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In The  
Supreme Court of the United States

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COMMIL USA, LLC,  
*Petitioner,*

v.

CISCO SYSTEMS, INC.,  
*Respondent.*

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ON WRIT OF CERTIORARI TO THE UNITED STATES  
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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REPLY BRIEF OF PETITIONER

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**RULE 29.6 STATEMENT**

The rule 29.6 statement included in Commil USA, LLC's opening brief remains correct.

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REPLY BRIEF FOR PETITIONER

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INTRODUCTION

The question presented in this case is whether an infringer's good-faith belief in a patent's *invalidity* precludes liability for induced infringement. Like the court of appeals, Cisco first urges that a defendant's belief that the conduct is not *infringing* negates scienter. Second, and critically, Cisco then attempts to extend that position by equating a belief that the patent is *not*

*infringed* with a belief that the patent is *not valid*. While Cisco's position falters at the first step – a good-faith belief that the conduct is not infringing should not defeat induced infringement – its position on the second step is fatally flawed for independent reasons. Whatever standard might govern when a defendant believes his conduct is lawful, the law has never excused a defendant from liability merely because he believes (however firmly) that the prohibition on his conduct is invalid. A defendant who violates a criminal statute cannot invoke a good-faith belief that the statute is invalid to avoid punishment. A party who violates a court order cannot avoid contempt by arguing that he had a good-faith belief that the order was invalid. And a defendant who tortiously interferes with a contract cannot avoid liability based on a good-faith belief that the contract is invalid or unenforceable. The offender's good-faith belief in invalidity is "irrelevant." *Cheek v. United States*, 498 U.S. 192, 206 (1991).

Patent law should be no different. Indeed, allowing a good-faith belief in invalidity would be particularly inappropriate in the patent context because Congress has already decided that "[a] patent shall be *presumed valid*." 35 U.S.C. § 282(a) (emphasis added). Cisco's proposed defense would turn that presumption on its head. It would instruct parties to presume the patent valid *unless* they think in good faith that the patent is invalid, in which case they will be excused from liability for inducing infringement – no matter how injurious – even though the patent in fact is valid. That is not, and should not be, the law. Cisco's similar efforts to

equate invalidity with non-infringement (on the theory that one cannot infringe an invalid patent) are foreclosed for similar reasons. Cisco's argument would apply equally to the numerous other areas of law where a good-faith belief in invalidity is no excuse.

The good-faith defense fails for additional reasons. It enables one to actively induce others to practice a *valid* patent – with knowledge that patents are statutorily presumed valid – yet bear no “liabil[ity] as an infringer” solely because of a *mistaken* belief that the patent is invalid. This dramatic departure from bedrock principles of patent law provides inducers with immunity when they trespass on valid patent rights. Such a judicial re-interpretation of the law will eviscerate a remedy that has existed for well over a century. Potential patent defendants who believe a patent invalid have myriad (and streamlined) procedures available to them to obtain an actual adjudication of validity, both before the PTO and in court. There is no good reason to create a defense for infringers based on supposed beliefs about validity when Congress has provided ample means for testing such beliefs.

**I. A GOOD-FAITH BELIEF IN INVALIDITY IS NOT AND SHOULD NOT BE A DEFENSE TO INDUCED INFRINGEMENT**

In pressing its view that knowledge of infringement is a necessary element of induced infringement, Cisco invokes “background principles of tort and criminal law.” Br. 24-27. Whatever the merits of those arguments with respect to knowledge

of infringement, they show precisely why there is no defense of good-faith belief in invalidity: Throughout the law, a good-faith belief in invalidity – whether it be of a statute, judicial decree, or contract – is no defense. And it would be particularly inappropriate to judicially interpose such a defense in the patent context, where Congress has directed that patents are presumed valid.

