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PATENTS

The author analyzes the issues that the Supreme Court will have to address in a pending case involving inducement of patent infringement, and how the high court may attempt to reconcile the conflicting decisions on those issues by the U.S. Court of Appeals for the Federal Circuit.

Does Inducement of Patent Infringement Require Actual Knowledge of a Patent?—The Supreme Court's Review of *Global Tech Appliances Inc. v. SEB S.A.*



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A common defense to claims of inducement of patent infringement under 35 U.S.C. § 271(b) is that the accused infringer did not know of the patent and so could not have intended to induce infringement. That defense was put in jeopardy earlier this year when the U.S. Court of Appeals for the Federal

Circuit ruled that actual knowledge of a patent was not required to prove an inducement claim. *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 93 USPQ2d 1617 (Fed. Cir. 2010) (79 PTCJ 426, 2/12/10).

The Federal Circuit has struggled for years to articulate the intent required for inducement liability, and recent Federal Circuit decisions reflect that struggle. The U.S. Supreme Court has granted certiorari to review *SEB*, and the court will hopefully resolve the conflict among the Federal Circuit's decisions and clarify the standard for inducement liability. *Global-Tech Appliances Inc. v. SEB S.A.*, No. 10-6 (U.S., cert. granted Oct. 12, 2010) (80 PTCJ 775, 10/15/10).

As discussed below, the Supreme Court faces a number of interesting issues in *Global-Tech*. As a threshold matter, *Global-Tech* has a unique factual history that could give rise to a question of justiciability and prevent the court from reaching the merits of the case. Assuming it does reach the merits, the court is likely to treat *Global-Tech* as an ordinary case of statutory construction and give little weight to Federal Circuit authority that is not firmly based on the statutory language and Supreme Court precedent.

This approach points to reversal of *SEB*, as the Federal Circuit relied primarily on its own interpretation of authority from outside the patent law context and failed to adequately define the intent necessary for liability. Indeed, the Supreme Court is more likely to follow the Federal Circuit's earlier approach in *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293, 81 USPQ2d 1238 (Fed. Cir. 2006) (en banc) (73 PTCJ 206, 12/22/06), and conclude that a finding of intent to induce patent infringement requires actual knowledge of the patent that is allegedly infringed.

While such a holding will narrow the scope of inducement liability, it will not affect liability for direct infringement, the availability of injunctive relief or the recovery of damages once an alleged infringer is on notice of a patent. While questions will remain regarding the type of evidence necessary to establish actual knowledge of a patent, a requirement of actual knowledge will bring greater certainty and clarity to liability under Section 271(b).

I. The Confusing World of Induced Infringement

Under 35 U.S.C. 271(b), "[w]hoever actively induces infringement of a patent shall be liable as an infringer." To prove liability for induced infringement, the Federal Circuit has held that a patentee must first show that a third party has directly infringed the patent. See, e.g., *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1272, 70 USPQ2d 1369 (Fed. Cir. 2004) (67 PTCJ 546, 4/9/04) ("Indirect infringement, whether inducement to infringe or contributory infringement, can only arise in the presence of direct infringement.")

In addition to underlying direct infringement, the patentee must also show that the defendant's actions induced infringing acts. *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1365, 65 USPQ2d 1481 (Fed. Cir. 2003) (66 PTCJ 732, 10/31/03). "Mere knowledge of possible infringement by others does not amount to inducement" in the absence of affirmative action by the defendant to promote or encourage the infringement. *Id.* at 1364. Likewise, inaction, such as failing to stop infringement, cannot constitute inducement. See *Tegal Corp. v. Tokyo Electron Co.*, 248 F.3d 1376, 1378-79, 58 USPQ2d 1791 (Fed. Cir. 2001) (62 PTCJ 61, 5/18/01)

(" 'Actively inducing,' like 'facilitating,' requires an affirmative act of some kind. ").

A. The Requirement of Specific Intent

Although Section 271(b) contains no express state of mind requirement, the case law has consistently held that one accused of inducement of infringement must intend to cause direct infringement. See, e.g., *MEMC Electronic Materials Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378, 76 USPQ2d 1276 (Fed. Cir. 2005) (70 PTCJ 505, 9/2/05). It is the parameters of this required intent or state of mind that are at issue in *Global-Tech*.

