

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**

—◆—
**AMICUS CURIAE BRIEF
OF DeLORME *ET AL.* IN
SUPPORT OF RESPONDENT**

—◆—
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INTEREST OF *AMICI CURIAE*

Amici Curiae DeLorme Publishing Company, Inc., Crutchfield Corporation, Hasbro, Inc., L Brands, Inc., L. L. Bean, Inc., Newegg, Inc., Parke-Bell, Ltd. d/b/a Touch of Class Catalog, and the Retail Litigation Center (collectively, “*Amici*”) submit this brief in support of Respondent.*

Amici are a diverse collection of companies and retail organizations of different sizes from different locations throughout the country engaged in different businesses. They range from a small provider of mapping, satellite communication, and GPS products based in Maine (DeLorme), to one of America’s leading web-only retailers based in California (Newegg). They join this brief because they (or some of their members) have faced, and fought, claims that they are inducing their customers to infringe patent claims – usually by doing no more than providing explanations on how to use their products or websites – even when they have been found not to infringe directly the asserted patents. Eliminating a good-faith defense to induced infringement would expose businesses such as *Amici* to liability for the conduct of their customers or visitors to their websites and the attendant costs of defending against such patent claims

* In accordance with S. Ct. R. 37.3(a), all parties have consented to the filing of this brief. Pursuant to S. Ct. R. 37.6, counsel for *Amici* state that no counsel for a party authored this brief in whole or in part, and no person or entity other than *Amici* or their counsel made a monetary contribution to the preparation or submission of this brief.

in contexts where they believed in good faith that the conduct they were accused of inducing was not wrongful. In order to be cleared of the accusation of actively inducing infringement by a third party of a patent claim they had every reason to believe was invalid, *Amici* would have to prove after discovery and perhaps a trial and an appeal that the asserted patents were, in fact, invalid. Failing that, they could be found to have knowingly induced patent infringement despite not having known at the time that they were inducing patent infringement.

Two examples in which the rule at issue in this case was not applied illustrate the practical problems businesses face when accused of inducing infringement by their customers or website visitors. The first example shows how the refusal to consider evidence tending to negate scienter can lead to a finding of infringement in one forum even of patent claims found invalid in another. A company called BriarTek IP, Inc. filed a complaint with the International Trade Commission (“ITC”), accusing DeLorme of infringing its patent relating to two-way satellite communications. Because DeLorme no longer imported the products previously accused of infringement, it proposed and the ITC approved a consent order under which DeLorme agreed that it would no longer import devices, systems, or components that infringed the asserted patent. BriarTek immediately filed an ITC enforcement complaint, alleging that DeLorme was violating the consent order. Because DeLorme was prohibited from challenging the validity of the patent

in the ITC enforcement action, it filed a declaratory judgment action in the Eastern District of Virginia, alleging noninfringement and invalidity.

The ITC found that DeLorme did not directly infringe the patent, but, refusing even to consider DeLorme's good-faith belief in the invalidity of the asserted patent, found that DeLorme had induced infringement by instructing its customers how to use its products, and imposed a \$6.2 million penalty. *Certain Two-Way Global Satellite Communication Devices, System and Components Thereof*, Inv. No. 337-TA-854 (ITC July 1, 2014) (appeal pending). Later, the district court invalidated the asserted patent for anticipation and obviousness on summary judgment. *DeLorme Publ'g Co., Inc. v. BriarTek IP, Inc.*, 2014 WL 6603988 (E.D. Va. Nov. 19, 2014) (appeal pending). For present purposes, it is sufficient to note that a small Maine company has spent a fortune litigating induced infringement claims in a case in which it not only had a good-faith belief that the asserted patent was invalid, but a district court eventually confirmed that good-faith belief by invalidating the asserted patent on multiple grounds. This is an instructive example, one in which an accused inducer was found liable for its customer's conduct in the ITC despite its reasonable belief in the invalidity of the patent's claims, a reasonable belief later vindicated by a district court judgment.