**A. A Good-Faith Belief in Invalidity Is Never a Defense**

**1. *A Good-Faith Belief in the Invalidity of a Statute Is No Defense***

This Court’s precedent makes clear that a defendant cannot invoke a good-faith belief – however reasonable – that a statute is invalid as a defense to a criminal prosecution. In *Cheek v. United States*, the Court addressed whether a defendant’s good-faith belief that certain provisions of the tax code were unconstitutional could be used to demonstrate that the defendant’s violations were not “willful.” 498 U.S. at 205-06. This Court squarely and unequivocally rejected that defense: “[A] defendant’s views about the validity of the tax statutes,” this Court explained, “are *irrelevant* to the issue of willfulness.” *Id.* at 206 (emphasis added). That is true, moreover, regardless of “whether the claims of invalidity are frivolous or have substance.” *Id.*<sup>1</sup>

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<sup>1</sup> See also *United States v. Ambort*, 405 F.3d 1109, 1116 (10th Cir. 2005) (applying *Cheek* to aiding and abetting willful tax violations); *United States v. Burton*, 737 F.2d 439, 442 (5th Cir.

A party who disagrees with a statute's validity must instead utilize "mechanisms provided by Congress to present his claims of invalidity to the courts and to abide by their decisions." *Cheek*, 498 U.S. at 206. In *Cheek*, for example, the defendant could have "pa[id] the tax that the law purported to require, file[d] for a refund and, if denied, present[ed] his claims of invalidity, constitutional or otherwise, to the courts." *Id.* (citing 26 U.S.C. § 7422). Or he could have "challenged claims of tax deficiencies in the Tax Court" and appealed if unsuccessful. *Id.* (citing 26 U.S.C. §§ 6213, 7482(a)(1)). But he could not violate the statute with impunity merely because he carried a good-faith belief that the statute was invalid. A defendant who chooses to do so, "like defendants in criminal cases in other contexts who 'willfully' refuse to comply with the duties placed upon them by the law . . . must take the risk of being wrong." *Id.*

## **2. *A Good-Faith Belief in the Invalidity of a Judicial Decree Is No Defense***

*Cheek's* principle – that one may not stand in judgment of the law and then plead lack of intent when proven wrong – permeates American law. For example, a party may defend a charge of contempt

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1984) ("The defendant's good faith belief that the statute is unconstitutional does not negate the willfulness of his defiance of the statute, and such a defendant is not entitled to a jury instruction that his belief in the statute's unconstitutionality shields him from liability for willful violation of the statute."); *United States v. Kraeger*, 711 F.2d 6, 7 (2d Cir. 1983) ("[A] good faith belief that a law was unconstitutional was no defense to the charge of failing to file an income tax return.").

by arguing that the court order the party violated is invalid. But it is black-letter law that “[a] good-faith belief” that a court order “is invalid is *not* a defense to contempt.” 17 Am. Jur. 2d *Contempt* § 131 (emphasis added); see *Blair v. United States*, 250 U.S. 273, 277-78 (1919) (witnesses guilty of contempt for refusing to testify based on the belief that the criminal statute at issue “was unconstitutional and void”); cf. *Boehm v. United States*, 123 F.2d 791, 809 (8th Cir. 1941) (“One who takes an oath to tell the truth and thereupon swears falsely cannot defend against indictment for perjury on the ground that he believed the statute authorizing the taking of his testimony was unconstitutional.”).

“Under current doctrine,” the Third Circuit has explained, “defendants defying court orders gamble that they will be able to establish the invalidity of the order at contempt proceedings.” *United States v. Pearce*, 792 F.2d 397, 400 n.3 (3d Cir. 1986). “If it turns out that the order was valid, the defendant is guilty of contempt and cannot successfully advance as a defense his good-faith belief that the order was invalid.” *Id.* A contrary rule “would encourage frequent disobedience of court orders.” *Id.*

