

No. 10-6

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IN THE  
**Supreme Court of the United States**

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GLOBAL-TECH APPLIANCES INC. and  
PENTALPHA ENTERPRISES, LTD.,

*Petitioners,*

*v.*

SEB S.A.,

*Respondent.*

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

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**BRIEF FOR PETITIONERS**

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## QUESTION PRESENTED

Whether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is “deliberate indifference” to a known risk that an infringement may occur, as the Court of Appeals for the Federal Circuit held, or “purposeful, culpable expression and conduct” to encourage an infringement, as this Court taught in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005)?

**PARTIES TO THE PROCEEDING**

The Petitioners here, and defendants-appellants in the Federal Circuit, are Global-Tech Appliances Inc. (now “Global-Tech Advanced Innovations Inc.”), and Pentalpha Enterprises, Ltd. (now “Pentalpha Medical, Ltd.”) (collectively “Pentalpha”).

The Respondent here, and plaintiff-appellee in the Federal Circuit, is SEB S.A. (“SEB”).

**RULE 29.6 STATEMENT**

Pentalpha Medical, Ltd. is a wholly-owned subsidiary of Global-Tech Advanced Innovations Inc., a publicly traded corporation on the NASDAQ Exchange. Wing Shing Holdings Company Ltd., a privately held corporation, owns more than 10% of the stock of Global-Tech Advanced Innovations Inc.

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## **OPINIONS BELOW**

The opinion of the Court of Appeals for the Federal Circuit (Pet. App. 1a-41a) is reported at 594 F.3d 1360. The order denying the petition for rehearing en banc (Pet. App. 71a-72a) is not officially reported, but is available at 2010 U.S. App. LEXIS 7937. The opinion of the district court (Pet. App. 42a-70a) is not officially reported, but is available at 2007 U.S. Dist. LEXIS 80394.

## **JURISDICTION**

The Federal Circuit entered its judgment on February 5, 2010. Petitioners filed a timely petition for rehearing en banc on March 2, 2010, which the Federal Circuit denied on March 25, 2010. Petitioners filed a timely petition for a writ of certiorari on June 23, 2010. This Court granted the petition on October 12, 2010. This Court has jurisdiction under 28 U.S.C. § 1254(1).

## **STATUTORY PROVISIONS INVOLVED**

The relevant portions of the Patent Act, 35 U.S.C. § 271(a), (b), and (c), provide:

### **Infringement of patent**

(a) Except as otherwise provided in this title, 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, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

### STATEMENT

At the close of the evidence at trial, Pentalpha moved to dismiss SEB's claim for actively inducing infringement under § 271(b) to the extent that the alleged inducement arose before Pentalpha had actual knowledge of SEB's patent. (J.A. 123a-124a) The district court denied that motion (J.A. 132a-134a), and charged the jury that it could find Pentalpha liable for actively inducing infringement if Pentalpha "knew or should have known" that its actions would induce infringement of the patent (J.A. 148a), even for the time period before Pentalpha had actual knowledge of the patent. The Federal Circuit affirmed, reasoning that "deliberate indifference" to a known risk that a patent may exist provides a sufficient basis for finding knowledge of the patent and liability for the state of mind element for actively inducing infringement under § 271(b). (Pet. App. 27a-33a)

## A. Factual Background

SEB is engaged in the business of designing and manufacturing household appliances. (Pet. App. 3a) It owns United States Patent No. 4,995,312, for a specific type of deep fryer. (Pet. App. 2a-3a, 10a-16a)

Pentalpha, along with its affiliates, is also engaged in the business of designing and manufacturing household appliances. (J.A. 18a) Pentalpha holds United States patents on many of its products. (J.A. 78a-87a) Before this lawsuit, Pentalpha had sold its patented food steamers to SEB. (J.A. 24a-25a)

In 1997, Sunbeam Products, Inc. (“Sunbeam”) requested that Pentalpha develop and manufacture a deep fryer, and provided Pentalpha with performance specifications. (J.A. 22a-23a) At that time, Pentalpha did not make a deep fryer. (J.A. 22a) Pentalpha then purchased and studied several deep fryers on the market in Hong Kong. (J.A. 23a-24a) These included, for example, deep fryers manufactured by DeLonghi, Moulinex and SEB. (J.A. 24a) All of these deep fryers had a “cool touch” feature. (J.A. 109a-110a) The SEB deep fryer lacked United States patent markings. (J.A. 28a, Pet. App. 32a) The absence of patent markings indicated to the Chief Executive of Pentalpha, John C.K. Sham, that the product was likely not patented. (J.A. 29a-31a) Using the deep fryers that it had purchased, Pentalpha selected the features to include in its own deep fryer. (J.A. 31a)

Pentalpha’s deep fryer represented an improvement over SEB’s deep fryer with respect to at least six functional features. (J.A. 154a-156a)

- While the SEB deep fryer had an aluminum pan, the Pentalpha deep fryer had a die cast non-stick pan which was easier to clean. (J.A. 34a-35a)
- While the SEB deep fryer had a separate handle for the basket, the Pentalpha deep fryer had an integrated handle that would not get lost. (J.A. 33a-34a)
- While the SEB deep fryer lacked ventilation holes, the Pentalpha deep fryer had ventilation holes to allow the deep fryer to cool more quickly. (J.A. 37a)
- While the SEB deep fryer had no window on its cover, the Pentalpha deep fryer had a window on its cover to allow the user to see the food while it was cooking. (J.A. 32a)
- While the SEB deep fryer had the heating element above the bottom of the pan, the Pentalpha deep fryer had the heating element below the pan to allow easier cleaning. (J.A. 37a-38a)
- While the SEB deep fryer had no space to store the power cord, the Pentalpha deep fryer had a cord storage space. (J.A. 39a)