The second example, decided before *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361 (Fed. Cir. 2013), *cert. granted*, 135 S. Ct. 752 (2014), highlights the

unavoidable connection between a patent-asserter's infringement theory and an accused inducer's reasonable beliefs regarding the validity of the asserted patent claim. Soverain Software accused Newegg's website of infringing two patents, one of which Soverain claimed covered Newegg's online "shopping cart." A jury found that Newegg did not directly infringe either patent, but had induced customers visiting the Newegg website to infringe both patents. *Soverain Software LLC v. Newegg Inc.*, 836 F. Supp. 2d 462, 468 (E.D. Tex. 2010). The jury further concluded that the asserted claims were not invalid, and awarded \$2.5 million in damages. *Id.* On appeal, the Federal Circuit concluded that the asserted patent claims were invalid for obviousness. *See Soverain Software LLC v. Newegg Inc.*, 705 F.3d 1333 (Fed. Cir. 2013), *amended on reh'g*, 728 F.3d 1332 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 910 (2014). In its opinion reversing the district court judgment of validity, the Federal Circuit aptly described Newegg's position regarding Soverain's assertion of its patents: "Newegg declined to pay for a license, stating that its system is materially different from that described and claimed in the patents, and that the patents are invalid *if given the scope asserted by Soverain.*" *Id.* at 1336 (emphasis added).

That is, Newegg believed that for Soverain to accuse Newegg of inducing infringement of its patents' claims Soverain had to interpret those claims so broadly as to render them invalid. That belief alone, if proven to have been reasonably held in good faith,

should have ended the matter because it would have negated the knowledge element of the induced infringement claim for which Newegg was found liable. Instead, Newegg could only extricate itself from liability for its website-users' conduct by litigating at enormous expense through trial and appeal the invalidity of the asserted patents. Had the district court been in a position to apply the rule that Newegg's good-faith belief in invalidity could negate the knowledge element of the induced infringement claim, Newegg would not have faced a \$2.5 million judgment that it had knowingly induced its website visitors to infringe patent claims which, read against, *e.g.*, the accused "shopping cart," Newegg reasonably believed to be invalid.

These examples, in which the rule announced in *Commil* either did not apply or was not applied, serve to highlight the direct and salient interest of *Amici* in the outcome of this case. *First*, they exemplify the prevalence of induced infringement allegations. Patent-asserters seek to reach the deeper pockets of businesses that sell products by attributing liability to them based on the conduct of their customers even when they cannot prove direct infringement by the companies themselves. Since the alleged inducement is usually little more than a form manual or instructional guide on how to use the businesses' products or websites, these are easy allegations to make.

Second, these examples demonstrate the push-me-pull-you relationship of theories of infringement and invalidity. For businesses accused of patent infringement,

the question of infringement cannot be readily separated from invalidity. On the one hand, the business may read the language of the patent and conclude, “We don’t do that,” *i.e.*, the business does not infringe the patent. On the other hand, the patent-asserter may contend that the patent claims should be read much more broadly to cover the business’s products or website, in which case the business may conclude, “The claimed technology (or process) existed years before this patent,” *i.e.*, the patent is invalid. Infringement and invalidity are inextricably intertwined.

As demonstrated by the diametrically opposed outcomes against DeLorme in the ITC and in favor of DeLorme in the district court, divorcing infringement and invalidity in the artificial manner suggested by the Petitioner and the Government warps the analysis. An interpretation of a patent under which an accused inducer may be found to infringe may well be an interpretation that would likely render those same claims invalid because it defines them so broadly as to encompass the prior art. All of which is to say that there is a real and present need in patent law for continuing the rule that allows an accused infringer to negate the scienter element of induced infringement through sufficient evidence of its reasonable, good-faith belief that the asserted patent is invalid.



