inducement wholly ineffectual as a patent enforcement tool. As a direct result of *Commil*, potential infringers now routinely obtain opinions of counsel that the patent at issue is invalid because such opinions present an ironclad defense to inducement, regardless of the opinion's accuracy. 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.

Without the ability to impose liability for inducement, many patent owners will be left with no effective way to enforce their patent rights. For example, in many cases where products and services are protected by method claims, only customers actually practice the patented methods. By contrast, the competitors that profit by

producing the goods and services used by the infringing customers are only liable as inducers. Absent a practical way to prove inducement, patent owners' only recourse would be to sue end users, an avenue that is often impractical, not to mention potentially destructive of customer relations.

Accordingly, IPO believes that a good-faith belief in a patent's invalidity should not be a defense to inducement under 35 U.S.C. § 271(b) and the Federal Circuit's decision in *Commil* should be reversed.

ARGUMENT

I. The Federal Circuit's holding that a good-faith belief in patent invalidity is a defense to inducement is incompatible with the text and intent of the patent statute.

IPO believes that the Federal Circuit's novel holding that a defendant's good-faith belief in the invalidity of a patent may be a defense to inducement under 35 U.S.C. § 271(b) is inconsistent with the text of the Patent Act.

According to the statute, direct infringement under Section 271(a) occurs when "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor" Section 271(b) then defines inducement liability in terms of direct infringement: "Whoever actively induces infringement of a patent shall be liable as an infringer."

Neither of these sections mentions patent validity or invalidity, let alone a defendant's belief—whether in good or bad faith—that a patent is invalid. Rather, a patent is infringed, regardless of its validity, if the defendant has practiced all of its elements without authorization. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 n.2 (2011) (“Direct infringement has long been understood to require no more than the unauthorized use of a patented invention. Thus, a direct infringer’s knowledge or intent is irrelevant.”) (citations omitted).³

The Patent Act lists noninfringement (Section 282(b)(1)) and invalidity (Section 282(b)(2)-(3)) as separate defenses to a claim of patent infringement. The statute’s segregation of infringement and validity further weighs against the Federal Circuit’s blurring of the two.

In forming its opinion in *Commil*, the Federal Circuit reasoned, “it is axiomatic that one cannot infringe an invalid patent.” 720 F.3d at 1368. IPO believes this reasoning is faulty. First, this Court previously considered infringement and validity to be independent questions in *Cardinal Chemical v. Morton International*, 508 U.S.

3. As indicated by the Solicitor General’s brief supporting the granting of certiorari, Global-Tech did not state a clear standard for what level of knowledge is required to establish the intent element under Section 271(b). Brief of the United States as *Amicus Curiae* at 9, *Commil USA, LLC v. Cisco Systems, Inc.*, *Cisco Systems, Inc. v. Commil USA, LLC*, Nos. 13-896 and 13-1044 (U.S. Oct. 16, 2014). IPO believes that knowledge (or willful blindness) of a patent coupled with intentional inducement of the acts that constitute infringement should satisfy the intent requirement of Section 271(b). Knowledge that there is legal liability for patent infringement should not be required.

83 (1993). In *Cardinal*, this Court rejected the Federal Circuit’s practice of routinely vacating declaratory judgments regarding patent validity following a determination of noninfringement, reasoning that the noninfringement determination does not moot the question of validity. Second, the Federal Circuit has adopted this Court’s reasoning in its decision in *Pandrol USA, LP v. Airboss Ry. Products, Inc.*, 320 F.3d 1354, 1364 (Fed. Cir. 2003) (citing *Cardinal* and *Medtronic* in asserting that “Supreme Court precedent and our cases make clear that patent infringement and patent validity are treated as separate issues.”) Indeed, Judge Giles Rich, one of two principal draftsmen of the 1952 Patent Act, referred to the assertion that “invalid claims cannot be infringed” as “a nonsense statement.” *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1535 (Fed. Cir. 1987), cert. denied, 484 U.S. 954 (1987). Thus, IPO submits that the foundation on which the Federal Circuit based its holding is far from “axiomatic.”

IPO believes that a more accurate—and textually consistent—way of characterizing the relationship between infringement and validity is that invalidity precludes a defendant’s *liability*, but does not negate the fact of infringement. See *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1583 (Fed. Cir. 1983) (“Though an invalid claim cannot give rise to liability for infringement, whether it is infringed is an entirely separate question capable of determination without regard to its validity.”). Therefore, IPO believes that a defendant’s good-faith belief of invalidity should not negate induced infringement of an otherwise valid patent.