The leading case prior to the decision in *Global-Tech* was the Federal Circuit's 2006 *en banc* decision in *DSU*. There, the court adopted a two-prong test that effectively combined the requirements of affirmative action and specific intent. Specifically, the court held that the intent requirement for inducement liability places the burden on the plaintiff to show (1) that the alleged infringer's actions induced the infringing acts and (2) that the alleged infringer "knew or should have known his actions would induce actual infringements." *Id.* at 1304. The requirement that the defendant knew or should have known his actions would induce actual infringement "necessarily includes the requirement that he or she knew of the patent." *Id.*

As of the Federal Circuit's decision in *DSU*, it appeared that an accused infringer must have had knowledge of the patent and have taken some active steps that induced infringement and demonstrated the intent to encourage an infringing use. "Evidence of 'active steps . . . taken to encourage direct infringement,' 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." *Id.* at 1305 (quoting *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 75 USPQ2d 1001 (2005) (70 PTCJ 258, 7/1/05) (citations omitted)). Thus, for example, instructions which teach a way to use a product that may lead to an infringing use is not enough; instructions must teach an infringing use "such that we are willing to infer from those instructions an affirmative intent to infringe the patent." *Vita-Mix Corp. v. Basic Holding Inc.*, 581 F.3d 1317, 92 USPQ2d 1340 (Fed. Cir. 2009) (78 PTCJ 646, 9/25/09).

B. SEB S.A. v. Montgomery Ward and the Requirement of Knowledge of the Patent

The *en banc* Federal Circuit's one sentence statement in *DSU* that "[t]he 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* 471 F.3d at 1305, implies that the converse is also true. That is, the lack of knowledge of a patent negates a finding of the specific intent required for induced infringement.

The crucial role of knowledge of the patent was not immediately apparent in *DSU* because knowledge of the patent was not contested, but the Federal Circuit faced that issue directly in *SEB*. In *SEB*, there was no evidence that the accused infringer, Pentalpha Enterprises, had actual knowledge of the patent.

There was undisputed evidence, however, of culpable conduct. Pentalpha had admittedly purchased and copied the plaintiff's product in Hong Kong. Pentalpha also obtained a "right-to-use study" from an attorney in

New York but did not tell that counsel about the copying. The Federal Circuit clearly concluded that the evidence demonstrated the type of “purposeful, culpable expression and conduct” necessary to support a finding of inducement of infringement. *See DSU*, 471 F.3d at 1306 (quoting *Grokster*, 125 S.Ct. at 2779).

Thus, for the *SEB* panel, the question became how to reconcile a conclusion that Pentalpha should be held liable for induced infringement with *DSU*’s requirement that the accused infringer have knowledge of the patent.

C. Deliberate Indifference to a Known Risk as a Form of Knowledge

The approach of the *SEB* panel was to conclude that *DSU* did not set out the “metes and bounds” of the knowledge-of-the-patent requirement. *SEB*, 594 F.3d at 1376. Rather, the *DSU* court “decided the target of the knowledge, not the nature of that knowledge.” *Id.* As its basis for this conclusion, the *SEB* court cites not to the majority opinion in *DSU*, but rather to Chief Judge Paul Michel’s concurrence. According to Michel, the record in *DSU* showed that the accused infringer had actual knowledge of the patent in suit, and so the “knowledge of the patent issue” was not before it. *DSU*, 471 F.3d at 1311.

There is no indication that the majority in *DSU* shared Michel’s view, though, and it is only by this sleight-of-hand reliance on the *DSU* concurrence that the *SEB* panel could conclude that the *DSU* majority meant to leave open whether “knowledge” meant something other than actual knowledge.

The requirement of knowledge of the patent, *SEB* goes on to hold, is met not only by actual knowledge but also by “deliberate indifference” to a known risk that a patent may exist. The court’s reasoning, though, is anything but straightforward.