### ***3. A Good-Faith Belief in the Invalidity of a Contract Is No Defense to Tortious Interference***

The same principle applies in tort law. For example, in a claim of tortious interference with a contract, the invalidity or unenforceability of the

contract is a defense. See *Scutti Enters., LLC v. Park Place Entm't Corp.*, 322 F.3d 211, 215 (2d Cir. 2003) (“a central requirement” for a claim for tortious interference with contract is a “valid, enforceable contract”). But a defendant’s good-faith belief that the contract was invalid or unenforceable is *not* a defense. See, e.g., *Ancora Capital & Mgmt. Grp., LLC v. Corporate Mailing Servs., Inc.*, 214 F. Supp. 2d 493, 499 (D. Md. 2002) (“A defendant’s wrongful belief that a contract is invalid or unenforceable is not a defense to a tortious interference claim.”); *Restatement of Torts* § 766, cmt. e (1939) (“If he knows those facts, he is subject to liability even though he is mistaken as to their legal significance and believes that there is no contract. . . .”); *Restatement (Second) of Torts* § 766, cmt. i (1979) (“If he knows those facts, he is subject to liability even though he is mistaken as to their legal significance and believes that the agreement is not legally binding. . . .”); cf. *Restatement of Torts* § 890, cmt. f (1939) (“A person who, no matter how reasonably, believes because of a mistake of law that he has a privilege, gains no immunity merely because of such belief . . .”); W. Keeton, D. Dobbs, R. Keeton & D. Owen, *Prosser and Keeton on Law of Torts* 110 (5th ed. 1984) (“[I]f one intentionally interferes with the interests of others, he is often subject to liability notwithstanding the invasion was made under an erroneous belief as to some . . . legal matter that would have justified the conduct.”).

The example of tortious interference is particularly salient. While a good-faith belief that one’s *conduct* does not interfere with a contract may preclude liability for tortious interference (Resp. Br.

44), one's belief that contract is *invalid* will not. Likewise here, whatever the relevance of a defendant's good-faith belief that his *conduct* does not infringe, any belief that the patent is *invalid* should be irrelevant.

**B. Judicial Creation of a Good-Faith Belief of Invalidity Defense Is Particularly Inappropriate Given the Presumption of Validity**

Simply put, Cisco asks for a rule that does not operate elsewhere in the law. Even if § 271(b) requires that a defendant have knowledge of the infringing nature of the induced acts, a good-faith belief in invalidity should be “irrelevant” to a defendant's liability under that provision. *Cheek*, 498 U.S. at 206. Just as the defendant in *Cheek* had the requisite knowledge that his conduct violated the law, despite his belief that the statute was invalid (*id.*), so too an accused infringer may be aware of the infringing nature of the induced acts despite his belief that the patent is invalid. Judicial creation of such a defense would be particularly inappropriate here. Under § 271(b), a defendant who “actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). Nowhere does the statute set forth an exception for inducers who believe in good-faith the patent is invalid.

Indeed, such a defense would be inconsistent with the presumption of validity. Because “[a] patent shall be *presumed valid*,” 35 U.S.C. § 282(a) (emphasis added), parties and courts must respect the issued patent's validity until a court or the PTO

rules otherwise. As this Court recently confirmed in *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011), the presumption of validity is a “common core of thought and truth” reflected in over 100 years of American jurisprudence. *Id.* at 2245. The presumption is a powerful tool: It “requires an invalidity defense to be proved by clear and convincing evidence” rather than a preponderance of evidence. *Id.* at 2242. Under Cisco’s view, however, the presumption of validity is meaningless when a defendant is accused of induced infringement because a defendant can simply ignore that *statutory* presumption in favor of its *own* assessment of a patent’s invalidity.

Rather than making their own assessment, accused infringers have a variety of options that allow them to properly challenge a patent’s validity. They can file a declaratory judgment action seeking a court declaration that the patent is invalid. They can seek *inter partes* review and receive a decision within 12 months of institution (or 18 months if “good cause” is shown). 35 U.S.C. § 316. Or they can seek *ex parte* reexamination, as Cisco sought. 35 U.S.C. § 302. What an accused infringer cannot do, however, is ignore “mechanisms provided by Congress to present his claims of invalidity to the courts and to abide by their decisions.” *Cheek*, 498 U.S. at 206. To allow an accused infringer to by-pass these mechanisms and rely, instead, on his own determination of validity violates the fundamental maxim that “[n]o man is allowed to be a judge in his own cause because his interest would certainly bias his judgment and, not improbably, corrupt his integrity.” *Gutierrez de Martinez v. Lamagno*, 515

U.S. 417, 428 (1995) (quoting *The Federalist* No. 10, p. 79 (C. Rossiter ed. 1961)).

