

No. 10-6

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**In the Supreme Court of the United States**

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GLOBAL-TECH APPLIANCES INC., *ET AL.*,

*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 *AMICUS CURIAE* OF GOOGLE INC.  
IN SUPPORT OF PETITIONERS**

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ROBERT S. SCHWARTZ  
SETH D. GREENSTEIN\*  
CONSTANTINE CANNON LLP  
1301 K Street N.W.  
Suite 1050 East  
Washington, D.C. 20005  
(202) 204-3500  
sgreenstein@constantinecannon.com

*Counsel for Amicus Curiae*

*\*Counsel of Record*

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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)?

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**STATEMENT OF INTEREST OF THE AMICUS<sup>1</sup>**

*Amicus curiae* Google Inc. is a global technology company focused on organizing the world's information and making it universally accessible and useful. Headquartered in Mountain View, California, with offices around the globe, Google operates the world's most popular Internet search engine and offers a wide range of additional products and services including online advertising, commerce, collaboration, social networking, and mobile access. In addition, Google develops and distributes hundreds of computer programs and software applications used daily by millions of Americans and millions more citizens worldwide.

Google's Internet search tools facilitate public access to millions of websites owned by others. Using the Google search engine, anyone can enter key terms to initiate free searches that locate relevant websites, documents, images and media.<sup>2</sup> Court opinions, law

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

2. For example, searching "Grokster Supreme Court" yields, in about 0.16 seconds, links to more than 42,500 web pages, including the Court's decision in *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (hereinafter "*Grokster*"); filed briefs; pages posted by the U.S. Copyright Office, educational institutions, and policy advocacy groups; news articles; law review articles; encyclopedia entries; and commentary from business, legal, philosophical, technological, and consumer perspectives. All this information is available for free anywhere the web is accessible.

review articles, briefs, and papers can be found, without charge, using Google Scholar. Google's YouTube site is one of the most popular online video communities, enabling consumers, artists, educators, and businesses to upload, store, and watch video content. Videos created and uploaded by non-professionals receive billions of views each week across the globe.

Any time one of Google's products or services links to or hosts information or advertisements about goods or processes alleged to infringe a patent, or material in which others allegedly own copyrights, Google faces the risk of being sued for secondary liability for infringement.

Google is both owner of patent assets and defender against claims of patent infringement. Google has been sued more than 50 times for patent infringement over the last five years, and the allegations frequently incorporate claims of inducement with respect to any one or more of its millions of advertisers or users. Patent and copyright owners have filed suit against Google products and services including Google Web Search, Google News, Google Video, Google Image Search, Google Book Search, and YouTube, often based on claims of inducement of infringement by linking to or hosting third party content.

To date, Google successfully has defended against such claims. But its success relies on the proper interpretation of the law and predictable standards for inducement. Without clear, well-defined knowledge and intent requirements, merely linking to, hosting, and providing information or software could be argued to

give rise to inducement liability—thereby increasing exponentially Google’s liability exposure and crippling its ability to provide powerful tools and services to hundreds of millions of users and advertisers worldwide.<sup>3</sup>

For the reasons set forth below, this Court should reject the Federal Circuit’s “deliberate indifference” rule and confirm that, under Section 271(b), inducement liability requires proof of affirmative activity that intentionally induces conduct that the actor knows would infringe a particular patent.

### ARGUMENT

Of the three distinct categories of infringement defined in the Patent Act, inducement most threatens legitimate commercial activity. Unlike contributory infringement under 35 U.S.C. Section 271(c), which involves articles that are not staples of commerce and are “‘good for nothing else’ but infringement,”<sup>4</sup> inducement under Section 271(b) can affect products, components, and services capable of noninfringing as well as infringing uses. In some cases, products subject to inducement liability are inherently neutral; they are physically the same regardless of how they are used. External factors determine whether they are “infringing”: the uses to which they are put; and, in the

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3. Nor is the risk cabined solely to inducement of patent infringement. Inasmuch as the Court derived its decision in *Grokster* from principles of patent law, copyright plaintiffs inevitably will try to extend the Court’s holding here to cases of inducement under copyright law.

4. *Grokster*, 545 U.S. at 932 (citation omitted).



case of inducement, activity specifically designed to encourage infringement. *See, e.g., Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984) (noninfringing uses of videotape recorder); *AstraZeneca LP v. Apotex, Inc.*, \_\_\_ F.3d \_\_\_, 2010 WL 4286284, at \*14-16 (Fed. Cir. Nov. 1, 2010) (FDA-required label suggesting use of minimum effective dose of generic drug held to induce infringement of once-a-day patented method).

Overly-broad inducement liability standards threaten manufacturers of products that have commercially significant lawful uses, and deny the public access to those lawful uses by removing such products from the market. Courts therefore should exercise caution to avoid chilling production, distribution, and use of products and services for noninfringing purposes. “[T]he law must take equal care to avoid imposing liability on those who participate in the stream of lawful commerce merely because their products can be misused.” Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. Davis L. Rev. 225, 228 (2005).