Before selling its deep fryer, Pentalpha contacted its United States patent attorney, located in Upstate New York. (J.A. 46a-47a) That patent attorney had previously worked with Pentalpha for over one year (J.A. 48a, Ex. R, S.A. 69, J.A. 78a, 79a, 83a) and had filed 10 patent applications on behalf of Pentalpha that



later matured into patents. (Exs. R, S, T, U, V, W, X, Y, Z, and AA, S.A. 69-78, J.A. 78a-85a) Pentalpha requested that its patent attorney provide an opinion, as Mr. Sham testified, to learn whether Pentalpha's deep fryer would infringe any United States patent. (J.A. 48a) Pentalpha provided its patent attorney with the design drawings for its deep fryer. (J.A. 49a) The patent attorney did not ask Pentalpha which products it had used to develop its deep fryer. (J.A. 49a) Consistent with its usual practice, Pentalpha did not advise him of the brands of deep fryers that it had used as models. (J.A. 111a-112a)

The attorney then conducted a patent search and provided a written opinion dated August 4, 1997. (Ex. C, S.A. 17-57, J.A. 46a-47a) That opinion stated that Pentalpha's deep fryer did not infringe any United States patent.

We have been asked to conduct a right-to-use study of the deep-fat fryer products developed by your firm, Pentalpha Enterprises, Ltd.

After searching for possible relevant United States patents, we are happy to report that, in our opinion, it does not appear that the deep-fat fryers infringe any enforceable United States patent uncovered in our search.

(Ex. C, S.A. 17, J.A. 46a-47a)

The patent opinion expressed confidence in its conclusion, but did not guaranty its accuracy. It continued:

We are confident that we have obtained the closest art available, consisting of patents related to all aspects of deep-fat frying machines. It should be noted, however, that no search results can be guaranteed.

(Ex. C, S.A. 17, J.A. 46a-47a)

Mr. Sham testified that he understood after reading the opinion that Pentalpha's deep fryer did not infringe any patent. (J.A. 49a-50a) Unfortunately, the search the patent attorney performed failed to identify SEB's patent. (Ex. C, S.A. 17-57, J.A. 46a-47a)

In late August 1997, Pentalpha began selling deep fryers to Sunbeam FOB Hong Kong or China, and Sunbeam resold them in the United States. (Pet. App. 5a-6a) Mr. Sham testified that he did not intend for any of the deep fryers that were sold in the United States to infringe SEB's patent. (J.A. 89a)

On March 10, 1998, SEB sued Sunbeam in the District of New Jersey for directly infringing the patent in violation of 35 U.S.C. § 271(a). (Pet. App. 5a) As a result of that action, on or about April 9, 1998, Pentalpha learned, for the first time, of the existence of SEB's patent. (Pet. App. 30a-31a, J.A. 58a-59a, 130a-131a, 146a-147a) SEB amended its complaint to sue Pentalpha on June 10, 1998. (J.A. 145a-146a) In July 1999, the New Jersey District Court dismissed the action against Pentalpha for lack of personal jurisdiction. Contemporaneously, Sunbeam paid SEB \$2 million to settle SEB's claim that Pentalpha's deep fryers, the same units at issue in the present case, directly infringed SEB's patent. (Pet. App. 6a)

## **B. The Proceedings in the Southern District of New York**

On August 27, 1999, SEB re-filed the action against Pentalpha in the Southern District of New York. (J.A. 1a) SEB asserted a claim for direct infringement, based upon Pentalpha's sales FOB Hong Kong and China, and a claim for actively inducing infringement. (Pet. App. 22a)

The district court tried the action beginning on April 17, 2006. (J.A. 4a) At the close of the evidence on April 20, 2006, Pentalpha moved for judgment as a matter of law on certain claims, including SEB's claim that Pentalpha actively induced infringement under § 271(b) based upon Pentalpha's sales before April 9, 1998. (J.A. 123a-133a) During the argument on that motion, the district court found that Pentalpha had no actual knowledge of the patent before April 9, 1998. (Pet. App. 7a, J.A. 131a) The district court nevertheless denied Pentalpha's motion. (Pet. App. 7a-8a, J.A. 132a-134a)

During the charging conference, the district court announced that it intended to instruct the jury that it could find Pentalpha liable for inducing infringement if Pentalpha "knew or should have known" that its actions would induce actual infringement. (J.A. 134a-135a) Pentalpha objected to that charge. (J.A. 134a-135a) SEB admitted at the charging conference that there was no evidence that Pentalpha had actual knowledge of the patent before April 9, 1998. (J.A. 146a-147a) The district court nevertheless charged the jury under the "knew or should have known" standard. (J.A. 148a)

On April 21, 2006, the jury found that (i) Pentalpha had directly infringed and induced infringement, (ii) SEB was entitled to a reasonable royalty of \$4,650,000 on Pentalpha's sales, although the district court did not ask the jury to allocate any amount to either direct infringement or inducing infringement, and (iii) Pentalpha's infringement was willful. (J.A. 150a-152a)

The district court on October 9, 2007, denied Pentalpha's renewed motion for judgment as a matter of law. (Pet. App. 42a-70a) The district court held that constructive knowledge of the patent, without more, established the state of mind element for actively inducing infringement, and that the record contained sufficient evidence of such constructive knowledge. (Pet. App. 49a)

### **C. The Proceedings in the Federal Circuit**

On appeal, Pentalpha argued that the district court applied an erroneous legal standard for the state of mind element of a claim for actively inducing infringement because the Federal Circuit had held in *DSU Med. Corp. v. JMS Co. Ltd.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006)(en banc), that knowledge of a patent was required to meet the state of mind element of a claim for actively inducing infringement under § 271(b). (Pet. App. 27a) Pentalpha argued that, under the proper standard, it was entitled to judgment as a matter of law on SEB's claim for actively inducing infringement prior to April 9, 1998, because Pentalpha had no actual knowledge of the patent before that date. (Pet. App. 30a)