First, the court notes that inducement requires the specific intent to encourage another’s infringement and that in other civil contexts specific intent can be proven with evidence of “deliberate indifference to a known risk.” *SEB*, 594 F.3d at 1376. From there, the court reasons that since specific intent may be proven by a showing of deliberate indifference in other contexts, knowledge of the patent at issue may be proven in the same way.

Deliberate indifference to a known risk, the court concludes “is not different from actual knowledge, but is a form of actual knowledge.” *Id.* at 1377. The court arrives at this result despite the lack of authority in *DSU* or elsewhere suggesting that knowledge of a patent may be proven through evidence of “deliberate indifference.”

More significantly, *SEB* does not provide solid guidance on what constitutes “deliberate indifference to a known risk” of the existence of a patent or whether something other than “deliberate indifference” but less than actual knowledge is also sufficient. On the one hand, the court rejects the assertion that “deliberate indifference” is synonymous with constructive knowledge, i.e. that the accused infringer “should have known” of the patent’s existence. *SEB*, 594 F.3d at 1376.

On the other hand, however, the court refuses to hold that constructive knowledge of a patent is never sufficient. Instead, the court cryptically states that constructive knowledge is a purely objective test, while deliber-

ate indifference “may require a subjective determination that a defendant knew of and disregarded” an overt risk. *Id.* (emphasis added).

How district courts are supposed to apply such a subtle, and perhaps nonexistent, distinction is unclear. If that is not murky enough, the court concludes by stating that it “does not purport to establish the outer limits of the type of knowledge needed for inducement” and suggests that constructive knowledge of a patent combined with “persuasive evidence of disregard for clear patent markings” may be sufficient. *Id.* at 1378.

II. The Issues Before the Supreme Court

In its appeal to the Federal Circuit, Pentalpha asserted only that it could not be liable for inducement because it did not have actual knowledge of the patent. *SEB*, 471 F.3d at 1373. Thus, in affirming the district court, the Federal Circuit focused solely on whether actual knowledge of the existence of a patent is necessary for inducement liability.

The appeal to the Supreme Court, however, is much broader. There, the petitioner submitted, and the Supreme Court granted certiorari to review, the following 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).

The question presented fundamentally misstates the Federal Circuit’s decision. Since the Federal Circuit addressed only the alleged infringer’s knowledge of the patent, it did not hold that the state of mind element for inducement is deliberate indifference to a known risk *that an infringement may occur*. Rather, it reached the narrower holding that the knowledge of a patent necessary for a finding of intent to induce infringement is deliberate indifference to a known risk *that a patent exists*.

Further, while the question presented is limited to the state of mind element for inducement liability, the close relationship between the state of mind element and the conduct necessary to prove inducement opens the door for the Supreme Court to take a close look at all aspects of liability under § 271(b). Below are some of the issues the Supreme Court will tackle in *Global-Tech*.

A. A Brief Word on Justiciability

In its brief opposing certiorari, the respondent pointed out that Pentalpha had been held liable both for direct infringement based on its manufacture and sale of infringing products *and* for indirect infringement based on sales by Pentalpha’s customers (who were retailers) to consumers. The Federal Circuit affirmed the judgment on both theories of liability.

Pentalpha’s appeal to the Supreme Court, however, sought reversal of only the judgment of indirect infringement. As a result, the judgment of direct infringement is final. Since the appeal will not affect Pentalpha’s liability for infringement, the respondent argued, the case did not present a justiciable issue for the Supreme Court to decide.

In essence, the respondent claimed that the dispute is moot because the Supreme Court's decision will not alter Pentalpha's liability for direct infringement. Mootness is a jurisdictional question because "federal courts are without power to decide questions that cannot affect the rights of litigants in the case before them." *North Carolina v. Rice*, 404 U.S. 244, 246 (1971).

Since it granted certiorari, the Supreme Court obviously rejected the respondent's claim of lack of justiciability. If there is no difference between the potential damages for direct infringement and the damages for indirect infringement, however, Pentalpha's liability to the patentee would be the same regardless of Supreme Court's decision.