In this case, the Federal Circuit held that, for purposes of intentional inducement, knowledge of a patent could be established by “deliberate indifference” as to whether such a patent existed. As will be shown in sections I and II, the Federal Circuit’s novel rule casts aside some 150 years of patent law that require a showing of knowledge of the patent and deliberate actions intended to cause a known infringement. In section III we explain why the Federal Circuit’s holding creates infeasible burdens for manufacturers and service providers, ignores commercial reality and

rational industry practices, and, as a matter of policy, should be reversed.

**I. The Standards for Active Inducement Require Affirmative Conduct Deliberately Intended to Encourage Infringement of Known Patents.**

This Court’s decisions, and those of the circuit and district courts before this case, consistently have required proof of two elements for a finding of inducement liability: (A) active conduct that in fact induces infringement,<sup>5</sup> and (B) specific intent. Specific intent, in turn, necessarily requires knowledge of the patent and knowledge and an intention that the induced conduct will infringe it.

**A. Inducement Requires Action by the Defendant.**

Section 271(b) imposes liability only on those who “actively” induce infringement. “By its terms, § 271(b) requires that liability be found only if the inducement is ‘active,’ in the sense that to be held as a contributory infringer, one must purposefully cause, urge or encourage another to infringe.” *Honeywell, Inc. v. Metz*

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5. Contrary to Petitioners’ suggestion that inducement may apply “for conduct that does not cause any infringement,” Pet’rs’ Br. 23, it is axiomatic that a plaintiff claiming inducement must prove underlying direct infringement. “[T]he patentee always has the burden to show direct infringement for each instance of indirect infringement. *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1272 (Fed. Cir. 2004); *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993).” *DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1303 (Fed. Cir. 2006).

*Apparatewerke*, 509 F.2d 1137, 1142 (7th Cir. 1975) (citations omitted). See *Tegal Corp. v. Tokyo Electron Co., Ltd.*, 248 F.3d 1376, 1378-1379 (Fed. Cir. 2001) (“‘Actively inducing,’ like ‘facilitating,’ requires an affirmative act of some kind”), citing *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 411 (5th Cir. 1963) (“Of course inducement has connotations of active steps knowingly taken . . .”).

Inducement will not be found in the absence of evidence of intentional action, recognizing that “active inducement of infringement requires the *commission* of an affirmative act.” *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1569 (Fed. Cir. 1994) (emphasis in original) (jurisdiction for a claim of inducement cannot be premised on an omission or failure to act). As a result, a failure to act cannot be the basis of claim of inducement against corporate directors. *A. Stucki Co. v. Worthington Indus., Inc.*, 849 F.2d 593, 597 (Fed. Cir. 1988). Similarly, a manufacturer could not be liable where product instructions did not specifically teach the infringing conduct, even though users following the manufacturer’s instructions might infringe. *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328-29 (Fed. Cir. 2009). See also *Lucent Techs. Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1320 (Fed. Cir. 2009) (supplying software capable of infringing use without instructions teaching that use takes liability outside the realm of Section 271(b)); *Acco Brands, Inc. v. ABA Locks Mfr. Co., Ltd.*, 501 F.3d 1307, 1313 (Fed. Cir. 2007) (no active inducement where defendant’s instructions taught a non-infringing use).

## **B. Specific Intent Requires Knowledge of the Patent and Knowledge that the Induced Conduct Constitutes Infringement.**

Once it is established that liability is premised on *active* conduct, the inquiry turns to a defendant's intent to cause infringement. The requirement of specific intent finds its roots in early case law. In the case recognized as the first finding of secondary liability for patent infringement, a supplier was held liable for providing parts "with the intention" that they will be used in an infringing product. *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871). *See also, Rupp & Wittgenfeld Co. v. Elliott*, 131 F. 730, 733 (6th Cir. 1904) ("[T]he intention to assist in infringement must be otherwise shown affirmatively, and cannot be inferred from the mere fact that the articles are in fact used in the patented combination, or may be so used."); *George Haiss Mfg. Co. v. Link Belt Co.*, 2 F. Supp. 728, 733 (E.D. Pa. 1930) ("The intent is a necessary element.").

Congress enacted Section 271 in 1952 in part to codify and clarify the judicial doctrines of inducement and contributory infringement. *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 179 (1980). While proof of intent remains necessary to each, the differences between Section 271(b) and (c) illustrate why specific intent remains a crucial and discrete element of inducement. Section 271(c) infers the requisite intent from a defendant's knowledge that a particular component has no substantial noninfringing uses. Under that scenario, "there is no injustice in presuming or

imputing an intent to infringe.”<sup>6</sup> But, “*Sony’s* rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product.”<sup>7</sup> In contrast, because Section 271(b) applies where a component or product has commercially significant noninfringing uses, the patentee must prove the specific intent to induce infringing, rather than noninfringing, conduct. Thus, whereas Section 271(c) “gives rise to liability without any *further* proof of intent or inducement of joint action with the direct infringer,” under Section 271(b) “the evidence must establish active inducement *and that involves intent.*” Judge Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 Geo.Wash. L. Rev. 521, 537, 538-539 (1953) (emphasis added).