The Federal Circuit properly held, based upon the jury's answers to the special interrogatories, that it could not affirm the district court's judgment unless there was no error with respect to both SEB's claim for direct infringement and SEB's claim for actively inducing infringement. (Pet. App. 24a) The Federal Circuit nevertheless affirmed the district court's judgment. (Pet. App. 41a)

The Federal Circuit held that Pentalpha's "deliberate indifference" to a known risk that a patent may exist satisfied both the knowledge of the patent requirement, and the state of mind element for actively inducing infringement under § 271(b). (Pet. App. 30a)

The Federal Circuit began with an analysis of its decision in *DSU*. (Pet. App. 27a) *DSU* purported to establish a specific intent standard for the state of mind element, and then stated:

The requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement that he or she knew of the patent.

*DSU Med. Corp.*, 471 F.3d at 1304 (citations omitted).

The Federal Circuit nevertheless rejected the statement in *DSU* that inducement requires actual knowledge of the patent. (Pet. App. 29a-31a) The Federal Circuit stated that "inducement requires a showing of 'specific intent to encourage another's infringement.'" (Pet. App. 28a)(citation omitted). The

Federal Circuit then suggested, however, that specific intent is not a high standard, stating: “As other courts have observed, ‘specific intent’ in the civil context is not so narrow as to allow an accused wrongdoer to actively disregard a known risk that an element of the offense exists.” (Pet. App. 29a)(citations omitted). The Federal Circuit then held that if Pentalpha did not have actual knowledge of the patent, then Pentalpha’s “deliberate indifference” to a known risk that a patent may exist satisfied not only the knowledge of the patent requirement, but also the state of mind element of § 271(b). (Pet. App. 31a-32a) The Federal Circuit did not address how “deliberate indifference” to a known risk that a patent may exist creates knowledge of the infringement.

Pentalpha filed a petition for rehearing en banc, which the Federal Circuit denied. (Pet. App. 71a-72a)

### **SUMMARY OF THE ARGUMENT**

I. This Court’s decision in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005), the structure of § 271, and the legislative history of § 271(b) demonstrate that a claim for actively inducing infringement requires “purposeful, culpable expression and conduct” to encourage an infringement.

In *Grokster*, the Court stated that actively inducing patent infringement requires an “affirmative intent that the product be used to infringe,” *id.* at 936, a standard that we understand is the same as “purposeful, culpable expression and conduct” to encourage an infringement. *Id.* at 937. In addition, the Court relied upon that patent

law standard to hold that a party could be liable for inducing copyright infringement if it engaged in “purposeful, culpable expression and conduct” to encourage an infringement. *Id.*

Holding that the state of mind element of § 271(b) involves a standard less than “purposeful, culpable expression or conduct” to encourage an infringement would render § 271(c) insignificant. While § 271(c) specifically covers the sale of components of patented machines, § 271(b) is broad enough to cover the sale of these components as well. Section 271(c) has a high standard for the state of mind element. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964)(“*Aro II*”)(The state of mind element for “§ 271(c) does require a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.”)(footnote omitted). In addition, § 271(c) imposes three additional requirements: a sale in the “United States,” of a “material” portion of an invention, that is not a “staple” article of commerce. Unless this Court imposes a higher state of mind standard under § 271(b) than the state of mind standard under § 271(c), § 271(c) will become insignificant. A standard under § 271(b) of “purposeful, culpable expression and conduct” to encourage an infringement is necessary to avoid this result.

The legislative history of the Patent Act demonstrates that § 271(b) requires “purposeful, culpable expression and conduct” to encourage an infringement. In enacting § 271(b), Congress intended to impose liability for morally culpable conduct. S. Rep.

No. 82-1979 at 28 (1952). A standard lower than “purposeful, culpable expression and conduct” to encourage an infringement would be inconsistent with that Congressional intent.

The absence of any requirement that the active inducement cause the direct infringement confirms that Congress intended to establish a high standard for the state of mind element for § 271(b). The basis for imposing liability for inducement, even when the inducement did not cause the direct infringement, is that the accused inducer engaged in morally culpable conduct. “Purposeful, culpable expression and conduct” to encourage an infringement meets that standard.

Similarly, the presumption against extraterritoriality confirms that Congress intended to establish a high standard for the state of mind element. As in this case, many § 271(b) cases involve foreign defendants whose goods are sold outside the United States and imported into the United States by the purchaser. The Court should generally presume that Congress did not intend to regulate those sales on foreign soil. However, when such regulation is necessary, the Court should presume that Congress did not intend to regulate sales on foreign soil beyond those necessary to further important United States interests. Regulating “purposeful, culpable expression and conduct” to encourage an infringement represents a more important United States interest than regulating foreign conduct based upon a lesser state of mind standard.



II. The Federal Circuit erred in holding that “deliberate indifference” to a known risk that a patent may exist can satisfy both the knowledge of the patent requirement and the state of mind element for actively inducing infringement under § 271(b). That “deliberate indifference” standard is below the standards of (i) “purposeful, culpable expression and conduct” to encourage an infringement, (ii) knowledge that an infringement will result, (iii) recklessness, and (iv) negligence.

