

LITIGATORS CORNER: Who's On First?



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We are getting unintentionally confused about intent. It reminds me of Abbott and Costello's routine, "Who's on First."

The Supreme Court held in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011) that inducing infringement under 35 U.S.C. § 271(b) requires intent: The evidence must show that the inducer knew the acts performed by the induced entity—the direct infringer—constituted infringement.

The plaintiff, SEB, invented a deep-fat fryer with an external surface that stayed cool to the touch. The fryer was a big, big success. Sunbeam hired a Chinese copy-cat, Pentalpha Enterprises, Ltd., owned by defendant Global-Tech, to duplicate SEB's fryer. Pentalpha concealed its copying from its lawyer who performed a search that Pentalpha knew was "doomed to failure," according to the trial court.¹ SEB's fryer for the Asian market did not bear a U.S. patent number. With lower copy-cat costs, Sunbeam undercut SEB in the United States. Pentalpha started selling fryers in the U.S. in 1997 and continued selling them after SEB sued Sunbeam for patent infringement in March, 1998. Sunbeam notified Pentalpha of the lawsuit in April. However, Pentalpha continued to sell fryers to U.S. customers after receiving notice.²

SEB and Sunbeam settled, and SEB sued Pentalpha, alleging that Pentalpha's sales directly infringed, and that Pentalpha induced Sunbeam's sales. SEB won, and the Federal Circuit affirmed. The Federal Circuit said inducement required (1) knowledge of the patent and (2) that Pentalpha knew or should have known that its actions would induce actual infringements. The Federal Circuit concluded that Pentalpha's conduct disregarded a known risk that SEB had a patent.³ The court also concluded that, although Pentalpha had no knowledge of the patent before April, 1998, its disregard was a form of actual knowledge. Pentalpha provided no evidence that it was actually unaware of the patent.⁴

The Supreme Court said § 271(b) was ambiguous.⁵ It said "actively induces" meant that intent was required. I do not understand why it found that language required intent, because the court went on to say that the statutory language meant to lead on or influence by affirmative steps.⁶ That phrasing does not necessarily require intent to cause another to infringe. An example: If I stick my leg out from an aisle seat on an airplane and a flight attendant trips over it, I have actively influenced the attendant's fall. If I meant to trip the attendant (who didn't give me my cocktail quickly enough), then I had intent to injure. In other words, I meant to move my leg and I meant to trip the flight attendant. If, however, I stuck my leg out because it cramped during the fourteen-hour flight to Sydney, then I had no intent to injure, trip or interfere. The intent to move one's leg is not the same as the intent to injure another person. If I had a cramp, I would be liable for negligence for an injury to the flight attendant because I could foresee the consequences of sticking my leg out, even though I had no intent to injure. Patent infringement is a tort. It is not a crime, and no guilty state of mind (the *mens rea*) is required.

After finding that the law was confused, *Global-Tech* decided that § 271(b) would be governed by *stare decisis*, by the close relationship of §§ 271(b) and (c), and by *Aro II*, that is, *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 84 S. Ct. 1526 (1964), which stated that contributory infringement required that the infringer

must know that the combination for which his component was especially designed was both patented and infringing.⁷ The phrase "patented and infringing" is in *Aro II*, but it seems odd to me. A "combination" can infringe, but the invention, not the combination, is patented. *Global-Tech* recognized that *Aro II* included a strong dissent by four justices.⁸ *Global-Tech* followed *Aro II*, even while acknowledging that *Aro II* was a "badly fractured decision."⁹

The word "knowing" appears in § 271(c), but not in § 271(b). *Global-Tech* nevertheless held that "induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement."¹⁰ It also affirmed the Federal Circuit's decision, because the evidence showed that Pentalpha had "knowledge under the doctrine of willful blindness."¹¹ Pentalpha's CEO did not tell its lawyer about the SEB patent. *Global-Tech* borrowed from criminal law, citing as an example a bank officer certifying a check and purposely ignoring whether the drawer of the check had money in the bank as willful blindness, and therefore intent.¹² *Global-Tech* then grafted that criminal law standard onto § 271(b), with this test:

- (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.¹³

Global-Tech criticized the Federal Circuit's decision for not requiring "active efforts by an inducer to avoid knowing about the infringing nature of the activities."¹⁴ § 271(b) now requires (1) intent to actively induce, or (2) intentional efforts to avoid knowledge. But the bank officer's failure to check whether the drawer had funds in the bank involves no act at all, much less an intentional act. *Global-Tech*'s example does not support its holding.

Stare decisis does not require the result here, either. *Aro II* was construing a different section of § 271—that is, § 271(c). Congress split one statute into two, and the new § 271(c) includes "knowing," a word absent from the new § 271(b). *Aro II* was considering § 271(c), not § 271(b). The sections are worded differently in precisely the respect—i.e., "knowing"—that was at issue in *Global-Tech*.