*Grokster* applied this intent standard to the copyright law context. “The inducement rule ... premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.” *Grokster*, 545 U.S. at 937. A plaintiff therefore must show a defendant’s acts are undertaken “*with the object* of promoting its use to infringe . . . , as shown by clear expression or other affirmative steps taken to foster infringement . . . .” *Id.*, at 919, 936-37 (emphasis added).

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6. *Grokster*, 545 U.S. at 932; see *Sony*, 464 U.S. at 442 (contributory infringement cannot be found for a product capable of “commercially significant” or “substantial” noninfringing uses).

7. *Grokster*, 545 U.S. at 934-935.

Intent under Section 271 necessarily requires that the defendant knows both that the patent exists, and that the induced conduct will infringe it. “Thus, a person infringes by actively and *knowingly* aiding and abetting another’s direct infringement. Although section 271(b) does not use the word ‘knowing,’ the case law and legislative history uniformly assert such a requirement.” *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (citations omitted).

In *DSU Medical*, the Federal Circuit reaffirmed that active inducement of infringement requires a showing of specific intent, which “necessarily includes the requirement that he or she knew of the patent.” 471 F.3d at 1304.<sup>8</sup> See *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 161 F.3d 688, 695 (Fed. Cir. 1998) (no inducement where all predicate acts occurred prior to the defendant acquiring knowledge of the patent); *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990) (no inducement liability for corporate directors who first learned of the patent in the complaint).<sup>9</sup>

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8. Knowledge of the existence of a patent is not sufficient, by itself, to establish intent to induce. See *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1377, 1380 (Fed. Cir. 2005) (letter from patent owner offering a license does not establish intent to induce infringement).

9. “Deliberate indifference” also must be understood in the context of other erroneous rulings by the Federal Circuit that impermissibly allow specific intent to be inferred from equivocal conduct. That court previously has held that a company can be liable because it “should have known” of the infringement, as suggested in *DSU Medical*; “should have known” of the existence of a patent, as in *Insituform*; and, now,

To be liable for inducing its customers to infringe, a defendant must also know that its customers' use or sale of the product would be infringing. *Cortelyou v. Charles E. Johnson & Co.*, 145 F. 933, 935 (2d Cir. 1906) *aff'd sub nom. Cortelyou v. Charles Eneu Johnson & Co.*, 207 U.S. 196 (1907); *see also Tubular Rivet & Stud Co. v. O'Brien*, 93 F. 200, 203 (C.C.D. Mass. 1898) (“[T]he defendant in a case like this must know something more than the material use to which his [products] are to be put . . .”). *See also Henry v. A.B. Dick Co.*, 224 U.S. 1, 32 (1912), *overruled on other grounds, Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917) (holding that “the sale of any article to one who proposes to associate it with other articles to infringe a patent, when such purpose is known to the seller” is contributory infringement); *Wallace*, 29 F. Cas. at 75 (finding liability where a product was “made and sold with the express purpose of having the other elements of the patented combination added”).

In *Cortelyou*, the defendant sold ink to third parties who used it in printing machines leased from the plaintiff patentee, in violation of a conditional license stamped prominently on the machines. 207 U.S. at 198. The Second Circuit held, and this Court affirmed, that the defendant was not liable because it lacked knowledge “not of the machine, not of the ink, but of the restriction

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Cont'd  
 can “know” of a patent by not searching for it, as in *Global-Tech*. As a result, specific intent could be shown merely by stacking failures to act one upon another—effectively creating a rule of “invented intent”; and those engaged in ambiguous, even non-culpable, conduct may find themselves secondarily liable having known neither of the existence of the patent nor of the conduct by third parties that infringed it.

agreement which alone made the sale of ink to the owners of the neostyle machines unlawful.” 145 F. at 936. The court gave “little weight” to “[t]he presumption drawn from the fact that the machine was largely advertised and therefore the officers of the defendant must have known its character.” *Id.* Thus, knowledge of the actual use plus a suggestion that defendants should have known the use was infringing does not add up to liability.

Consistent with these precedents, *Grokster* holds that inducement liability requires a “showing that active steps were taken *with the purpose* of bringing about infringing acts, and . . . that infringing acts took place by using the device distributed.” 545 U.S. at 938; (emphasis added). Based on the evidence, the Court found “[t]he unlawful objective is unmistakable.” *Id.* at 940. *Grokster* and StreamCast “voiced the objective that recipients use it to download copyrighted works, and each took active steps to encourage infringement.” *Id.* at 924. The companies intended their product to replace a technology that had been enjoined for contributory copyright infringement; advertised and promoted the availability of copyrighted works using their product, knowing that such availability had not been authorized by the copyright owner; and advised users how to infringe copyrighted works by downloading with their software. Thus, the companies conveyed to their user base “a clear message” to promote infringement, demonstrating “unequivocal indications of unlawful purpose.” *Id.* at 938.<sup>10</sup>

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10. Cases cited in *Grokster* also require that intent be based on knowledge that the encouraged action will constitute infringement. *See Water Techs.*, 850 F.2d at 668 (supplying infringing formulas and components, with a right to control



The Federal Circuit—at least until it decided the case now before this Court—had ruled that inducement required higher proof of knowledge and specific intent to cause infringement:

It must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.

*Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990). “[T]hat defendants have ‘knowledge of the acts alleged to constitute infringement’ is not enough.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003) (drug manufacturer could not be liable for infringement of a method patent induced by the prescribing physician, absent evidence it promoted or encouraged the use of that method). To be liable, defendant must have

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and approve the final product, demonstrated knowledge and inducement of infringement). “[T]o sustain a claim of inducement, the plaintiff must establish that the defendant purposefully caused, urged or encouraged another individual to infringe plaintiff’s patent *with knowledge* of the likely infringing result.” *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 993 (N.D. Ill. 1988) (emphasis added) (internal citation omitted). *See also, Knapp-Monarch Co. v. Casco Prods. Corp.*, 342 F.2d 622, 626-27 (7th Cir. 1965) (finding no inducement where defendant “lacked knowledge of the alleged infringement . . . [and] cannot be said to have been [guilty of] active ‘inducement’ of infringement.”).

“knowingly induced infringement and possessed specific intent to encourage another’s infringement.” *MEMC Elec. Materials, Inc.*, 420 F.3d at 1378 (internal citation omitted). “Inducement requires proof that the accused infringer knowingly aided and abetted another’s direct infringement of the patent.” *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1306 (Fed. Cir. 1999).<sup>11</sup>

Where a product or service is useful for both infringing and noninfringing purposes, liability cannot be based on knowledge of possible or actual user infringement, without proof of intent to cause the infringement. “[M]ere 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.<sup>12</sup> “Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be

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11. Conversely, a lack of subjective intent provides a complete defense to inducement under Section 271(b). Reliance on advice of counsel that a product design would not infringe a particular patent has been found sufficient to defeat the intent element of inducement. *See Micro Chem. v. Great Plains Chem.*, 194 F.3d 1250, 1261 (Fed. Cir. 1999); *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d at 553. Similarly, instructions to customers on noninfringing uses, as well as for uses believed in good faith not to infringe, cannot establish specific intent to induce infringement. *Static Control Components, Inc. v. Lexmark Int’l, Inc.*, \_\_ F. Supp. 2d \_\_, 2010 WL 4366130, at \*3, \*15, and \*20 (E.D. Ky. Oct. 28, 2010).

12. As the Court noted, “*Grokster* and *StreamCast* are not, however, merely passive recipients of information about infringing use.” *Id.* at 923.

infringing the patent.” *Warner-Lambert Co.*, 316 F.3d at 1365. “[S]ale of a lawful product by lawful means, with the knowledge that an unaffiliated, third party may infringe, cannot, in and of itself, constitute inducement of infringement.” *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1276 n.6 (Fed. Cir. 2004), *citing Organon Inc. v. Teva Pharms., Inc.*, 244 F. Supp. 2d 370, 380 (D.N.J. 2002). *See also, Snyder v. Bunnell*, 29 F. 47, 47 (C.C.S.D.N.Y. 1886) (finding no intent where there was “no direct proof” that any buyer actually used defendant’s product to build infringing devices); *George Haiss Mfg. Co.*, 2 F. Supp. at 733.

Thus, where a manufacturer or distributor engages in conduct that would be equally pertinent to the noninfringing uses of a product or service, evidence of intent is not, in the words of *Grokster*, “clear,” “unequivocal,” or “unmistakable.” A manufacturer or distributor cannot be liable for acts that ordinarily would pertain to the lawful as well as the infringing uses of a product or service. Even if a defendant’s “articles are in fact used in the patented combinations” by a third party, intent to infringe cannot be implied from sales alone. *Thomson-Houston Electric Co. v. Kelsey Electric R. Specialty Co.*, 75 F. 1005, 1008 (2d Cir. 1896).<sup>13</sup> “The mere sale of a product capable of substantial non-infringing uses does not constitute indirect infringement

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13. Petitioners’ assertion that sale of a product alone can meet the active conduct requirement of Section 271(b), Pet’rs’ Br. 20, runs directly contrary to established law, as well as logic. Mere sale of a product or offer of a service with noninfringing uses equally demonstrates an intent to induce noninfringing conduct. Intent only can be imputed from mere sale in the context of contributory infringement under Section 271(c), where a product has no commercially significant noninfringing uses.

of a patent.” *Dynacore Holdings Corp.*, 363 F.3d at 1275. “Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves.” *Grokster*, 545 U.S. at 937. Moreover, advertisements and solicitations will not support a charge of inducement unless they “broadcast[] a message designed to stimulate others to commit violations.” *Id.*<sup>14</sup>

**C. Defendants Have No Obligation to Preemptively Prevent Infringement, If There is No Evidence of Specific Intent to Induce Infringement.**

Similarly, the law does not require defendants to anticipate or preempt acts of infringement. “[I]n the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses. Such a holding would tread too close to the [staple article of commerce] safe harbor.” *Grokster*, 545 U.S. at 939 n.12.