The Federal Circuit reviewed the judgment below on both issues because it could not determine whether the damage award was based on a finding of direct infringement or indirect infringement. *SEB*, 594 F.3d at 1374. Once Pentalpha is held liable for direct infringement, though, Pentalpha's products become licensed, and the doctrine of patent exhaustion would bar the recovery of additional damages for the resale of those products by Pentalpha's customers.

Thus, an argument can be made that any damages for indirect infringement are duplicative of direct infringement damages. The issue of justiciability may never be raised, but if it is, the court could simply reverse and remand to the district court for a retrial on damages for direct infringement and never reach the substantive issue of the state of mind necessary to prove inducement.

B. If the Supreme Court Reaches the Merits, What Will Be Its Approach?

At its core, *Global-Tech* is simply a case of statutory interpretation, and the Supreme Court is likely to approach it in that manner. Thus, the court will look to the words of the statute, any expressed intent of Congress in enacting the statute and any applicable Supreme Court precedent. See, e.g., *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 82 USPQ2d 1385 (2007) (74 PTCJ 5, 5/4/07) (rejecting Federal Circuit test for obviousness because it was contrary to the language of the statute and Supreme Court precedent).

As the court stated just six months ago, it has "more than once cautioned that courts should not read into the patent laws limitations and conditions which the legislature has not expressed. In patent law, as in all statutory construction, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning." *Bilski v. Kappos*, 130 S.Ct. 3218, 3226, 95 USPQ2d 1001 (2010) (80 PTCJ 285, 7/2/10) (citations and internal quotations omitted).

Given the court's recent remonstrance against judicial "*carte blanche* to impose other limitations that are inconsistent with the text and the statute's purpose and design," *Id.*, the court is likely to strictly construe the statute and give weight to Federal Circuit authority only where that authority has relied solidly on the statutory language or Supreme Court precedent.

1. Will the Supreme Court Find That Section 271(b) Requires an Intent to Induce Infringing Acts?

Though Section 271(b) contains no express intent requirement, an amicus brief filed in the Supreme Court by 41 law, economics, and business professors points out, however, that an intent requirement existed at common law, and Congress intended to codify the com-

mon law for indirect infringement existing before passage of the 1952 Patent Act. See Brief *Amici Curiae* of 41 Law, Economics, and Business Professors in Support of Petitioner (hereinafter "Professors' Amicus"), *Global-Tech Appliances Inc. v. SEB S.A.*, Docket No. 10-6 (U.S. Dec. 6, 2010) at 2-3 (available at www.supremecourtpreview.org); see also Mark A. Lemley, *Inducing Patent Infringement*, 39 U. C. Davis L. Rev. 225, 236 (2005). Further, Congress stated at the time of passage of the 1952 Patent Act that "Paragraph (b) [of Section 271] recites in broad terms that one who aids and abets an infringement is likewise an infringer." S. Rep. No. 82-1979 at 8 (1952); see also H.R. Rep. No. 82-1923 at 9. Since "aiding and abetting" requires "knowing aid to persons" violating the law, "with the intent to facilitate" the violation, *Central Bank of Denver N.A. v. First Interstate Bank of Denver N.A.*, 511 U.S. 164, 181 (1994), Section 271(b) should likewise contain an intent requirement.

Pentalpha and several amici also point out that if Section 271(b) has no intent requirement, it would swallow liability for contributory infringement under Section 271(c). See, e.g., Professors' Amicus at 4-5 (addressing "deliberate indifference" standard). Section 271(c) imposes liability for providing one or more components of a patented invention and "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 Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488, 141 USPQ 681 (1964).

If Section 271(b) has no intent requirement, "there is no case in which an alleged infringer could be liable for contributory infringement without also being liable for induced infringement." Professors' Amicus at 5. Such an interpretation "would violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous." *Bilski*, 130 S.Ct. at 3228-29 (citations omitted).