SUMMARY OF ARGUMENT

The argument of *Amici* can be simply put. Courts should treat the good-faith defense to the knowledge element of induced infringement just as it would treat a good-faith defense in any other area of law. This Court has, in recent years, chided the Federal Circuit for adopting and applying special rules in patent cases for policy reasons. The adoption of new rules in patent cases is the role of Congress. This case presents the reverse face of the same coin. Here, the Federal Circuit correctly interpreted the scienter element of induced infringement to allow for a good-faith defense, just as any federal court would interpret an analogous provision of federal law in any other case, such as false claims, civil rights, antitrust, etc. Thus, an accused infringer should be able to negate the knowledge requirement of induced infringement by showing that it had a reasonable, good-faith belief that it was *not* inducing direct infringement of a patent claim because that claim was invalid. To deny accused inducers that defense is to erase the scienter requirement from the statute, implicitly reversing the holding of *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011).

Not only is this rule legally correct, it is practically important. As the examples above demonstrate, businesses such as *Amici* are routinely accused of inducing their customers to infringe patents by informing their customers how to use their products or websites. Faced with such accusations, businesses must be able to investigate those claims and conclude

that if the patent claims are as broad as asserted, then the patent must be invalid because the claimed technology existed years or even decades prior to the filing of the patent. Businesses should not be required to license invalid patents, to file expensive patent litigation, or to shut down operations when faced with allegations that someone claims a patent over two-way satellite communications or shopping carts. There must be play in the joints for an accused inducer to conclude reasonably that it is *not* inducing infringement because the asserted patent is invalid.

The acknowledgement of such a defense does not mean the end of induced infringement liability. The fears expressed by the Petitioner, the Government, and others that the Federal Circuit's opinion is a get-out-of-jail-free card for accused inducers are ill-founded. The defense only arises in that fraction of cases in which all the other elements of induced infringement have already been established. It only arises in the still narrower fraction of cases in which the patent claims that the accused infringer believes are *invalid* are adjudged to be *valid* – that is, where the question for decision is whether the accused infringer's *incorrect* belief is nonetheless reasonable and in good faith. In that quite limited class of cases, federal district judges are fully equipped to make, and are capable of making that determination, just as they do in other areas of the law where a good-faith belief can negate scienter.

Although patent litigation deals with technical subject matter, district courts are well equipped to

adjudicate a good-faith defense in the context of patent law just as they do in other areas of the law in which evidence of good faith can negate scienter. An accused inducer's reasonable, good-faith belief that a patent claim asserted against it is invalid can, if demonstrated, negate the scienter element of a claim of induced infringement because it can show that the accused infringer did not *know* that it was inducing a third party directly to infringe a patent claim. The judgment below should be affirmed.

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ARGUMENT

I. A GOOD-FAITH DEFENSE TO INDUCED PATENT INFRINGEMENT IS LEGALLY REQUIRED.

A. The Court Should Simply Apply *Global-Tech*.

In order to show induced infringement under 35 U.S.C. § 271(b), a patent-asserter must first prove that some non-party directly infringed the asserted patent claim under 35 U.S.C. § 271(a). See *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014) (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961)). If direct infringement is proven, then the patent-asserter must further prove that the accused inducer actively induced the direct infringement. See also Gov't Br. at 19 (elements of induced infringement).

Inferring a requirement of intent from Congress' use of the term "induces," this Court has "h[e]ld[] that induced infringement under § 271(b) requires knowledge that the induced acts constitute *patent infringement*." *Global-Tech*, 131 S. Ct. at 2068 (brackets and emphasis added); *see also id.* at 2065 ("Although the text of § 271(b) makes no mention of intent, we infer that at least some intent is required."). The Court found that the result in *Global-Tech* could be reached by reference to the Court's opinion in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) ("*Aro II*"), in which the Court "held that a violator of § 271(c) must know 'that the combination for which his component was especially designed was both patented and infringing.'" *Global-Tech*, 131 S. Ct. at 2067 (quoting *Aro II*, 377 U.S. at 488). "[T]his same knowledge" – that the acts induced are both patented and infringing – is required "for liability under § 271(b)." *Id.* at 2067 (brackets added).

The challenged holding below was a straightforward application of this Court's holding that to prove inducement, a patent-asserter must show that the accused inducer knew "that the induced acts constitute patent infringement." *Id.* at 2068. Once made aware of a patent and an allegation of infringement, an accused inducer can choose *not* to investigate that claim, courting a finding of willful blindness.