Pre-1952 cases established the principle that vendors should not be burdened with a duty to seek out and identify potential infringements by their customers. *Cortelyou*, 145 F. at 935 (“To compel the dealer to make

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14. Similarly, financial benefit from known infringing conduct does not by itself evince intent sufficient to support inducement liability. Although plaintiffs in *Grokster* proved that defendants’ business and profits expanded because of infringements, “[t]his evidence alone would not justify an inference of unlawful intent . . . .” *Id.* at 940.

inquiries and take the precautions necessary to save himself from being sued as an infringer would place intolerable burdens upon business.”); *Individual Drinking Cup Co. v. Errett*, 297 F. 733, 740 (2d Cir. 1924) (declining to place a duty on a vendor to determine if its products would be used in an infringing way, as this would “place a heavy burden upon trade”); *Chas. H. Lilly Co. v. I.F. Laucks, Inc.*, 68 F.2d 175, 183 (9th Cir. 1933) (similar).

Thus, “deliberate indifference” would impose liability under a standard less exacting than negligence. Whereas negligence liability requires disregard of a duty of care, as shown above there is no affirmative duty to obtain knowledge of infringement and, as shown in the next section, no affirmative duty to obtain knowledge of a patent. The Federal Circuit’s ruling here threatens to undermine the requirement of specific intent, a well-established principle on which technology companies have long relied.

## **II. A “Deliberate Indifference” Standard Contravenes the *Grokster* Standards of Knowledge and Intent for Active Inducement.**

From the earliest cases through their codification in Section 271(b), and the Court’s adoption of these principles in copyright law, liability for active inducement only applies where a defendant acts with knowledge of the patent and the intent to cause third parties to engage in conduct the defendant knows will infringe. In *Global-Tech*, the Federal Circuit invented a new standard for inducement liability that hinges on a *failure* to act rather than on affirmative conduct. Thus, the

“deliberate indifference” rule effectively imposes liability for *inactive* inducement.

The philosopher’s stone used by the Federal Circuit to turn “indifference” to “inducement” relies on a few decisions outside the context of the patent law. In the majority of cases, the culpable “indifference” involved deliberate disregard for an express legal obligation; or, an intentional decision not to confirm facts that were otherwise apparent on their face. Neither of those scenarios pertains even by analogy to cases under Section 271(b).

As a first principle, in the absence of a patent, the public retains the free right to copy and to build upon the works of others. This right is as crucial to the progress of science and the useful arts as the grant of a patent itself:

The attractiveness of [requiring disclosure and publication of inventions in exchange for a limited patent right], and its effectiveness in inducing creative effort and disclosure of the results of that effort, depend almost entirely on a backdrop of free competition in the exploitation of unpatented designs and innovations . . . . *[F]ree exploitation of ideas will be the rule, to which the protection of a federal patent is the exception.*

*Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989) (emphasis added). As this Court has recognized, “imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy.” *Id.* at 146. The

Patent Act does not impose a duty to avoid using a process or copying an article that is not protected by a patent.

Inasmuch as copying an unpatented product feature does not constitute infringement, logically evidence of copying cannot, by itself, show an intent to induce infringement. Absent knowledge that a particular patent covers a product or process, copying equally demonstrates an intent to engage in permissible and socially beneficial conduct.

Second, Federal Circuit precedents correctly reject any affirmative duty to determine whether a device may infringe a patent, prior to going to market. In *In re Seagate Tech., LLC* the Federal Circuit explicitly abandoned any duty of care by pre-market investigation. 497 F.3d 1360, 1371 (Fed. Cir. 2007), *overruling Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). *In re Seagate* undermines the “deliberate indifference” rule, for three reasons. First, if there is no duty to affirmatively investigate potential infringement, neither logic nor purpose supports a duty to search for the existence of a potentially-infringed patent. Second, if a failure to search does not affect whether an infringer acted egregiously, it cannot affect the threshold question of liability.<sup>15</sup> Third, if no such duty exists for direct infringement, it makes no sense to impose one only for secondary liability. Thus, absent a

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15. Even under the rule abandoned in *In re Seagate*, the affirmative duty of care applied only where the potential infringer had *actual notice* of another’s patent rights. “Where . . . a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative

duty of care to ascertain whether actions might constitute infringement, “indifference” to the existence of a patent cannot be culpable conduct.

Third, the cases cited by *Global-Tech* do not support its rule in the context of the patent laws. The backdrop for *Farmer v. Brennan*, 511 U.S. 825 (1994), is the duty of care imposed on prison officials under the Eighth Amendment, such that deliberate indifference to a known substantial risk of serious harm may violate that obligation. Similarly, in *Crawford-El v. Britton*, 951 F.2d 1314 (D.C. Cir. 1991), the conduct of a prison official was alleged to demonstrate deliberate indifference in contravention of constitutional obligations imposed under the First Amendment, Fifth Amendment, Sixth Amendment, and Fourteenth Amendment. The legality of the prison officials’ acts in these cases did not turn on whether they conflicted with a complex and subtle regulatory enactment, the very existence of which would, at best, be time-consuming and expensive to determine *ex ante*. These cases permitted liability based on deliberate indifference where the defendant had an affirmative duty to act—not, as here, where no such duty exists.<sup>16</sup>

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duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.” *Underwater Devices*, 717 F.2d at 1389-90 (internal citations omitted). That court adopted the rule to counter what it termed a “widespread disregard” for patent rights. *In re Seagate Tech., LLC*, 497 F.3d at 1369.