§ 271(c) contains more language that shows that subsections (b) and (c) of § 271 should not be construed to require the same intent. § 271(c) says the contribu-

tory infringer must make or sell a component “*knowing the same to be especially made or especially adapted for use in an infringement...*”¹⁵ (The italics appear in the Supreme Court’s quotation of the statute.) “Knowing” appears in the same phrase as “infringement.” The language of § 271(c) is far different from the language of § 271(b). The requirements of the former should not have been grafted onto the latter.

Enter the Federal Circuit. In *Commil USA, LLC v. Cisco Systems, Inc.*, Slip Op. 2012-1042 (Fed. Cir. June 25, 2013), the Federal Circuit purportedly followed *Global-Tech*. Cisco was hit for \$63,000,000 in damages for inducing infringement. The patent claimed a method for faster hand-offs of a moving mobile phone from one base station to another. The method required steps by a base station, and steps by a switch. Cisco complained on appeal that it was barred from introducing evidence of its good faith belief that the patent was invalid, and that the excluded evidence would have shown that Cisco lacked intent to induce.¹⁶

The jury was instructed that it could find inducement if “Cisco actually intended to cause the acts that constitute direct infringement and that Cisco knew or should have known that its actions would induce actual infringement.”¹⁷ Cisco argued that the jury instruction allowed a finding of inducement based on negligence. The Federal Circuit relied repeatedly upon *Global-Tech* and held that the instruction was erroneous and prejudicial. It said:

The jury was also instructed that Cisco must have actively and knowingly aided and abetted direct infringement. The jury, however, was not instructed that in order to be liable for induced infringement, Cisco must have had knowledge that the induced acts constitute patent infringement. On the contrary, the jury instruction allowed Cisco to be held liable if “Cisco knew or should have known that its actions would induce direct infringement.” With respect to whether the induced acts constitute patent infringement, it is clear that the jury was permitted to find induced infringement based on mere negligence where knowledge is required.¹⁸

I disagree. If the jury could only find Cisco liable if it knowingly aided and abetted direct infringement, then Cisco knew that it was assisting another party to infringe. I cannot see how Cisco did not

also induce infringement by the same acts. *Global-Tech* says that to actively induce, one must lead on or influence by affirmative steps.

As long as we are playing the criminal law game, 18 U.S.C. § 2 defines aiding and abetting:

(a) Whoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.

(b) Whoever willfully causes an act to be done which if directly performed by him or another would be an offense against the United States, is punishable as a principal.

It is tough to see how one who aids and abets direct infringement under the definition of § 2(a) does not also induce that infringement. The jury in *Commil* was instructed that it had to find that Cisco “actively and knowingly aided and abetted direct infringement.” Its verdict meant that Cisco acted “actively” and “knowingly.” The Federal Circuit’s conclusion that Cisco was prejudiced by an erroneous instruction is not sound reasoning.

My humble opinion is that the Federal Circuit was wrong when it concluded in *Commil* that the jury instruction was erroneous and prejudicial. Otherwise, it is simply splitting hairs on an invisible dog. Whether the acts in question give rise to infringement is the difference between the parties to every lawsuit. It is not reasonable to require that I know the acts are infringing in order to give rise to liability. It should be sufficient that I know about the patent, and that I cause or lead another by my affirmative acts.

Let’s return to my airplane example. Should I be liable if I deliberately put my foot in the aisle to relieve a cramp, even if I had no intention of injuring anyone? Yes. The acts were affirmatively undertaken. Tort liability attaches. Patent infringement is a tort. Direct infringement is strict liability. It is not reasonable to jump from no intent at all to a standard that is akin to *mens rea*, the mental state required for committing a crime. Knowledge of the patent, and the performance of affirmative acts should be enough to establish inducement. In any case, *Commil* was wrong when it held that the jury instruction was erroneous. The root of the problem is the Federal Circuit’s reliance on *Global-Tech*, compounded by its long distrust of juries.



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We are once again tying the law into knots. It doesn’t have to be that complicated.

The next question is whether the Federal Circuit is correct in *Commil* that an accused infringer can negate the intent required to induce infringement should it have a good faith belief that the patent is invalid or not infringed. I will deal with that issue next month. **IPT**

ENDNOTES

1. *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1367 (Fed. Cir. 2010).
2. *SEB S.A.*, 594 F.3d at 1366.
3. *SEB S.A.*, 594 F.3d at 1377.
4. *SEB S.A.*, 594 F.3d at 1378.
5. *Global-Tech*, 131 S.Ct. at 2065.
6. *Global-Tech*, 131 S.Ct. at 2065.
7. *Global-Tech*, 131 S.Ct. at 2067-68.
8. *Global-Tech*, 131 S.Ct. at 2068.
9. *Global-Tech*, 131 S.Ct. at 2067.
10. *Global-Tech*, 131 S.Ct. at 2068.
11. *Global-Tech*, 131 S.Ct. at 2068.
12. *Global-Tech*, 131 S.Ct. at 2069.
13. *Global-Tech*, 131 S.Ct. at 2070.
14. *Global-Tech*, 131 S.Ct. at 2071.
15. *Global-Tech*, 131 S.Ct. at 2067.
16. *Commil*, Slip Op. at 5.
17. *Commil*, Slip Op. at 6.
18. *Commil*, Slip Op. at 8.