Alternatively, the accused inducer can examine the asserted claims and compare them with the accused instrumentality, *e.g.*, a product it sells or the

retail website it uses to sell products. At that point, the accused inducer can come to believe that in all probability the use of the accused instrumentality meets the elements of an asserted claim as properly construed. Or, the accused inducer can conclude that in all probability the use of the accused instrumentality is *not* infringing for one of two reasons. *First*, the accused inducer can conclude that the instrumentality does *not* meet all elements of the asserted claims under the proper interpretation of those claims; or, *second*, the accused inducer can conclude that the instrumentality does not infringe because the asserted claims *as read against that very accused instrumentality* cannot be valid.

As the court below concluded, evidence tending to show a good-faith belief of non-infringement or invalidity on the part of the accused inducer “is relevant evidence that tends to show that an accused inducer lacked the intent required to be held liable for induced infringement.” *Commil*, 720 F.3d at 1367-68. It is equally true that one cannot be held liable “as an infringer,” 35 U.S.C. § 271(b), for inducing use of an accused instrumentality if that instrumentality does not meet all of the patent claim’s elements as it is to say that one cannot be held liable for inducing infringement of a claim that, applied to that accused instrumentality, is invalid. *See Commil*, 720 F.3d at 1368 (“It is axiomatic that one cannot infringe an invalid patent.”); *see also Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997) (“Each element contained in a patent claim is deemed

material to defining the scope of the patented invention.”); *Aro*, 365 U.S. at 604 (“If anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.”).

In essence, the Petitioner and the Government are asking the Court to rewrite the holding of *Global-Tech* to substitute the good-faith belief of the patent-asserter for the good-faith belief of the accused infringer. See Gov’t Br. at 17 (“Under that interpretation, a *patentee* can provide the potential inducer with the requisite knowledge by notifying him about the patent and the allegation of infringement.”) (emphasis added); see also *id.* at 6 (“This Court’s decisions indicate that a patentee may establish the scienter required by Section 271(b) by proving that the inducer was aware of the patent and of *the patentee’s view* that the induced conduct was infringing.”) (emphasis added); 9 (similar). In the words of the Petitioner, “Commil . . . contends that once the inducer has knowledge of the patent and its potential relevance to its conduct vis-à-vis infringement (*e.g.*, through discussion with the patent owner, a notice letter from the patentee, reading public materials, or internal review), the intent requirement is satisfied.” Pet. Br. at 16 (ellipsis added). That is, the Petitioner and Government contend that when this Court said, “[W]e now hold that induced infringement under § 271(b) requires knowledge that the

induced acts constitute patent infringement,” *Global-Tech*, 131 S. Ct. at 2068 (brackets added), what the Court really meant was, “We now hold that induced infringement under § 271(b) requires knowledge that *the patent-asserter believes* that the induced acts constitute patent infringement.”

Not only is that not what the Court said, it does not make sense to interpret Section 271(b) as including a knowledge requirement that may be satisfied not by proof of what the accused inducer knew, but rather by evidence of what the patent-asserter said. On this theory, “[o]nce the inducer knows about the patent and the patentee’s view of its scope, he can order his conduct accordingly, *e.g.*, by modifying his product, maintaining his present course, or (if an actual controversy exists) seeking a judicial ruling to clarify his rights.” Gov’t Br. at 17 (brackets added and citation omitted). But this answer begs the question. This is the menu of options available to the accused inducer whatever scienter rule applies. The real issue is, if the accused infringer “knows about the patent and the patentee’s view of its scope,” and believes in good faith that the patentee’s view of the scope is *wrong*, the accused infringer lacks the requisite scienter to induce anyone to infringe a valid patent.