Cisco, in essence, asks this Court to carve out a patent law exception from the general rule that a good-faith belief in invalidity is not a defense. But this Court, in case after case, has rejected the proposition that unique, patent specific rules should govern where they depart from general principles applicable in other areas of law. *See, e.g., Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015) (district court fact-finding during claim construction reviewed by this Court for clear error, “as it would review a trial judge’s fact-finding in other cases”); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (“[W]hether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and . . . such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”). This Court should do so here and bring patent law into line with other areas of the law.

### **C. Cisco’s Attempt to Equate Invalidity and Infringement Does Not Withstand Scrutiny**

Unable to cite even a single other area of law that adopts its novel theory that a good-faith belief of invalidity is a legitimate defense, Cisco instead equates invalidity with infringement, urging that “infringement presupposes the patent’s validity.” Resp. Br. 41; *see also id.* at 42 (“infringement

presupposes a valid patent”). That argument fails for two independent reasons.

First, Cisco’s reasoning would apply equally in other contexts, destroying the rule that a good-faith belief in invalidity is not a defense. If this view were correct, the defendant in *Cheek* would have prevailed because a statutory violation “presupposes the [statute’s] validity.” Likewise, contempt would “presuppose” the validity of the underlying court order. And tortious interference with a contract would “presuppose” the validity of a contract. In those areas of the law, however, a good-faith belief in invalidity is *not* a defense. *See supra* pp. 4-8. If the statute, judicial order, or contract later turns out to be invalid, then a party will not be liable. But Cisco’s argument goes much further. It would upend the longstanding rule that a good-faith belief in invalidity is not a defense and allow parties to immunize themselves from violating the rights of others based on the mistaken view that a patent is invalid. That cannot be the law.

Second, infringement and invalidity are entirely separate issues, with different presumptions, burdens of persuasion, and burdens of proof. *See i4i*, 131 S. Ct. at 2245 n. 4. And they have been repeatedly and consistently treated as separate by the Federal Circuit. *See* Pet. Br. 46-48. While it is undoubtedly true that *liability* requires the infringement of a valid patent, one inquiry does not depend upon the other and infringement does not “presuppose[] the patent’s validity.” Resp. Br. 41; *see Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1535 (Fed. Cir. 1987) (describing the

statement that “invalid claims cannot be infringed” as “a nonsense statement”).

## **II. GOOD-FAITH BELIEFS ARE IRRELEVANT BECAUSE INDUCED INFRINGEMENT ONLY REQUIRES KNOWING CONDUCT**

Cisco’s arguments fail for the additional reason that the very premise on which they stand – that good-faith beliefs are relevant to the inducement inquiry – is wrong. Cisco argues (Br. 11) that the scienter requirement for induced infringement is *higher* than the scienter for willfulness, that induced infringement requires not just “knowledge” of the patent and the infringing nature of the conduct, but “specific, culpable intent,” which is negated when a defendant “reasonably and in good faith believes that the patent is invalid.” Br. 3. But elevating the scienter required for induced infringement to a quasi-criminal standard is wholly unsupported by the statutory text, this Court’s precedent, and fundamental principles of American tort and criminal law.

### **A. Section 271(b) Does Not Require Scienter Higher Than Willfulness**

Cisco’s assertion (Br. 11) that “the scienter for willfulness is lower than for inducement” demonstrates the fundamental flaw in its understanding of inducement. Section 271(b) imposes liability on “[w]hoever actively induces infringement of a patent.” It does not use the word intent, much less willful, and no court has ever held that § 271(b) requires a showing of willfulness, much