Imposing liability for “deliberate indifference” would be inconsistent with *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). *Sony* held that, under the Copyright Act, the Court would not impose liability on a VCR manufacturer for inducing infringement based upon the infringing potential of the product at the time of its sale. *Id.* at 439. Here, Pentalpha faced that same infringing potential because, *inter alia*, it did not know of the patent at the relevant time. (Pet. App. 30a, J.A. 58a-59a, 130a-131a, 146a-147a)

Interpreting § 271(b) to require only a “deliberate indifference” to a known risk that a patent may exist would create unnecessary uncertainty in the patent law. A jury could find “deliberate indifference” in virtually any situation where the accused inducer lacked actual knowledge of the patent. That risk could deter companies from developing new products for the United States market. If, however, § 271(b) requires “purposeful, culpable expression and conduct” to encourage an infringement, then foreign sellers and component suppliers may rely upon their good faith in selling their products, rather than risk that a jury might

find that their conduct constituted a “deliberate indifference” to a known risk that a patent may exist.

III. If the Court finds that the proper standard is “purposeful, culpable expression and conduct” to encourage an infringement, then the Court should reverse and remand because the district court erred in denying Pentalpha’s motion for judgment as a matter of law on SEB’s claim for actively inducing infringement for sales before Pentalpha had actual knowledge of the patent. *A fortiori* an accused inducer cannot engage in “purposeful, culpable expression and conduct” without actual knowledge of the patent. The Court should reach the same result if it applies a standard that requires knowledge that some infringement will occur. Even if the Court holds that the proper standard is a form of recklessness, the Court should still reverse and remand because the evidence would not allow a finding of recklessness, and because the district court charged the jury only under a negligence standard.

**ARGUMENT****I.*****GROKSTER*, THE STRUCTURE OF § 271, AND ITS LEGISLATIVE HISTORY DEMONSTRATE THAT ACTIVELY INDUCING INFRINGEMENT SHOULD REQUIRE “PURPOSEFUL, CULPABLE EXPRESSION AND CONDUCT” TO ENCOURAGE AN INFRINGEMENT**

35 U.S.C. § 271(b) provides:

“Whoever actively induces infringement of a patent shall be liable as an infringer.”

This Court taught in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), that § 271(b) has a state of mind element. *Grokster* cited with approval *Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F. Supp. 988, 992 (N.D. Ill. 1988), for the proposition that active inducement requires “an affirmative intent that the product be used to infringe,” and *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988), for the proposition that inducement under § 271(b) occurs “where one ‘actively and knowingly aid[s] and abet[s] another’s direct infringement.’” *Grokster*, 545 U.S. at 936 (footnote omitted)(emphasis deleted). The present case should require the Court to determine the standard for the state of mind element under § 271(b).

**A. *Grokster* Teaches That The Standard For The State of Mind Element Of § 271(b) Is “Purposeful, Culpable Expression And Conduct” To Encourage An Infringement.**

In *Grokster*, this Court considered whether a distributor of software with significant noninfringing uses should be liable for inducing copyright infringement if the distributor intentionally designed and marketed its software for an infringing purpose. In reaching its decision, this Court relied upon the premise that the state of mind element for actively inducing patent infringement under 35 U.S.C. § 271(b) requires an unlawful purpose, stating:

The rule on inducement of infringement as developed in the early cases is no different today. Evidence of “active steps...taken to encourage direct infringement,” *Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F. Supp. 988, 992 (ND Ill. 1988), such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use, see, e.g., *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (CA Fed. 1988) (liability for inducement where one “actively and knowingly aid[s] and abet[s] another’s direct infringement”). . . .

*Grokster*, 545 U.S. at 936 (footnote omitted)(emphasis deleted).

In addition to *Oak Industries* and *Water Technologies*, this Court in *Grokster* cited with approval two other lower court patent cases that held that § 271(b) requires a purpose to achieve an unlawful objective. *Grokster*, 545 U.S. at 936 (citing *Haworth, Inc. v. Herman Miller, Inc.*, 1994 WL 875931 at \*10 (W.D. Mich. Oct. 24, 1994) (“To make its case for active inducement to infringe, [plaintiff] has a burden of production to show...that [the defendant] purposely caused, urged or encouraged that third party to infringe, with the knowledge that he or she would infringe.”), and *Sims v. Mack Trucks, Inc.*, 459 F. Supp. 1198, 1217 (E.D. Pa. 1978), rev’d on other grounds, 602 F.2d 87 (3d Cir. 1979)(Defendant’s efforts “deliberately rather than accidentally caused infringement[] of [the patent] and were made with knowledge that infringement was likely.”)(citation omitted)).

*Grokster* also taught that the same rule for inducement should apply in both the copyright law and in the patent law, and that the rule should focus on whether the defendant sought to achieve an unlawful purpose. This Court continued:

For the same reasons that *Sony* took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third

parties....**The inducement rule, instead, premises liability on purposeful, culpable expression and conduct**, and thus does nothing to compromise legitimate commerce or to discourage innovation having a lawful promise.

*Id.* at 936-37 (citations omitted)(emphasis added). *See also Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984)(“We have consistently rejected the proposition that a similar kinship exists between copyright law and trademark law, and in the process of doing so have recognized the basic similarities between copyrights and patents.”).

*Grokster* therefore demonstrates that this Court endorsed a standard for the state of mind element for § 271(b) that requires an unlawful purpose.

**B. A Standard Less Than “Purposeful, Culpable Expression and Conduct” To Encourage An Infringement Would Make § 271(b) So Broad That It Would Render § 271(c) Insignificant.**

While § 271(c) specifically applies to sales of components of patented machines, § 271(b) is broad enough to apply to those sales as well. This Court stated in *Grokster* that a component seller could be liable under § 271(b). *Grokster*, 545 U.S. at 935 n.10 (“Nor does the Patent Act’s exemption from liability for those who distribute a staple article of commerce, 35 U.S.C. § 271(c), extend to those who induce patent infringement, § 271(b).”).