If adopted, the position advocated by the Petitioner and the Government would eliminate the requirement of *Global-Tech* that an accused inducer must know that the actions it is inducing are patented *and*

infringing. The Government concedes as much when it argues that the *only* way for an accused inducer on notice of the existence of a patent to escape liability is to prove non-infringement or invalidity. *See* Gov't Br. at 17-18. That view leaves no room for a good-faith, but ultimately incorrect, belief on the part of the accused infringer to negate the knowledge requirement. Put another way, that view leaves no room for a scienter element of induced infringement that could ever change the outcome. According to the Petitioner and the Government, the only way for an accused inducer to negate the knowledge element is to prove that it did not know about the patent or that it had been accused of infringing it. *Global-Tech's* holding was written, according to this view, in disappearing ink.

B. The Court Should Not Adopt A Patent-Only Scienter Rule.

In recent years, this Court has chided the Federal Circuit for adopting and applying special rules in patent cases for policy reasons. *See, e.g., Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015) (fact-finding incident to claim construction); *Limelight*, 134 S. Ct. 2111 (induced infringement of method patent claims); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014) (declaratory judgment jurisdiction); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (fee awards); *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (injunctive relief). Here, the Federal Circuit

has followed that directive and interpreted the scienter element of induced infringement to allow an accused inducer to negate the knowledge requirement by showing that it had a reasonable, good-faith belief that it was *not* inducing direct infringement of a patent claim because that claim was invalid. Rather than acknowledging the propriety of this conclusion, however, the Petitioner and the Government are asking the Court to write a patent-only rule for scienter, namely, knowledge of infringement really means just knowledge that a patent exists and one has been accused of infringing it. It is for Congress, not the courts, to make new policy.

The peculiarity of the Petitioner and the Government's position becomes apparent when compared to similar good-faith defenses in other areas of federal law. Federal law routinely recognizes a defendant's legitimate, good-faith belief in the lawfulness of his or her conduct as evidence that can negate a finding of knowledge.

The False Claims Act, for example, creates liability for the knowing submission of false claims to the Government. *See* 31 U.S.C. § 3729(b). Under the False Claims Act, that knowledge may be established by evidence of actual knowledge, deliberate ignorance, or reckless disregard; specific intent to defraud need not be demonstrated. *See id.* "The requisite intent is the knowing presentation of what is known to be false." *United States ex rel. Hagood v. Sonoma Cnty. Water Agency*, 929 F.2d 1416, 1421 (9th Cir. 1991). A common issue that arises, then, is whether a

defendant's statements to the Government are false or fraudulent if they are based on a reasonable interpretation of a disputed legal or regulatory issue. In the false claims context, for a defendant to take a reasonable position on a disputed legal issue "is to be neither deliberately ignorant nor recklessly disregarding." *Id.*; see also *Luckey v. Baxter Healthcare Corp.*, 183 F.3d 730, 732 (7th Cir. 1999) (statement consistent with decision based on reasonable interpretation of ambiguous regulation not knowingly false or fraudulent); *United States v. Prabhu*, 442 F. Supp. 2d 1008, 1029 (D. Nev. 2006) (no false claims because defendant believed in "good faith" that billing practice conformed to a reasonable interpretation of ambiguous regulations). It is the defendant's good faith, not the relator's assertion, that determines whether the defendant knowingly submitted a false claim.

In similar fashion, "good faith" or qualified immunity is a recognized defense for public officials against charges of misconduct in the performance of discretionary duties. See, e.g., *Harlow v. Fitzgerald*, 457 U.S. 800, 815 (1982). In this area of the law, the Court recognizes a distinction between clearly established obligations, which may not be violated, and legal developments "an official could not reasonably be expected to anticipate." *Id.* at 818. "[G]overnment officials performing discretionary functions generally are shielded from liability for civil damages insofar as their conduct does not violate clearly established statutory or constitutional rights of which a reasonable person would have known." *Id.* (brackets added).

Indeed, the Court evaluates the good faith of the government official at the time of the alleged offense, and not later after a subsequent change in the law. *See, e.g., Lane v. Franks*, 134 S. Ct. 2369, 2381 (2014). Thus, a government official's good-faith, but ultimately incorrect, belief is sufficient to protect him or her from damages liability if the conduct does not violate clearly established law.