less something *more* than willfulness. In fact, Congress considered and rejected a proposal to change the standard in § 271(b) from “actively induces” to “willfully induces.” *Contributory Infringement: Hearings on H.R. 3866 before Subcomm. No. 4 of the H. Comm. on the Judiciary*, 81st Cong. 83 (1949).<sup>2</sup> The absence of express statutory authorization for “willfulness” or some higher standard in § 271(b) is telling because this Court has long looked for explicit congressional authorization before permitting defenses based on mistaken beliefs. *See, e.g., Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich LPA*, 559 U.S. 573, 581 (2010) (“We have long recognized the ‘common maxim, familiar to all minds, that ignorance of the law will not excuse any person, either civilly or criminally’ and noting that “when Congress has intended to provide a mistake-of-law defense to civil liability, it has often done so . . . explicitly”); *Cheek*, 498 U.S. at 199 (noting express congressional authorization to “mak[e] specific intent to violate the law” an element of the offense).

To be sure, when determining the availability of treble damages under 35 U.S.C. § 284, the Federal Circuit applies a judicially created willfulness standard. *See In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). But adopting Cisco’s heightened scienter requirement would compel the conclusion that every defendant found liable for inducement is subject to treble damages and attorney fees. Nothing in the statute, legislative history, or this Court’s precedent suggests that induced infringement *liability* was intended to be

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<sup>2</sup> *See* Amicus Gilead Br. 9.

limited to only the most egregious circumstances that warrant punitive damages. To the contrary, the legislative history and this Court's early cases show that the purpose was to provide patentees with a remedy in circumstances where it is impracticable to proceed against diffuse direct infringers. *See* Pet. Br. at 29-34.

**B. This Court's Decision in *Global-Tech* Does Not Require Scienter Higher Than Willfulness**

Nothing in *Global-Tech* imposes such a heightened scienter requirement. Instead, the Court inferred from the words "actively induces" that "at least some intent is required." *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 (2011). It then proceeded to adopt the rule from *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) [*Aro II*] that knowledge of the patent was required. *Id.* at 2067-68. Commil's proposed standard is consistent with the statutory text and *Global-Tech*.<sup>3</sup>

The question is not whether this Court should overrule *Global-Tech*, but whether this Court's

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<sup>3</sup> Under Commil's approach, one does not commit inducement unless (1) the inducer intended to cause third parties to directly infringe the patent; (2) third parties in fact directly infringed the patent; (3) the inducer knew about the patent; and (4) the inducer knew about the patent's relevance to its conduct. Moreover, one cannot incur any liability for inducement under Commil's approach unless the patent is also found to be valid and enforceable. Commil's standard represents a sensible balance between the rights of patent owners and those who cause infringement.

reference to “knowledge that the induced acts constitute patent infringement” created the radical and unprecedented defense to liability that Cisco suggests – a defense that only applies to accused infringers who have *actual knowledge* of the patent. 131 S. Ct. at 2068.<sup>4</sup> Cisco goes so far as to argue that this Court’s decision in *Global-Tech* “over-ruled a portion of *DSU [Med. Corp. v. JMS Co., 471 F.3d 1293 (Fed. Cir. 2006)]* and *Manville [Sales Corp. v. Paramount Systems, Inc., 917 F.2d 544 (Fed. Cir. 1990)]* that had been too permissive with respect to inducement liability,” even though this Court neither cited nor discussed either decision. Br. 30 n.20.

To temper the extreme but unavoidable implication of its position – that § 271(b) will be eviscerated as a meaningful remedy – Cisco now argues that only “reasonable beliefs” about invalidity provide a defense to inducement intent. *E.g.*, Resp. Br. 36 n.23.<sup>5</sup> Of course, a defendant with good-faith but unreasonable beliefs about validity or infringement can hardly be said to have “knowledge that the induced acts constitute patent

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<sup>4</sup> Cisco claims that Commil waived its argument that § 271(b) requires a showing of actual knowledge of the patent and its potential relevance rather than “knowledge of infringement.” Resp. Br. 2. Like the United States (U.S. Br. 9, n. 1) Commil argues the point because it is antecedent to the issue squarely before the Court. It was the rationale on which the Federal Circuit created the “good-faith belief in invalidity” defense.