Perhaps most significant, though, is the Supreme Court's decision in *Grokster*, which is a copyright case in which the court relied on patent law to determine the standard for liability for inducing copyright infringement. There, the court cited with approval the Federal Circuit's rule that inducement of patent infringement required "active steps . . . taken to encourage direct infringement." *Grokster*, 545 U.S. at 936-37 (citing *Water Technologies Corp. v. Calco Ltd.*, 850 F.2d 660, 668, 7 USPQ2d 1097 (Fed. Cir. 1988). *Grokster* cited this as a "sensible" rule and adopted it in the copyright context. *Id.*

The Supreme Court's favorable citation to Federal Circuit precedent requiring a showing of intent for liability under Section 271(b) is probably the best indicator that the court will adopt an intent requirement for inducement of patent infringement in *Global-Tech*.

2. Will the Court Affirm the Federal Circuit's "Deliberate Indifference" Standard?

The Federal Circuit did not derive its "deliberate indifference" standard from the language of Section 271(b) nor is there any Supreme Court precedent suggesting that a "deliberate indifference" standard should be imported into patent law. Those reasons alone likely doom the deliberate indifference standard before the Supreme Court.

Instead, the Supreme Court is likely to base its decision on the language of the statute, and the key word in

the statute for purposes of deriving the level of required intent is “infringement.” At bottom, it is difficult to craft a standard which requires an affirmative intent to induce “infringement” of a patent unless one has knowledge of a patent. Without such knowledge, one can only have the intent to encourage acts which constitute infringement, which is the standard that the Federal Circuit rejected in *DSU* based on *Grokster*. *DSU*, 471 F.3d at 1306 (“*Grokster* has clarified that the intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement.”).

The standard for inducement of copyright infringement adopted in *Grokster* also supports the conclusion that “deliberate indifference” to the existence of a patent is insufficient to support a finding of intent. *Grokster* states that inducement liability is premised on “purposeful, culpable expression and conduct.”

“Deliberate indifference” is more akin to recklessness than purposeful conduct. *Grokster* also requires distribution of a device “with the object of promoting its use to infringe” as shown by “clear expression or other affirmative steps” to encourage infringement. Again, these statements imply a higher level of knowledge than “deliberate indifference” to a known risk that a patent exists.

Further, Pentalpha and the amicus briefs point out that the range of potential risks in the patent context is wide and inherently uncertain, unlike the other civil contexts *SEB* cites where specific intent may be proven by deliberate indifference to a known risk. See Professors’ Amicus at 12. In the examples cited by *SEB*, the potential risks are narrow and relatively easy to identify. In the patent context, by contrast, a product could infringe a great number of patents that are unknown to the accused infringer, and the scope of those patents is uncertain until they are construed in litigation. Similarly, the “deliberate indifference” standard does not quantify the degree of risk and so permits liability even if the risk that a patent exists is minimal. See Brief for Petitioners (available at www.supremecourtpreview.org) at 27. Finally, a “deliberate indifference” to a known risk that a product is patented is arguably lower than the knowledge requirement of Section 271(c), and so a “deliberate indifference” standard may render Section 271(c) superfluous. See Professors’ Amicus at 4-5.

Given its lack of grounding in the statutory language or Supreme Court precedent and the other flaws in the “deliberate indifference” standard, the court is likely to overturn the Federal Circuit’s holding that a patentee alleging inducement of infringement need only show that a defendant was deliberately indifferent to a known risk that a patent exists.

3. If the Court Rejects the Deliberate Indifference Standard, Will it Adopt the Standard Proposed in the Question Presented?

As stated above, the question presented in *Global-Tech* is not faithful to the Federal Circuit’s holding in *SEB*. Moreover, the standard proposed in the question presented—“purposeful, culpable expression and conduct”—has several shortcomings.

First, while it comes from *Grokster*, “purposeful, culpable expression and conduct,” lacks boundaries and offers little guidance as to the parameters of the required intent. “Purposeful, culpable expression and conduct” is no more precise than simply requiring “specific intent” to induce infringing acts and no more pre-

dictable than the Federal Circuit’s “deliberate indifference” standard. Thus, adoption of a “purposeful, culpable expression and conduct” standard does nothing to resolve the long-standing struggle to define the proper intent requirement.