In cases interpreting the Clayton Act, this Court has noted that a person charged with price discrimination can rebut that charge with evidence that the price was made in good faith to meet a competitor's price. *See FTC v. A.E. Staley Mfg. Co.*, 324 U.S. 746, 752 (1945). The seller need not prove that it met a competitor's price *in fact*, but rather that the price was determined in good faith to meet a competitor's. *Id.* at 759; *see also United States v. United States Gypsum Co.*, 438 U.S. 422, 453 (1978) ("A good-faith belief, rather than absolute certainty, that a price concession is being offered to meet an equally low price offered by a competitor is sufficient to satisfy the § 2(b) defense.").

In interpreting the National Childhood Vaccine Injury Act of 1986 ("Vaccine Act"), the Court has held that even a petition for compensation filed untimely "may qualify for an award of attorney's fees if it is filed in good faith and there is a reasonable basis for its claim." *Sebelius v. Cloer*, 133 S. Ct. 1886, 1896-97 (2013). That result followed from the law's provision that "so long as such a petition was brought in good faith and with a reasonable basis, it is eligible for an

award of attorney's fees, even if it is ultimately unsuccessful." *Id.* at 1893.

The specific lessons of the foregoing case-law apply here. *First*, the good-faith belief of a defendant – here, the accused inducer – can negate a finding of knowledge. It is the *defendant's* knowledge that is tested, not what the plaintiff may have told the defendant. *Second*, the good-faith belief need not turn out to be accurate to have been made in good faith. *Third*, the accused inducer's belief must be measured based on the information available to the accused inducer at the time it made the decision to engage in the allegedly unlawful conduct.

The more general lesson to be learned is that federal law recognizes a good-faith belief as a defense in a wide range of legal areas, and applies a (relatively) uniform approach to its application in those areas. The Petitioner and the Government point to no reason – other than the fact that patent law is different and hard – for this Court to create a special scienter rule for the Patent Act, not found in the statute enacted by Congress. Whether adjudication of a good faith defense in patent law is more complicated than antitrust, civil rights, false claims, and any number of other areas of law that recognize a good-faith defense is scarcely self-evident. The Court should resist the invitation of the Petitioner and the Government to create a *sui generis* rule for the knowledge element of induced infringement.

II. THE GOOD-FAITH DEFENSE TO INDUCED PATENT INFRINGEMENT IS NECESSARY AND WORKABLE.

Not only is the rule announced by the Federal Circuit below legally correct, it is practically important. For businesses such as *Amici*, which are routinely accused of inducing their customers to infringe patents, such claims put them in a practical quandary. If the asserted patent claims are truly as broad as asserted, say, that BriarTek invented two-way satellite communication or that Sovereign Software invented the online shopping cart, then the *Amici* could – and should – resist paying for a license because such a patent could not possibly be valid. But, if the good-faith defense to induced infringement is effectively eliminated, the only avenue available to avoid paying that toll is to litigate to the bitter end the validity of the asserted patents. *See* Resp. Br. at 32-33. Since the cost of litigating the validity of a patent through trial and appeal is routinely calculated in the millions, the rational response to such an induced infringement claim is to take a cost-of-litigation settlement. *See* Am. Intell. Prop. Ass'n, *Report of the Economic Survey* (2011) (cost of patent litigation ranges from \$350,000 to reach the end of discovery and \$650,000 to fully complete litigation when less than \$1,000,000 is at risk, to \$3,000,000 to reach the end of discovery and \$5,000,000 to fully complete litigation when more than \$25,000,000 is at risk); *see also* Resp. Br. at 51-52.

The Petitioner counters that “even if ‘good-faith beliefs’ were relevant to the analysis, validity is distinct from infringement, and hence beliefs about validity are irrelevant to whether the defendant induced infringement.” Pet. Br. at 3. In similar mode, the Government asserts, that infringement and invalidity are separate issues that present “independent questions,” such that “a patent can be infringed whether or not it is ultimately held to be valid.” Gov’t Br. at 23. Saying that a patent claim is both infringed and invalid is another way of saying that the direct infringer – the person being induced to infringe – is practicing the prior art. Suffice it to say, a rule that allows a claim of induced infringement of an invalid patent makes no sense.