II. The good-faith belief defense substantially devalues valid patent rights and effectively nullifies the ability of a patent owner to prove inducement under Section 271(b).

Under the Federal Circuit's *Commil* decision, many owners of valid patents will be unable to prove inducement under Section 271(b), thereby effectively devaluing legitimate intellectual property rights.

If a good-faith belief in invalidity is all that is required to defend against an assertion of inducement, an accused infringer need only secure an opinion of counsel that the patent in question is invalid on some basis or another, a very modest requirement given the menu of potential grounds of invalidity.⁴ Unsurprisingly, obtaining such an opinion has become the uniform recommendation and practice of the patent bar in response to the Federal Circuit's decision. *See, e.g.*, Brian Coggio, *Avoid Inducement Liability With Early Opinion Of Counsel*, LAW360 (Mar. 21, 2014, 11:55 AM), <http://www.law360.com/articles/516267/avoid-inducement-liability-with-early-opinion-of-counsel>.

That inducement can be negated by a mere belief makes obtaining and relying on an invalidity opinion a particularly trivial obstacle, since the veracity or accuracy of such an opinion is wholly irrelevant—it only need give rise to a good-faith belief. And because of the simplicity of

4. Possible grounds for patent invalidity include, *inter alia*, lack of utility under 35 U.S.C. Section 101, lack of patent-eligible subject matter under Section 101, lack of novelty under Section 102, non-obviousness under Section 103, lack of written description under Section 112, and lack of enablement under Section 112.

obtaining such an opinion of counsel, virtually all accused infringers will completely avoid liability for inducing infringement even though the patent being infringed is valid. The practical effect of the Federal Circuit's novel interpretation of the patent statute is to nullify the ability of patent owners to prove inducement.

III. The Federal Circuit's effective gutting of induced infringement will significantly impact the ability of patent owners to enforce their valid patent rights against infringing competitors.

In IPO's experience, Section 271(b) provides the only practical means by which patent owners can enforce a substantial proportion of patents. IPO believes that, by rendering Section 271(b) largely inoperative, the Federal Circuit's newly created defense will have a substantial and detrimental impact on many industries.

As one example, many products and services are best (and validly) protected by method claims. Ideally, patent owners would enforce such claims against the parties that manufacture or produce the products and services used to practice the patented method claims. After all, these unauthorized competitors are the ones that profit from the infringing activity and directly inflict commercial damage on the patent owner by actively inducing end users (*i.e.*, customers) to practice the patented method through marketing or instructional materials. However, in many cases, only end users actually practice the patented method and directly infringe the claim. *See, e.g.*, Dmitry Karshedt, *Damages for Indirect Patent Infringement*, 91 WASH. U.L. REV. 911, 917-18 (2014) (“[A] typical scenario in an inducement of patent infringement case occurs when

a manufacturer sells a product that includes patented technology and comes with instructions or other tools that direct end users to employ it in such a way as to infringe the patent directly . . .”).

Under the Federal’s Circuit’s decision in *Commil*, a competitor who actively induces infringement of a patented method is freed of any liability merely by obtaining an opinion of counsel that the patent claims are invalid, even if that opinion is later determined by the court or jury to be in error. The patent owner, on the other hand, is left with no practical means of addressing this infringement at its source.

IV. Permitting defendants a good-faith belief defense to inducement will increase the cost of enforcing valid patent rights against infringers.

IPO believes that the appellate court’s new good-faith belief of invalidity defense will make patent enforcement substantially more costly.

First, in the absence of an effective remedy for inducement infringement under Section 271(b), IPO believes many patent owners’ only recourse for enforcement will be to sue multiple end users. Not only is this alternative more expensive and highly inefficient for patent owners, it will impose an additional burden on the federal judiciary. And because suits against actual or potential customers are unpalatable for patent owners and end users alike, many owners of perfectly valid patents will be left with no viable avenues for enforcement against infringing competitors.

Second, because “an accused inducer’s good-faith belief of invalidity . . . is evidence that should be considered by the fact finder,” IPO believes that the Federal Circuit’s holding will increase the duration and complexity of patent trials by adding yet another issue to be considered by the already overburdened trier of fact. *Commil*, 720 F.3d at 1368-69. The scope (and cost) of discovery will necessarily be expanded as well.

CONCLUSION

IPO believes that the Federal Circuit’s holding in *Commil* that a good-faith belief in a patent’s invalidity may serve as a defense to induced infringement should be reversed. IPO believes that such a defense is an unwarranted Get-Out-Of-Jail-Free card that greatly reduces or eliminates the value of validly issued patents, especially for those patent owners whose only practical recourse is to prove liability through inducement.

Respectfully submitted,

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