16. Moreover, the risks of over-deterrence are far less troubling where personal constitutionally-guaranteed rights are concerned, as that over-deterrence will not trench on socially valuable interests in free competition and innovation.



In the other cases cited by *Global-Tech*, the courts held the potential risks were so obvious as to be clearly known to the defendant. *See Boim v. Holy Land Found. for Relief and Dev.*, 549 F.3d 685 (7th Cir. 2008) (considering civil liability for donating money to known terrorist organization); *United States v. Carani*, 492 F.3d 867 (7th Cir. 2007) (affirming child pornography conviction where defendant deliberately avoided learning the child’s age); *Woodman v. WWOR-TV, Inc.*, 411 F.3d 69 (2d Cir. 2005) (plaintiff in age discrimination suit failed to establish that employer was aware of the relative ages of the employees who replaced her; discussing “conscious avoidance” in *dictum*). By contrast, even if there were a duty to perform a patent search (which the Federal Circuit has confirmed there is not), identifying the existence of a particular patent that potentially may cover a particular product is complicated by the large number of issued patents and the difficulty and uncertainty of claim construction, as discussed next.

### **III. This Court Should Preserve Innovation by Rejecting a “Deliberate Indifference” Standard, and Affirming that Inducement is Based On Clearly Culpable, Affirmative Conduct.**

Commerce and innovation depend upon clearly-defined rules to avoid the “disastrous or even lethal consequences” of infringement suits:

[B]usinessmen are certainly entitled to know when they are committing an infringement . . . But to what avail these congressional precautions if this Court, by its

opinions, would subject small businessmen to the devastating uncertainties of nebulous and permissive standards of infringement under which courts could impose treble damages upon them . . . .<sup>17</sup>

A rule such as “deliberate indifference” lacks the predictability necessary to give businesses incentive to innovate, and capital markets confidence to invest in innovation. To promote innovation, this Court should reaffirm that a “bright-line” test applies to inducement, requiring proof of actual knowledge of the patent, not mere “indifference,” and actions intended to induce conduct known to constitute infringement.

**A. Imposing A “Duty to Know” Will Frustrate Commerce and Innovation.**

An obligation to not be “indifferent” to the existence of relevant patents on pain of inducement liability creates an infeasible burden on business and unjustifiable costs to commerce. The potential disruption is obvious. Consider that inducement can be alleged for various types of conduct, and against multiple layers of participants in the chain of commerce. In the case at bar, a manufacturer is accused of inducement based on sale and promotion of a product that has a feature that has no noninfringing uses; but inducement also could be asserted against an importer, a distributor, or a seller. Under the Federal Circuit rule, anyone that teaches an allegedly infringing use—from a manufacturer that drafts product instructions to

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17. *Aro Mfg. Co. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 358 (1961) (Black, J. concurring).

salespeople that demonstrate products and processes, or even doctors that prescribe dosages or medical procedures—potentially would be required to take steps so as to avoid “deliberate indifference.” The social and economic costs of the obligations imposed by a deliberate indifference rule against every person subject to allegations of inducement underscore, as a matter of policy, the impracticability of the Federal Circuit’s proposed standard.

These burdens, moreover, fall disproportionately on technology companies. Commentators have noted that in the field of information technology, thousands of patents potentially are pertinent to a given technology.<sup>18</sup> The cost to search for a patent may be \$5,000 or more.<sup>19</sup> Small companies unable to afford the costs of searching may withhold new products or product features out of concern for patent risks;<sup>20</sup> and large technology companies that introduce hundreds of new products and services each year cannot reasonably be expected to run

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18. James Bessen & Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk*, 9-15 to -16. (2008), available at, <http://www.researchoninnovation.org/dopatentswork/>. In 2003, more than 4,300 patents related to selling products online; for an online service with advertising, receiving payments, or planning shipments, that number jumped to 11,000. *Id.*

19. See Bessen and Meurer, *supra* at n.18. To then perform a validity analysis costs upwards of \$15,000 per patent; and an infringement analysis could add \$13,000 more per patent. American Intellectual Property Law Association (“AIPLA”), *Report of the Economic Survey 2007*, at I-83.

20. In this regard, it bears remembering that many of today’s successful high-technology companies, such as Apple, Microsoft, and Google, began as an innovative idea intensively

down every rabbit hole in search of potentially relevant patents.<sup>21</sup>

Second, knowledge that a patent exists tells companies little about the possibility of infringement, as it can be difficult, if not impossible, to “know” whether a patent would be infringed by a particular product or service. As the Federal Trade Commission observed in a 2003 report, the patent system is characterized by uncertainty: The validity of a patent, the scope of the patent claims and their equivalents, and, therefore, infringement, cannot be known until the conclusion of litigation.<sup>22</sup> Empirical studies suggest that patentees ultimately lose some 75% of litigated cases,<sup>23</sup> and nearly

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pursued by a few dedicated individuals with few financial resources. See David A. Vise & Mark Malseed, *The Google Story* (2005) (detailing the founding of Google by students Larry Page and Sergey Brin).