<sup>5</sup> By its suggestion that the Court insert a “reasonable” requirement in the Federal Circuit’s new defense, Cisco acknowledges that the Federal Circuit defense as announced is wrong.

infringement” much less to have acted with the “specific, culpable, intent” that Cisco says is required. Resp. Br. 3; *cf.* Resp. Br. 21 (Cisco criticizing Commil’s position because it “would not require knowledge that the induced conduct actually constitutes ‘infringement.’”). And in the limited instances where mistaken beliefs are permitted as a defense to negate specific intent, those defenses are permitted “however unreasonable a court might deem such a belief.” *Cheek*, 498 U.S. at 202.

Clearly, the “knowledge that the induced acts constitute patent infringement” required by *Global-Tech*, 131 S. Ct. at 2068, exists where the inducer has knowledge of the patent and its relevance to its conduct. This conclusion is compelled by the context of the actual dispute presented in *Global-Tech*, the Court’s reasoning and holding in *Aro II*, additional early cases from this Court, and the purpose of inducement liability. *See* Pet. Br. 21-27; *see also Jerman*, 559 U.S. at 582-83 (“Our law is therefore no stranger to the possibility that an act may be ‘intentional’ for purposes of civil liability, even if the actor lacked actual knowledge that her conduct violated the law.”)

### **C. Fundamental Principles of Tort Law and Criminal Law Do Not Require Scienter Higher Than Willfulness**

Cisco further argues that a heightened scienter requirement for inducement is supported by tort law and criminal law because “aiding and abetting” generally requires “proof of knowledge of

another's wrongdoing and intent to assist the wrongdoing." Br. 25. Both arguments are misplaced.

First, with respect to tort law, Cisco relies upon § 876(b) of the *Restatement of Torts* (1939), which imposes liability for aiding and abetting on one who "knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself." Br. 25. Thus, according to Cisco, common law aiding and abetting necessitates "knowledge of wrongdoing in order to hold a defendant liable." Br. 26. But Cisco largely ignores the more salient provision § 876(a), which imposes liability for aiding and abetting on one who "orders or induces such conduct, knowing of the conditions under which the act is done or intending the consequences which ensue." As Amicus Gilead's compelling analysis shows (Br. 4-10), § 271(b) was derived from a common law doctrine that did *not* require knowledge of wrongdoing. Rather, "[t]ort law imposed a sliding scale for the required mental state based on the culpability of the defendant's conduct. The more culpable the conduct, the less serious the required mental state, and vice-versa." Gilead Br. 5-6. Section 271's structure mirrors this relationship between the requisite mental state and the culpability of the conduct (Gilead Br. 8-10), and is consistent with the approach offered by Commil and the Solicitor General.

Cisco also ignores the symmetry between conduct and mental state in the criminal law, which (if even applicable) makes plain that Cisco's invocation of "belief" is very different from the intent

or *mens rea* ordinarily required for the commission of a crime. Criminal culpability is based on the actor's mental state in relation to the conduct at issue. See Model Penal Code § 2.02, cmt. 1, at 229 (Official Draft and Revised Comments 1985). Under the Model Penal Code, the actor's culpability turns on whether he acted purposely, knowingly, recklessly, or negligently. § 2.02(2); see also *Liparota v. United States*, 471 U.S. 419, 424 n.5 (1985). Under the criminal law a person acts "knowingly" with respect to a material element of the offense if he is "aware" that his conduct is of a particular nature, that the relevant circumstances exist, or that his conduct is practically certain to cause the specified result. Model Penal Code § 2.02(1); *United States v. Bailey*, 444 U.S. 394, 404 (1980).

Thus, knowledge in the criminal context is a matter of cognition, not a matter of opinion, judgment, or belief. Accordingly, when knowledge of the law is required, a defendant's *belief* that the law is invalid does not negate that his violation of the law was a *knowing* one. *Cheek v. United States*, 498 U.S. 192, 207 (1991); *Ambort*, 405 F.3d at 1114 (applying *Cheek* to aiding and abetting willful tax violations); see also *Jerman*, 559 U.S. 573 (a debt collector's mistaken interpretation of legal requirements is not a bona fide error defense); *In re Air Disaster at Lockerbie, Scotland*, 37 F.3d 804 (2d Cir. 1994), *cert. denied*, 513 U.S. 1126 (1995) (applying *Cheek* to Warsaw Convention suit for damages resulting from willful violation of FAA regulations).

