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The Supreme Court Retools the Test for Induced Patent Infringement

In *Global-Tech Appliances, Inc. v. SEB S.A.* (S. Ct., May 31, 2011), the Supreme Court adjusted the requirements for active inducement liability for patent infringement under 35 U.S.C. 271(b). Induced infringement requires proof of actual knowledge that a patent is infringed, including actual knowledge of the infringed patent, but such knowledge can be shown by proof of "willful blindness."

Background Facts

SEB, a French appliance manufacturer, obtained a U.S. Patent for a cool-touch deep fryer. Sunbeam Products, Inc., a U.S. competitor, commissioned Pentalpha Enterprises, Ltd., a Hong Kong appliance manufacturer and a wholly owned subsidiary of Global-Tech, to develop a deep fryer for sale in the United States. Pentalpha purchased an SEB fryer in Hong Kong and copied all but the ornamental features. Pentalpha obtained a right-to-use opinion for its fryer from outside counsel, but Pentalpha did not inform its attorney that it had copied the SEB fryer, and the attorney's patent search missed the SEB patent. SEB sued Pentalpha for direct and induced infringement, and the jury returned a verdict in favor of SEB on both theories.

Pentalpha argued in post-trial motions that there was insufficient evidence to support induced infringement under 35 U.S.C. 271(b). The appliance purchased in Hong Kong was not marked with a U.S. patent number, and Pentalpha claimed it did not actually know of SEB's patent until it received notice of the Sunbeam lawsuit. Pentalpha's argument was rejected by the District Court and the U.S. Court of Appeals for the Federal Circuit. Although the Federal Circuit concluded 271(b) requires proof that an infringer "knew or should have known his actions would induce actual infringement," it further concluded Pentalpha had "deliberately disregarded a known risk that SEB had a protective patent," which, it held, "is a form of actual knowledge."

Section 271(b) Requires Proof of Actual Knowledge of Patent Infringement

In reviewing Pentalpha's arguments, the Supreme Court turned initially to the language of 271(b) itself, which states: "Whoever actively induces infringement of a patent shall be liable as an infringer." While the court acknowledged the statute fails to mention intent, it inferred that at least some intent is required. However, the statute leaves open whether one is liable under the statute for inducing another to engage in conduct which "happens to amount to infringement" or only when the inducer knows the conduct is infringement.

The court concluded, however, that its decision in *Aro Mfg. Co. v. Convertible Top Replacement Co.,* 377 U.S. 476 (1964) (*Aro II*), which concerned contributory infringement under 271(c), resolved the question because 271(b) and (c) were cut from the same cloth. The relevant text of 271(c) states: "Whoever offers to sell or sells...a component of a patented [invention]...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...shall be liable as a contributory infringer." In resolving the analogous issue in the context of 271(c), a divided court had held knowledge of the patent was required. Because *Aro II* "has become a fixture in the law of contributory infringement under 271(c)," the court held "the same knowledge is needed for induced infringement under 271(b)."

As noted by Justice Kennedy in his dissent, the conclusion of the court on which all nine justices agreed is that "to induce infringement a defendant must know 'the induced acts constitute patent infringement.'"

Knowledge of Infringement Is Shown by Willful Blindness, Not Deliberate Indifference

In a lone dissent, Justice Kennedy parted company with the court on only a single issue, whether proof of "willful blindness" suffices to show the actual knowledge required for induced infringement. Well established in criminal law, the doctrine of willful blindness holds that "defendants cannot escape the reach of [statutes requiring proof that defendants acted knowingly] by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances." This is because "defendants who behave in this manner are just as culpable as those who have actual knowledge." In other words, "persons who know enough to blind themselves to direct proof of critical facts in effect have actual knowledge of those facts."

The court noted the doctrine has at least two basic requirements: "(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact." These requirements give the doctrine an "appropriately limited scope that surpasses recklessness and negligence." Comparing these different standards, the court observed "a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts...[b]y contrast, a reckless defendant is one who merely knows of a substantial and unjustified risk of such wrongdoing...and a negligent defendant is one who should have known of a similar risk but, in fact, did not."

The Lower Courts: Wrong Analysis, Right Result

Although the analysis by the Federal Circuit was flawed because it had employed a deliberate indifference standard rather than the newly adopted willful blindness standard, the Supreme Court concluded that the facts before it, in the procedural posture of the case, warranted affirming the jury verdict. That is, there was "more than sufficient [evidence] for a jury to find that Pentalpha subjectively believed there was a high probability that SEB's fryer was patented, that Pentalpha took deliberate steps to avoid knowing that fact, and that it therefore willfully blinded itself to the infringing nature of Sunbeam's sales."

What This Means to You

The Supreme Court has now made clear that proof of induced infringement requires proof that the inducer knew it was inducing patent infringement, not merely that it was inducing conduct that happens to infringe a patent. This includes proof of knowledge of the patent. Although proof of willful blindness will suffice to prove induced infringement, mere reckless disregard of a known risk of infringement will not. If you have questions about how *Global-Tech* may affect your business practices, please contact us.