Section 271(c) “require[s] a showing that the alleged contributory infringer knew that the combination for

which his component was especially designed was both patented and infringing.” *Aro II*, 377 U.S. at 488 (footnote omitted). This state of mind standard, however, falls short of requiring a purpose to encourage an unlawful act, because the accused contributory infringer could be found liable under § 271(c) even if acting with the purpose to sell the component only for a noninfringing, but limited, use.

In addition to a state of mind element, § 271(c) has three additional elements:

(c) Whoever offers to sell or sells [i] *within the United States* or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a [ii] *material part of the invention*, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and [iii] *not a staple article* or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer. (emphasis added).

If this Court applies a standard for the state of mind element of § 271(b) that is less than “purposeful, culpable expression and conduct” to encourage an infringement, then § 271(b) will render § 271(c) insignificant. If the Court applies a lower standard, an accused inducer could violate § 271(b) with the same or a lower state of mind than § 271(c) requires under *Aro II*, but without proving any of the additional elements of

§ 271(c). Thus, in a broad range of fact patterns, a component seller would be liable under § 271(b) when the component seller would not be liable under § 271(c). Because § 271(c) specifically addresses the sale of components, Congress would not have intended such an anomalous result.

The only colorable escape from that result would be an argument that § 271(b) requires conduct beyond the sale of a component. Given the breadth of the word “induces” in § 271(b), that interpretation is dubious. When Congress enacted § 271(b), the preferred definitions of “induce” were: “1. To lead on; to influence; to prevail on; to move by persuasion or influence. 2. Obs. (a) To lead or bring in; introduce; adduce. (b) To instruct; initiate; also, to accustom. (c) To lead to as a conclusion; imply. (d) To draw on; overspread.” Webster’s New International Dictionary of the English Language, 2nd ed. (1952). Under this definition, there is no reason why the sale of a product would not meet the conduct requirement of the statute. *See generally Wing Shing Prods. (BVI) Ltd. v. Simatelex Manufactory Co.*, 479 F.Supp. 2d 388, 411 (S.D.N.Y. 2007)(“[T]he production and sale of an infringing product knowing that the buyer will sell the product in the United States fit comfortably within this expanded definition of inducement as ‘encouragement’ or ‘aiding and abetting’.... Finding no authority for limiting the application of § 271(b), the Court holds that the manufacture and sale of a patented product are by themselves sufficient to constitute active inducement under § 271(b).”). In any event, most cases would involve additional circumstances beyond a sale.



The Court should not adopt an interpretation of § 271(b) that would render § 271(c) insignificant. *See, e.g. Corley v. United States*, 556 U.S. \_\_\_, \_\_\_, 129 S. Ct. 1558, 1566, 173 L. Ed. 2d 443, 454 (2009) (“[A] statute should be construed so that effect is given to all its provisions, so that no part will be inoperative or superfluous, void or insignificant....”) (quoting *Hibbs v. Winn*, 542 U.S. 88, 101 (2004)). *See also Bilski v. Kappos*, 561 U.S. \_\_\_, \_\_\_, 130 S. Ct. 3218, 3228, 177 L. Ed. 2d 792, 804-05 (2010) (“A conclusion that business methods are not patentable in any circumstances would render § 273 meaningless. This would violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous.”) (citation omitted).

**C. The Legislative History Of The Patent Act Demonstrates That Congress Intended § 271(b) To Require Morally Culpable Conduct, Consistent With The “Purposeful, Culpable” Standard.**

The Senate Report for the final version of the Patent Act provides:

*Paragraphs (b), (c) and (d) relate to the subject referred to as contributory infringement. The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and direction for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies*

it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. *It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals."*

S. Rep. No. 82-1979 at 28 (1952)(emphasis added). *See generally Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 677 (1944)(Frankfurter, J. dissenting)("So understood, the doctrine of contributory infringement is an expression both of law and morals."). "Purposeful, culpable expression and conduct" involves the morally culpable conduct that Congress sought to prohibit in § 271(b).

**D. Two Policy Considerations Confirm That "Purposeful, Culpable Expression And Conduct" To Encourage An Infringement Is The Appropriate Standard.**

**1. The Imposition Of Liability Under § 271(b) Without Any Requirement That The Inducement Cause The Direct Infringement Suggests That Congress Intended To Impose A High State Of Mind Standard.**

Normally, civil liability results only from acts that cause damage. *Exxon Co., U.S.A. v. Sofec, Inc.*, 517 U.S. 830, 842 (1996)("A party whose fault did not proximately cause the injury is not liable at all.").

Section 271(b) deviates from that norm. It creates liability for conduct that does not cause any infringement. Section 271(b) uses the word “induces,” not “causes.” The Senate Report, quoted in the prior section, demonstrates that Congress sought to prohibit conduct that “sought to cause” an infringement, S. Rep. No. 82-1979 at 28 (1952), even if the infringement would have occurred without the inducement. Indeed, *Grokster* imposed no requirement under the Copyright Act that the inducement cause the direct infringement.

The justification for imposing civil liability for conduct without proof that the accused inducer caused any damage rests in the goal of providing retribution, a goal of the criminal law. *See, e.g.* Mark Bartholomew, *Cops, Robbers, and Search Engines: The Questionable Role of Criminal Law in Contributory Infringement Doctrine*, 2009 B.Y.U.L.Rev. 783, 842 (2009) (“As articulated by the Supreme Court in its *Grokster* opinion, the inducement analysis does not rely on the consequences of infringing behavior. Instead, as with criminal accomplice liability, liability for inducement infringement punishes people for their outward expressions of commitment to unworthy values.”)(footnote omitted). Thus, actively inducing patent infringement should result in liability only when the accused inducer engages in morally culpable conduct. “Purposeful, culpable expression and conduct” to encourage an infringement meets that standard.