These authorities demonstrate why Cisco's repeated insistence that it lacked the requisite "culpable conduct" is so misplaced. Resp. Br. 22, 36-37. It *is* "culpable conduct" to violate a criminal statute, disregard a court order, or interfere with a contract, even if you believe, in good-faith, that the underlying statute, order, or contract is invalid. Likewise, causing others to violate a patent that you know about but believe to be invalid is no less culpable.

**D. Congress Neither Enacted Nor Acquiesced to a Scierer Requirement Higher Than Willfulness**

Cisco points to the Leahy-Smith America Invents Act, which added 35 U.S.C. § 298 "Advice of Counsel" as one of a series of patent reforms, as evidence that a "good-faith belief of invalidity" is relevant to the inducement inquiry. Br. 27-31, 46-47. Section 298 prevents evidence or argument that an alleged infringer *failed* "to obtain the advice of counsel" from being introduced to prove willfulness or inducement. Cisco argues (Br. 27-28) that the "premise of this provision is that a failure to obtain an opinion of counsel can be relevant evidence of a defendant's intent to induce" and that finding "good-faith beliefs" irrelevant would, for some reason, make § 298 superfluous. That is not so.

Section 298 was plainly aimed at protecting the attorney-client relationship and removing pressure on defendants to (1) waive their attorney-client privilege and (2) obtain opinion of counsel

letters that are inherently suspect. As the final Committee Report explains (with Cisco's selective quotation (Br. 28) italicized):

The Act includes a new provision [§ 298] that bars courts and juries from drawing an adverse inference from an accused infringer's failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such an opinion. Section 298 of title 35 is designed to protect attorney-client privilege and to *reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes*. It reflects a policy choice that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship. Section 298 applies to findings of both willfulness and intent to induce infringement—and thus legislatively abrogates the Federal Circuit's decision in *Broadcom Corp. v. Qualcomm Inc.*

H.R. Rep. No. 112-98, at 53 (2011). And if there were any doubt about Congress's views on the relevance and probative value of opinion of counsel letters, it can be found in Senator Kyl's statement (with Cisco's selective quotation (Br. 46) italicized):

Permitting adverse inferences from a failure to procure an opinion or waive

privilege undermines frank communication between clients and counsel. It also feeds the cottage industry of providing such opinions—an industry that is founded on an unhealthy relationship between clients and counsel and which amounts to a deadweight loss to the patent system. Some lawyers develop a lucrative business of producing these opinions, and inevitably become aware that continued requests for their services are contingent on their opinions always coming out the same way—that the patent is *invalid or not infringed*. Section 298 reflects legislative skepticism of the probative value of such opinions.

157 Cong. Rec. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Accordingly, § 298 at most establishes a congressional conclusion that it is undesirable to put attorney-client communications at issue in litigation, particularly where those communications are more likely to be self-serving than forthright.

Finally, Cisco's claim (Br. 29-31) of congressional acquiescence to what it asserts was a longstanding intent standard does not withstand scrutiny. There has been a lack of a clear intent standard to which Congress could acquiesce because the Federal Circuit's interpretation of that standard has changed. Prior to *DSU*, there was a 15-year conflict in the Federal Circuit. That conflict was

resolved by requiring that “the defendant *knew or should have known* that its actions would induce actual infringement.” 971 F.3d at 1366 (emphasis added). The “knew or should have known standard” remained until the Federal Circuit panel opinion in this case held that *Global-Tech* rendered erroneous a jury instruction on intent approved by *DSU*. Pet. App. 20a-21a. Consequently, it would be pure speculation as to Congress’s position on the intent standard in § 271(b). *See Rapanos v. United States*, 547 U.S. 715, 749 (2006) (noting this Court’s “oft-expressed skepticism toward reading the tea leaves of congressional inaction”).