21. At least one commentator suggests that, in the face of these burdens and costs, “[i]t is no accident that most software users do not clear rights. Checking thousands of patents is clearly infeasible for almost any software product.” Bessen and Meurer, *supra* at n.18, at 9-16.

22. Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (Oct. 2003) (“FTC Report”), Ch. 5 at 2-3.

23. Paul M. Janicke and LiLan Ren, *Who Wins Patent Infringement Cases?*, 34 AIPLA Q.J. 1, 5 (2006). A recent study suggests that between 1995-2008, through trial, practicing patentees win approximately 40% of cases, and non-practicing entities win as few as 29% of cases. PriceWaterhouseCoopers, *2009 Patent Litigation Study: Patent litigation trends and the increasing impact of nonpracticing entities* 12, [http://www.pwc.com/en\\_US/us/forensic-services/publications/assets/2009-patent-litigation-study.pdf](http://www.pwc.com/en_US/us/forensic-services/publications/assets/2009-patent-litigation-study.pdf).

45% of patent claims are held invalid.<sup>24</sup>

These uncertainties are particularly acute for participants in online industries, where software and business method patents predominate. As the Court observed last term, “some business method patents raise special problems in terms of vagueness and suspect validity.” *Bilski v. Kappos*, \_\_\_ U.S. \_\_\_, 130 S. Ct. 3218, 3229 (2010), *citing eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 397 (2006) (Kennedy, J., concurring). “Especially with subject matter like software and business methods, patents of uncertain scope and validity cast a shadow over innovation in new technologies.” Stephen McJohn, *Scary Patents*, 7 *Northwestern J. of Tech. and Intell. Prop.* 343, at \*1 (2009).<sup>25</sup>

Avoiding inutile up-front search costs diminishes only some of the economic inefficiencies created by the existing patent system. Although a substantial number of litigated patents are ultimately held invalid, patents of questionable validity that are not litigated also exact an enormous cost on innovation and our economy. As the FTC Report observed, concerns over infringement of questionable patents may retard follow-on innovation; waste resources of companies that design around them;

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24. John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 *AIPLA Q.J.* 185, 205 (1998).

25. *See also*, Robert E. Thomas, *Debugging Software Patents: Increasing Innovation And Reducing Uncertainty In The Judicial Reform Of Software Patent Law*, 25 *Santa Clara Computer & High Tech. L. J.* 191 (2008).

induce companies to pay unnecessary defensive license fees that reflect the risks and costs of litigation rather than the true value of the invention;<sup>26</sup> or embroil companies in costly litigation that drains financial and human resources that could be more productively allocated to innovating new products and services.<sup>27</sup> These concerns further chill incentives for new capital investment in innovative technologies, and inflate prices to consumers. *Id.*

In sum, the panel's standard would ignore the realities of marketplace decisionmaking, and replace the requirement of finding a clear and culpable intent with an unpredictable, *post hoc* assessment of "indifference." Endorsing a deliberate indifference standard would implicitly impose a "duty to search" whenever a company's technology might be used by its customers to directly infringe a patent. This "duty" would be highly disruptive to existing businesses, and extremely costly to companies, consumers, and society. In light of the low success rate in infringement suits, and the significant probability that a particular patent is invalid, the

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26. [H]igh litigation costs distort patent markets by discouraging challenges to weak, potentially invalid patents and by discouraging potential competition at the borders of a patent's scope." See Judge T.S. Ellis, III, *Distortion of Patent Economics by Litigation Costs*, Presentation to Symposium, CASRIP Publication Series Streamlining International Intellectual Property 24 (1999), <http://www.law.washington.edu/CASRIP/Symposium/Number5/pub5atcl3.pdf>.

27. FTC Report, Ch. 5 at 2-3. The cost of patent litigation has been estimated, in the average case, as between \$3.1 million to \$6.25 million per side. AIPLA, *Report of the Economic Survey 2009*, at I-129.

deadweight costs of a “deliberate indifference” rule for secondary liability cannot be justified by any putative benefit to innovation or the integrity of our patent system.

**B. A “Deliberate Indifference” Rule would Threaten Development and Marketing of Products with Lawful Purposes, Contrary to this Court’s Recent Precedents.**

This Court’s decisions concerning secondary liability recognized that overly broad or ill-defined standards chill innovation and lawful commerce. Nearly 100 years ago, the Court held that inducement liability would not attach to the mere sale of dual-use articles of commerce: “the sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce.” *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912), overruled on other grounds, *Motion Picture Patents Co.*, 243 U.S. at 517-18 (1917).<sup>28</sup> The *Grokster* Court similarly stressed that, in requiring a clear purposeful and culpable expression or other affirmative steps, it was “mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential.” 545 U.S. at 937.

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28. See also *Sony*, 464 U.S. at 491. In the copyright context, the need to protect innovation provided the fulcrum for the balance struck by the Court in *Sony*, and again in the Court’s majority and concurring opinions in *Grokster*: “The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the tradeoff. . . . The tension between the two values is the subject of this case . . . .” *Grokster*; 545 U.S. at 928 (citations omitted).