## **2. The Presumption Against Extraterritoriality Suggests That Congress Intended To Impose A High State Of Mind Standard.**

Cases involving § 271(b) claims against foreign companies selling products outside of the United States raise an issue concerning the extraterritorial application of the patent law. *See, e.g. DSU Med. Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006)(en banc); *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369 (Fed. Cir. 2005), cert. denied, 552 U.S. 1243 (2008); *Instituform Tech., Inc. v. Cat Contracting, Inc.*, 161 F.3d 688 (Fed. Cir. 1998), cert. denied, 526 U.S. 1018 (1999); *Wing Shing Prods. (BVI) Ltd. v. Simatelex Manufactory Co. Ltd.*, 479 F. Supp. 2d 388 (S.D.N.Y. 2007).

In cases involving the extraterritorial application of United States patent law, this Court has presumed that Congress did not intend to regulate conduct in a foreign country. In *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), this Court held that Microsoft's shipment of software to China for the making of copies did not infringe a patent of AT&T, stating:

Any doubt that Microsoft's conduct falls outside § 271(f)'s compass would be resolved by the presumption against extraterritoriality, on which we have already touched. The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law.

*Microsoft Corp.*, 550 U.S. at 454-55 (citation omitted). *See also Morrison v. Nat'l Austl. Bank*, \_\_\_ U.S. \_\_\_,

130 S. Ct. 2869, 2877-78, 177 L. Ed. 2d 535, 547 (2010) (“It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States....When a statute gives no clear indication of an extraterritorial application, it has none.”) (citation omitted)(internal quotation marks omitted).

A corollary of that presumption against extraterritoriality should be that when Congress intends to regulate conduct in a foreign country, Congress intends to do so to the least extent necessary to further important United States interests. *See generally F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004) (“[T]his Court ordinarily construes ambiguous statutes to avoid unreasonable interference with the sovereign authority of other nations.”)(citations omitted).

Applying a standard less than “purposeful, culpable expression and conduct” for the state of mind element of § 271(b) would regulate conduct in foreign countries beyond what is necessary to further any important United States interest. Restricting liability to those accused inducers acting with a purpose to accomplish an unlawful objective will not deprive the patentee of a remedy. As in this case, the patentee has the opportunity to recover its entire damages from the direct infringer located in the United States. The patentee also has the opportunity to obtain and enforce a patent under the laws of the country in which the accused inducer sells the product. The Court should not expand liability under § 271(b) to regulate foreign defendants acting without the purpose to violate United States law, and acting

consistently with the laws of the country in which they are located.

Accordingly, the standard for the state of mind element of a claim for actively inducing infringement under § 271(b) should be that the accused inducer engage in “purposeful, culpable expression and conduct” to encourage an infringement. *A fortiori*, because one cannot have a purpose to infringe a patent of which one is unaware, this state of mind standard necessarily requires that the accused inducer have actual knowledge of the patent.

## II.

### **THE FEDERAL CIRCUIT’S “DELIBERATE INDIFFERENCE” STANDARD IS INCONSISTENT WITH *SONY*, THE LANGUAGE OF § 271(B), AND THE POLICIES OF ENCOURAGING COMPETITION AND INNOVATION**

The Federal Circuit’s “deliberate indifference” standard is lower than the “purposeful, culpable expression and conduct” to encourage an infringement standard that this Court articulated in *Grokster*, and lower than a standard requiring knowledge that the sales of the product will result in some infringement.

The Federal Circuit’s “deliberate indifference” standard is also lower than a recklessness standard. Although the Federal Circuit cited *Farmer v. Brennan*, 511 U.S. 825 (1994), the Federal Circuit’s opinion articulated the standard as “deliberate indifference” to a known risk that a patent may exist. (Pet. App. 31a)

While the Federal Circuit described the nature of that risk as “known” (Pet. App. 31a) or “overt” (Pet. App. 29a), it did not qualify the degree of risk to which the accused inducer must be “deliberately indifferent.” However, a “known” risk or an “overt” risk may be a minimal risk. A minimal risk is inconsistent with a recklessness standard. This Court has previously held that “[t]he civil law generally calls a person reckless who acts or (if the person has a duty to act) fails to act in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known.” *Farmer*, 511 U.S. at 836 (citations omitted). Furthermore, “recklessness requires ‘a known or obvious risk that was so great as to make it highly probable that harm would follow.’” *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 69 (2007)(citation omitted). Without qualifying the degree of risk as “unjustifiably high,” one cannot conclude that the Federal Circuit adopted a recklessness standard.

The Federal Circuit’s “deliberate indifference” standard requires even less culpability than a negligence standard. “Deliberate indifference” does not require proof that a reasonable person would not have engaged in the conduct found to infringe. The Federal Circuit even acknowledged that the “deliberate indifference” standard is different than a negligence standard, stating “‘deliberate indifference’ is not necessarily a ‘should have known’ standard. The latter implies a solely objective test, whereas the former may require a subjective determination that the defendant knew of and disregarded the overt risk that an element of the offense existed.” (Pet. App. 29a)(citations omitted).

**A. A “Deliberate Indifference” Standard Is Inconsistent With *Sony*.**

In *Sony*, the Court held that the Copyright Act did not impose liability on the manufacturer of a VCR even though that manufacturer understood the potential that the purchaser of the VCR would use it to infringe. *Sony*, 464 U.S. at 456. *Grokster* stated “just as *Sony* did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability.” *Grokster*, 545 U.S. at 937 (citing *Sony*, 464 U.S. at 439 n.19). Thus, *Sony* refused to impose liability for inducement based upon the potential that the sale of a product would result in direct infringement by the purchaser.