### **III. CISCO’S POLICY ARGUMENTS DO NOT SUPPORT THE CREATION OF A GOOD-FAITH BELIEF IN INVALIDITY DEFENSE TO INDUCEMENT**

Finally, Cisco’s proposed new defense has little to do with “patent assertion entities” and nothing to do with “bogus licensing demands.” *See* Resp. Br. 31-33.

First, substantive patent law does not discriminate based on the identity of the patent owner. Section 271(b) applies to all patent owners, regardless of whether they (a) make and sell products that practice the patented invention; (b) make and sell products that do not practice the patented invention; (c) made and sold patent-practicing products in the past but went out of business (perhaps due to a dominant industry participant entering the market with infringing versions of the patented products); or (d) provided

liquidity to an original inventor by purchasing the patent.

But more fundamentally, Cisco's proposed defense will only serve to limit the rights of patentees with valid patents and meritorious claims because the good-faith belief in invalidity defense will *never* come into play against invalid patents or "bogus" claims. On the contrary, the *only* time the defense will have an effect is in circumstances where the infringement claim is meritorious—*i.e.*, where the patent has withstood all invalidity and unenforceability challenges and the patent owner has proved direct infringement by third parties, that the inducer intentionally caused those directly infringing acts, and that the inducer did so with knowledge of the patent and its relevance.

Abuses in the patent system, including those referenced by Cisco and its *amici* in publications by the FTC, PTO and others, are being dealt with by Congress and other government branches. Weak patents are properly the subject of PTO patent review procedures applying the principles announced by this Court. Abusive litigation can be dealt with through Federal Rule of Civil Procedure 11 and 35 U.S.C. § 285. *See Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014); *Highmark Inc. v. Allcare Health Mgmt. System, Inc.*, 134 S. Ct. 1744 (2014). These are the means to remedy abuses or weaknesses in the patent system, not giving accused infringers a "pass" where they escape liability for infringing a valid patent because they mistakenly believed it was invalid.

Nor does Commil's standard present an "impossible dilemma" for recipients of notice letters, as Cisco alleges. Resp. Br. 48. In the absence of a good-faith belief of invalidity defense, the choices available to an alleged inducer who receives a notice letter are exactly the same as they are for every potential defendant who receives notice of a potentially meritorious legal claim: cease the accused activity, invoke any available legal process (such as seeking a declaratory judgment), wait for a lawsuit and then mount a defense (which, if meritorious, will eliminate all liability), or attempt to resolve the dispute through settlement. It would be inconsistent with other areas of law to insulate infringers from liability based on their belief that a patent is invalid.

In fact, recipients of allegations of inducing patent infringement have even more avenues available to them than other tort defendants because they can obtain relatively quick and inexpensive resolution of validity through patent review proceedings at the PTO. *Supra* p. 9. The public's interest in purging improvidently issued patents is far better served by a rule that encourages alleged inducers to actually invalidate patents they believe to be invalid (Commil's rule) than by a rule that encourages alleged inducers to wait to present that "belief" at trial (Cisco's rule). *See* Resp. Br. 49.

## CONCLUSION

The Patent Act and 100 years of jurisprudence have established a careful balance of protecting invention through the issuance of patents without

stifling new innovation. The Federal Circuit's creation of a completely new defense which "fundamentally changes the operating landscape"<sup>6</sup> skews this balance, unwisely diluting § 271(b) of the Patent Act and creating a new patent law exception to the general rule that a good-faith belief in invalidity is not a defense. If this new defense is not overturned, and the historic balance restored, it will leave infringing customers who do not know the product is patented, much less infringing, holding the bag. The active infringer who induced their infringement and profited, however, will escape responsibility by simply stating that he "believed the presumptively valid patent was invalid." This cannot be the law.

The judgment of the court of appeals should be reversed with respect to inducement, and the case remanded to the Federal Circuit.

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<sup>6</sup> Judge Reyna dissenting from the denial of Commil's petition for rehearing en banc. Pet. App. 60a.

Respectfully submitted,

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