Google's businesses are among the most dynamic of the digital age, hence among those most sensitive to disruption by a standard for secondary liability based on too facile an objective test for contribution, or on a suddenly relaxed intent standard for inducement. The full context in which any new device, software, or service encounters copyrighted works and patented products and methods cannot be foreseen when a product or service is designed or introduced. Interaction between the product offering and the consumer must, and should, evolve over time. The highest and best—even the primary—use of an innovative product is as much up to its users as it is to its originator.<sup>29</sup> This has long been true for patented products<sup>30</sup> and is even more the case in a rapidly-evolving digital world:

[Innovators] would have no way to predict how courts would weigh the respective values of infringing and noninfringing uses; determine the efficiency and advisability of technological changes; or assess a product's potential future markets. The price of a wrong guess—even if it involves a good-faith effort to assess technical and commercial viability—could be large . . . . The additional risk and uncertainty would mean a consequent additional chill of technological development.

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29. This principle is widely described in technology circles as “the street finds its own uses for things,” a turn of phrase credited to science fiction author William Gibson. William Gibson, *Burning Chrome* 199 (2003).

30. See, e.g., Eric von Hippel, *The Dominant Role of Users in the Scientific Instrument Innovation Process*, Research Policy 5, 212-239 (1976), available at <http://web.mit.edu/evhippel/www/papers/1976%20vH%20instruments%20paper.pdf>.



*Grokster*, 545 U.S. at 959-960 (Breyer, J. concurring) (internal citations omitted).

At its most basic level, online search and hosting services, and software operating systems and application platforms, such as those of Google and its competitors, encounter millions of patented products and copyrighted works each hour, under circumstances and in connection with user innovations that change on a continual basis. No company on the planet is sufficiently well capitalized to ignore the risk that would be posed by unbounded, unavoidable, or indefinite standards of secondary liability.

A “deliberate indifference” rule would further threaten the type of collaborative innovation currently encouraged by Google and innumerable other technology companies. For many of its services, Google provides a kind of toolkit, known as an “application program interface” or “API,” that developers can use to create their own innovations that build on and use Google’s services. Similarly, some of the most valuable software code used today is “open source” software code that authors make available to others to use and freely build on in innovative ways, often with limited or no controls placed on how others use their code.<sup>31</sup> Under the Federal Circuit rule, would Google have a duty to

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31. Open source collaboration provides developers a “primordial soup for combinatorial innovation” in which each added component spurs further education and development. Hal R. Varian, Joseph Farrell, & Carl Shapiro, *The Economics of Information Technology: An Introduction*, at 8 (Cambridge Univ. Press 2004). For example, the Android mobile device operating system, used today on millions of smartphones, is an open source software project led by Google. Google Inc., Open Source Project, <http://source.android.com/>.

search for potentially-relevant patents each time it makes its interfaces and open source code available to developers, under threat of inducement liability for every subsequent use or application, even if completely unanticipated by Google? The risk of expensive lawsuits and potentially astronomical liability would deter companies from opening up their products and services for others to build on, and would stifle some of the most valuable, productive, and collaborative means of modern innovation.

Moreover, the burden, expense, and disruption to commerce become exponentially greater should a court apply a “deliberate indifference” rule in the context of inducement of copyright infringement. Only a modicum of creativity is required for copyright protection<sup>32</sup> and, as recent cases show, copyright can cover a tiny design on the back of a watch or even the label on a shampoo bottle.<sup>33</sup> Of the more than one trillion pages on the Internet today,<sup>34</sup> a high percentage of them undoubtedly constitute, contain, or link to some copyrighted work. There are no inherent indicia of whether any particular one of these works is uploaded without the authority of a copyright owner, or whether posting the content could

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32. *Feist Pubs., Inc. v. Rural Tel. Svc. Co., Inc.*, 499 U.S. 340, 346-347 (1991).

33. See *Costco Wholesale Corp. v. Omega, S.A.*, No. 08-1423 (S. Ct. argued Nov. 8, 2010); *Quality King Distribs., Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135 (1998).

34. The Official Google Blog, *We Knew the Web was Big*, <http://googleblog.blogspot.com/2008/07/we-knew-web-was-big.html> (July 25, 2008).

be exempt from copyright infringement liability under a limitation or exception such as fair use. Imposing a duty to know or inferring constructive knowledge from “indifference” under copyright law could smother modern commerce and imperil the World Wide Web.

The rule of inducement under this Court’s precedents properly predicates liability on affirmative steps rather than passivity, on actual knowledge rather than a lack of knowledge, and on a clearly culpable intent that must be formed before the fact, rather than some amorphous duty of care imposed after the fact. The Federal Circuit’s proposed “deliberate indifference” test departs from these precedents, and should be rejected.

## CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

ROBERT S. SCHWARTZ  
SETH D. GREENSTEIN\*  
CONSTANTINE CANNON LLP  
1301 K Street N.W.  
Suite 1050 East  
Washington, D.C. 20005  
(202) 204-3500  
sgreenstein@constantinecannon.com

*Counsel for Amicus Curiae*

*\*Counsel of Record*