Amici do not operate their businesses in the abstract world imagined by the Petitioner and the Government. Infringement and invalidity are intermeshed in the real world – the scope of a *valid* patent claim is delimited by the *invalidating* prior art. This Court has recognized since the nineteenth century the deep connection between non-infringement and invalidity, defining anticipation as preemptive infringement. “That which infringes, if later, would anticipate, if earlier.” *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889). And this is the real rub for accused inducers, who do not face claims of infringement in a vacuum, but rather concrete claims that their product or their website is being used by their customers to infringe the patent-asserter’s patent claims. They face a Hobson’s choice – do they act on

their belief that the asserted patent is invalid, and incur the cost and uncertainty of litigating that issue, or do they succumb and pay for a license for a patent they believe in good faith to be invalid?

The Petitioner and the Government further suggest that the Court must create a new law of scienter because the rule adopted by the Federal Circuit will “encourage defendants to seek self-serving opinions of counsel in hopes of fabricating a defense to infringement.” Pet. Br. at 3. They caution that “the complexity of patent litigation” will allow accused infringers to throw sand in the eyes of a jury and trial judge because it will become “difficult for patentees to prove that subjective beliefs about defenses were not held in good faith.” *Id.* at 14. Neither this Court nor litigants need fear that federal judges and juries will be incapable of separating wheat from chaff in applying this element of the patent-asserter’s proof of induced infringement.

The Court has recognized that district courts “have considerable discretion in conforming their decisionmaking processes to the exigencies of particular cases.” *United States v. Leon*, 468 U.S. 897, 924-25 (1984) (collecting cases addressing questions of good-faith immunity under 42 U.S.C. § 1983). “Given the fact-specific nature of the inquiry, it is difficult to predict all the factors the . . . court would consider in appraising . . . good faith.” *United States Gypsum*, 438 U.S. at 454-55 (ellipses added). The district courts charged with overseeing patent actions should be permitted to use the tools at their disposal to do so.

Moreover, the Court has observed that, although a defendant must be allowed to put on a good-faith defense, not all good-faith defenses are good defenses. As the Court wrote of the losing argument that the defendant nonetheless had the right to make in a tax case: “Of course, the more unreasonable the asserted beliefs or misunderstandings are, the more likely the jury will consider them to be nothing more than simple disagreement with known legal duties imposed by the tax laws and will find that the Government has carried its burden of proving knowledge.” *Cheek v. United States*, 498 U.S. 192, 203-204 (1991) (holding that it was error to instruct jury to disregard evidence of taxpayer’s belief that he was not a person required to file a tax return or pay income taxes).

This Court recently addressed the argument advanced by the Government in the Vaccine Act attorneys’ fees case that a more permissive rule regarding fee awards would lead to more untimely petitions being filed. The Court’s response there is apt here:

[T]he Government offers no evidence to support its speculation. Additionally, this argument is premised on the assumption that in the pursuit of fees, attorneys will choose to bring claims lacking good faith or a reasonable basis in derogation of their ethical duties. There is no basis for such an assumption. Finally, the special masters have shown themselves more than capable of discerning untimely claims supported by good faith and a reasonable basis from those that are specious.

Cloer, 133 S. Ct. at 1896 (brackets added).

If there is an argument to be made that the federal judiciary is not well-equipped to handle induced infringement claims because the subject matter is technical and abstruse, proponents of that argument can and will make it to Congress. Neither the Petitioner nor the Government, however, has explained why this Court should adopt a special scienter rule for induced patent infringement, rather than allowing the federal judiciary to treat the good-faith defense to the knowledge element of induced infringement just as it would treat a good-faith defense in any other legal field.

◆

CONCLUSION

Amici Curiae respectfully submit that the Court should affirm the judgment of the Federal Circuit.

Respectfully submitted,

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