This case involves the same uncertainty as in *Sony* as to whether a direct infringement would occur, but an uncertainty that resulted from different circumstances. In the *Sony* copyright context, the uncertainty as to whether a direct infringement would occur resulted from the fact that the VCR manufacturer did not know how purchasers would use the VCR. The making of certain copies would be fair use, while others would not. *Sony*, 464 U.S. at 442.

In the present patent context, the uncertainty as to whether a direct infringement would occur resulted from two sources. First, Pentalpha faced uncertainty concerning the infringing potential of its deep fryer because it did not know of the SEB patent during the relevant period. (J.A. 146a-147a) While Pentalpha could



have known of some possibility that its deep fryer would infringe some patent that it had not identified when it first sold its deep fryer in August 1997, Pentalpha did not know about the SEB patent until April 9, 1998. (Pet. App. 30a-31a, J.A. 58a-59a, 130a-131a, 146a-147a)

Second, hypothetically, if Pentalpha had known about the SEB patent before April 9, 1998, Pentalpha would still have faced uncertainty as to whether its deep fryer would infringe that patent. That uncertainty stems from two unique aspects of patent litigation: claim construction and the factual nature of patent infringement.

Initially, patent infringement analysis requires a construction of the claims of the patent. Claim construction frequently remains unresolved “until three court of appeals judges randomly selected for that purpose pick the ‘right’ interpretation... [then] the public, not to mention the patentee and its competitors, know what the patent actually claims.” *Enzo Biochem, Inc. v. Applera Corp.*, 605 F.3d 1347, 1348 (Fed. Cir. 2010) (Plager, J., dissenting from denial of rehearing en banc).

The construction of the claim limitation “completely free” in this litigation provides a textbook example of the uncertainty businesses face in determining whether a product infringes a patent. Claim 1 of SEB’s patent contained the limitation that “said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5).” (Pet. App. 11a) The district court construed that claim to mean “there are no thermal bridges between the skirt and the pan.” (Pet. App. 10a) The Federal Circuit recognized that the district court’s

claim construction created an inconsistency, because the ring is not a thermal bridge. (Pet. App. 11a) So, as the district court construed it, the claim limitation meant “said skirt (3) being completely free of thermal bridges with respect to the pan except for the ring, which is not a thermal bridge.” Thus, faced with an ambiguous patent claim, the Federal Circuit accepted the construction of the district court, and characterized the discordant language of its construction as a “minor inconsistency.” (Pet. App. 11a)

The Federal Circuit then addressed the more difficult fact that, to distinguish its deep fryer from the prior art, SEB represented to the Patent Examiner during prosecution that in its deep fryer “the space comprised between the skirt 3 and the pan 1 is entirely occupied by air and that there is no solid material therebetween.” (Pet. App. 14a) Pentalpha’s accused deep fryers had “solid material” between the pan and the skirt, specifically a metal screw connecting the bottom of the pan and the top of the skirt. (Pet. App. 10a) The Federal Circuit construed SEB’s representation to the Patent Examiner to mean “no solid material between *the sides of* the pan and *the sides of* the skirt.” (Pet. App. 15a)

Thus, the Federal Circuit “construed” the claim language “said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5)” to mean “no solid material between *the sides of* the pan and *the sides of* the skirt and *no thermal bridges* between the base of the skirt and the base of the pan.” (Pet. App. 11a, 15a-16a)

This experience is not atypical, as claim construction is fraught with uncertainty. Between April 5, 1995 and

November 24, 1997, the Federal Circuit overturned on appeal almost 40 percent of all patent claim constructions of federal courts. *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1476 n.16 (Fed. Cir. 1998)(en banc)(Rader, J., dissenting in part). A business that is not directly infringing a patent should not be required to predict the outcome of a claim construction process that is this unpredictable.

As this case further demonstrates, even if claim interpretation were settled, a jury must determine as a matter of fact whether the accused product infringes the claim of the patent even if there is no factual dispute as to the physical composition of the accused product. (J.A. 150a) Until the jury makes that factual determination, no one knows whether the accused product infringes. Despite this uncertainty, § 271(b) would still apply to situations in which, as in *Grokster*, the defendants purposefully engaged in conduct to achieve an unlawful objective. *Grokster*, 545 U.S. at 937-941.

Accordingly, just as the potential for infringement did not result in secondary liability for the VCR manufacturer in *Sony*, the potential for infringement in this case should not result in secondary liability for Pentalpha.

**B. A “Deliberate Indifference” Standard Is Inconsistent With The Term “Actively Induces” In § 271(b).**

The language of § 271(b) appears to create liability for one who aids and abets an infringement. *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988)(“The patent statute provides that ‘whoever

actively induces infringement of a patent shall be liable as an infringer.’ 35 U.S.C. § 271(b)(1982). Thus, a person infringes by actively and *knowingly* aiding and abetting another’s direct infringement.”)(quoted with approval in *Grokster*, 545 U.S. at 936). *See also* S. Rep. No. 82-1979 at 8 (1952)(“One who actively induces infringement as by aiding and abetting the same is liable as an infringer...”). “Aiding and abetting” generally requires knowledge of the actor’s participation in an underlying crime or tort. *See Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 181 (1994)(superceded by statute, Private Securities Litigation Reform Act of 1995, Pub. L. No. 104-67, 109 Stat. 737)(Aiding and abetting requires “knowing aid to persons” violating the law, “with the intent to facilitate” the violation)(citing *Nye & Nissen v. United States*, 336 U.S. 613, 619 (1949)). That “aiding and abetting” standard is inconsistent with a standard of “deliberate indifference” to a known risk that a patent may exist.