A “purposeful, culpable expression and conduct” standard also ignores both the copyright inducement liability test that the court adopted in *Grokster* and the Federal Circuit authority on patent inducement that the court cited with approval in *Grokster*. At a minimum, the court can be expected to incorporate *Grokster*’s requirement that the defendant distribute a product “with the object of promoting its use to infringe . . . as shown by clear expression or other affirmative steps taken to foster infringement,” *Grokster*, 545 U.S. at 936-37, into any standard it adopts.

The court is also likely to reaffirm its approval of the Federal Circuit authority that holds that intent can be shown through “advertising an infringing use or instructing how to engage in an infringing use, [which] show an affirmative intent that the product be used to infringe.” *Id.* at 936. Thus, the court is unlikely to conclude that a standard of “purposeful, culpable expression and conduct” is adequate, at least standing alone.

4. Will the Court Adopt the *DSU* Standard?

Global-Tech is as much an appeal of *DSU* as it is an appeal of *SEB*.

In *DSU*, the Federal Circuit went through the same analysis that the Supreme Court will go through in deciding *Global-Tech*, i.e., applying *Grokster* to the statutory language to determine the level of intent required by Section 271(b). In *DSU*, the Federal Circuit held that *Grokster* validated the Federal Circuit’s articulation of the state of mind requirement for inducement found in *Manville Sales Corp. v. Paramount Systems Inc.*, 917 F.2d 544, 554, 16 USPQ2d 1587 (Fed. Cir. 1990). See *DSU*, 471 F.3d at 1306.

As a result, *DSU* adopted *Manville*’s two-part standard that the alleged infringer’s actions induce infringing acts and that the alleged infringer knew or should have known that his actions would induce actual infringement. *DSU* at 1304 (citing *Manville*, 917 F.2d at 554). To this standard, *DSU* added that the second prong “necessarily includes” the requirement that the accused infringer have knowledge of the patent.

Grokster’s requirements of “clear expression or other affirmative steps taken to foster infringement” and “purposeful, culpable expression and conduct” are, if anything, stricter than *DSU*’s requirement that the infringer “knew or should have known” that his actions would induce actual infringement.

Thus, the court cannot be expected to adopt a lower level of knowledge of infringement than *DSU*. Further, the *DSU* standard is consistent with the language of the statute and consistent with the requirement in *Grokster* that there be affirmative steps taken to foster infringement from which intent can be inferred. Moreover, *DSU* is explicitly based on *Grokster* and the Federal Circuit authority cited with approval in *Grokster*.

As stated above, it also appears impossible to craft a standard which requires the affirmative intent to induce actual infringement without a requirement that the alleged infringer have knowledge of the patent. Logically, one cannot specifically intend that another infringe a patent unless one has knowledge of that patent. Further, if mere knowledge of infringing potential or actual

infringing uses is not enough to impose liability, *Grokster*, 545 U.S. at 937, then it is difficult to see how liability can be imposed without knowledge of the patent being infringed.

Thus, the Supreme Court may well conclude that the Federal Circuit's holding in *DSU* was correct—the requirement that an accused infringer knew or should have known that his actions would induce actual infringement “necessarily includes” the requirement that the alleged infringer knew of the patent. *DSU*, 471 F.3d at 1304.

5. If Inducement Liability Requires Knowledge of the Patent, Does it Require Actual Knowledge?

The same factors that support the conclusion that one liable for inducement of infringement must have knowledge of the patent support a conclusion that such knowledge must be actual knowledge. It does not seem possible for one to have an affirmative, specific intent to cause direct infringement, as *Grokster* and *DSU* require, unless one has actual knowledge of a patent. But see *Insituform Technologies Inc. v. CAT Contracting Inc.*, 161 F.3d 688, 695, 48 USPQ2d 1019 (Fed. Cir. 1998) (“A crucial element of induced infringement is that the inducer must have actual or constructive knowledge of the patent.”).

As Pentalpha points out in its brief in the Supreme Court, “[i]f 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.” See Brief for Petitioners at 36. If some lower level of knowledge is sufficient—whether it be constructive knowledge, deliberate indifference, or some other formulation—then inducement liability could be based on the intent to induce certain acts which are later found to infringe a patent, which is the holding that *DSU* rejected based on *Grokster*.

Likewise, any level of knowledge lower than actual knowledge appears inconsistent with *Grokster*'s requirement of “purposeful . . . conduct” and conduct “with the object of promoting” infringement as shown by “clear expression or other affirmative steps.” *Grokster*, 545 U.S. at 936-37.

Any level of knowledge below actual knowledge also carries the other flaws that exist in the deliberate indifference standard. The number and scope of patents that any particular product could potentially infringe make it difficult to assert that a manufacturer or seller of such a product “should” know of those patents. Any standard lower than actual knowledge also threatens to overwhelm liability for contributory infringement under Section 271(c).

The Supreme Court itself required actual knowledge when it addressed an analogous issue under Section 271(c). *Aro Mfg.*, 377 U.S. at 488. There, the issue was whether the knowledge necessary for contributory infringement required the defendant to “know” that its products were especially designed for use as a component in a product that was found to be infringing or whether the defendant was required to “know” that the ultimate product was infringing.

The court concluded that the accused infringer must know “that the combination for which his component was especially designed was both patented and infringing.” *Id.* If the court adopts the holding in *DSU* that some knowledge of the patent is required, the question of whether that knowledge must be actual knowledge

or something less is very similar to the issue presented in *Aro*, and the court may well resolve the issue the same way.

The Supreme Court's ultimate conclusion is far from certain. As an example of the range of possible results, the amicus briefs filed in *Global-Tech* have proposed standards that vary from actual knowledge to constructive knowledge to “purposeful disregard of a known risk of patent infringement arising” from the accused infringer's acts. See, e.g., Professors' Amicus at 14 (actual knowledge); Brief of Amicus Curiae of the Federal Circuit Bar Association in Support of Neither Party at 13-14 (actual or constructive knowledge); Amicus Curiae Brief of Intellectual Property Owners Association In Support of Neither Party at 12 (purposeful disregard of a known risk of patent infringement) (all available at www.supremecourtpreview.org). The argument for a requirement of actual knowledge of the patent allegedly infringed, however, appears strong.

III. The Impact of the Supreme Court's Decision.

If the court affirms *Global-Tech*, the door to inducement liability will be much wider. The Federal Circuit's “deliberate indifference” standard is very elastic and allow for a finding of inducement of infringement in most circumstances in which an accused infringer has merely induced acts that are later found to be infringing, thus effectively reversing the decision in *DSU*.

A holding that an accused infringer must have actual knowledge of a patent will cut off inducement liability in many instances. Patentees can still pursue direct infringers, though, and where the direct infringers are too numerous, patentees can provide notice of its patent to secondary infringers by marking their products as provided under Section 287(a).

Thus, patentees are well advised to mark their products where secondary patent infringement is likely. Moreover, an actual knowledge standard does not preclude injunctive relief or damages once notice is given. Thus, the most significant impact of an actual knowledge standard will be to reduce damage awards, not to allow indirect infringers to escape liability.

One issue that will remain open under an actual knowledge standard is the evidence necessary to establish actual knowledge. The Federal Circuit has consistently held that intent may be proven through circumstantial evidence, *DSU*, 471 F.3d at 1306, but the nature and quality of evidence sufficient to show actual knowledge is not clear. For example, it is not even clear whether constructive notice through marking is sufficient to provide knowledge of a patent sufficient for inducement liability.

Other questions that will arise include whether the knowledge of an individual employee is attributable to an entire corporation. Similarly, do press reports or articles in publications read by employees of a defendant establish actual knowledge? If such press reports exist, must patentees show that a defendant actually saw the press reports or read the articles? Must press reports or articles refer to specific patents or is a statement that the products at issue are patented enough? Questions such as these will have to be answered by later cases.

IV. Conclusion

The Supreme Court's decision in *Global-Tech* is unlikely to produce a sea change in the law of induced patent infringement. Rather, the signs point to a reaffirm-

mation of the Federal Circuit's decision in *DSU* and perhaps a clear indication that liability for inducement of

patent infringement requires actual knowledge of a patent.