If the meaning of “actively induces” is different than “aids and abets,” then the meaning of “actively induces” is more exacting. Section 271(b) contains three key words: “actively,” “induces,” and “infringement.” “Induce” is a somewhat narrower word than either “aid” or “abet.” Induce is defined as: “1. To lead on; to influence; to prevail on; to move by persuasion or influence. 2. Obs. (a) To lead or bring in; introduce; adduce. (b) To instruct; initiate; also, to accustom. (c) To lead to as a conclusion; imply. (d) To draw on; overspread. 3. To bring about; to effect; cause; as, a fever induced by fatigue of exposure.” “Aid” is defined as: “To lend assistance; to avail or be of use; to help; assist.”

“Abet” is defined as: “To incite, encourage, instigate, or countenance; now used chiefly in a bad or disparaging sense; as, to abet the commission of a crime.” Webster’s New International Dictionary of the English Language, 2nd ed. (1952). Congress further narrowed “induces” by adding to the text of § 271(b) the adverb “actively.” Given that adverb, “actively induces” is more exacting than “aids and abets.” The selection of “actively induces” therefore suggests that Congress may have intended § 271(b) to require even more culpability than “aids and abets.”

The statute’s use of the word “infringement” suggests that the accused inducer must intend to induce an infringement, not simply the acts that constitute the infringement. Section 271(b) does not restate the acts described in § 271(a) that constitute direct infringement, and therefore does not provide “Whoever actively induces another *to make, use, or sell any patented invention* shall be liable as an infringer.” Accordingly, the words that Congress selected demonstrate that it intended the standard for the state of mind element of § 271(b) to involve much more than a “deliberate indifference” to a known risk that a patent may exist.

**C. A “Deliberate Indifference” Standard Is Inconsistent With The Policies Of Promoting Competition And Innovation.**

A jury could find that an accused inducer acted with “deliberate indifference” in virtually any situation in which the accused inducer lacked knowledge of the relevant patent. For example:

- If the accused inducer did not conduct a patent search, the jury could find that the accused inducer acted with “deliberate indifference” to a known risk that a patent search would have revealed an applicable patent.
- If the accused inducer conducted a patent search, but did not obtain an opinion of counsel, the jury could find that the accused inducer acted with “deliberate indifference” to a known risk that an opinion of counsel would have identified a problem with the search, and revealed the applicable patent.
- If the accused inducer retained counsel to provide a right to use opinion, the jury could find that the accused inducer acted with “deliberate indifference” to a known risk, potentially disclosed in opinions of counsel, that the search did not identify the relevant patent.

Needless to say, the “deliberate indifference” standard would therefore create uncertainty among companies seeking to comply with their obligations under the Patent Act.

That uncertainty resulting from a “deliberate indifference” standard would have a substantial, and harmful, impact upon competition and innovation. “In the area of patents, it is especially important that the law remain stable and clear.” *Bilski v. Kappos*, 561 U.S. \_\_\_, \_\_\_, 130 S. Ct. 3218, 3231, 177 L. Ed. 2d 792, 808 (2010)(Stevens, J., concurring). Without a clear rule concerning the standard for actively inducing

infringement, companies selling products that they know will be imported into the United States, and companies selling components that they know will be incorporated into finished products sold in the United States, will have to decide, for each product or component they sell, whether or not to commission a full and complete patent search. Regardless of what they decide, those companies may soon conclude that the burdens and risks of developing and selling new products in the United States outweigh the potential reward of doing so. If that occurs, competition, and ultimately innovation, will suffer.

### III.

**IF THE COURT HOLDS THAT § 271(B)  
REQUIRES EITHER “PURPOSEFUL,  
CULPABLE” CONDUCT, KNOWLEDGE OF  
SOME RESULTING INFRINGEMENT, OR  
RECKLESSNESS, THE COURT SHOULD  
REVERSE AND REMAND**

If this Court holds that the state of mind element of § 271(b) requires “purposeful, culpable expression and conduct” to encourage an infringement, then the Court should vacate the judgment and remand for further proceedings. Before April 9, 1998, Pentalpha had no actual knowledge of the patent (Pet. App. 30a-31a, J.A. 58a-59a, 130a-131a, 146a-147a), and *a fortiori* could not have acted with the “purposeful, culpable expression and conduct” to encourage an infringement. Because the jury’s verdict may have imposed liability for actively inducing infringement for Pentalpha’s sales prior to April 9, 1998 (Pet. App. 24a, J.A. 150a-152a), and because

this liability cannot be separated from the total damages awarded (Pet. App. 24a), a new trial is necessary. *See, e.g. Gasoline Products Co., Inc. v. Champlin Refining Co.*, 283 U.S. 494, 500 (1931).

If this Court holds that the state of mind element of § 271(b) requires knowledge that some infringement will result from an alleged inducer's actions, then the same analysis should apply. If an accused infringer has no actual knowledge of the patent, then *a fortiori* the accused infringer cannot have acted with knowledge that some infringement will result.

If this Court holds that the state of mind element of § 271(b) requires recklessness, then this Court should still vacate the judgment and remand for further proceedings. The evidence will not support a finding of recklessness. Moreover, the jury did not find liability under a recklessness standard. (J.A. 148a) To the contrary, the jury found liability based upon a negligence standard, whether Pentalpha “knew or should have known” that an infringement would result from its sale of the deep fryer. (J.A. 148a)

The only road to an affirmance involves holding that a failure to identify the patent, based upon negligence or some lesser standard, satisfies the state of mind element for actively inducing infringement under § 271(b). The need for a standard requiring a purpose to accomplish an unlawful objective, however, should compel the Court to leave that road untraveled.



**CONCLUSION**

For the reasons set forth above, this Court should reverse the judgment of the Federal Circuit and remand the action to the district court for further proceedings.

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Respectfully submitted,

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