

Inducement of Infringement Requires Knowledge of the Infringed Patent: *Global-Tech Appliances Inc. v. SEB S.A.*

By Jason J. Rawnsley

It is well established that liability for direct infringement does not depend on the knowledge or intent of the infringer, but that indirect infringement under 35 U.S.C. § 271(c) requires that the accused infringer have knowledge of the infringed patent. In *Global-Tech Appliances Inc. v. SEB S.A.*,¹ the U.S. Supreme Court held in a 8-1 decision that, like § 271(c), liability for inducement of infringement under 35 U.S.C. § 271(b) requires actual knowledge of the infringed patent, though willful blindness suffices to show actual knowledge. By adopting the willful blindness standard, the Supreme Court in *Global-Tech* may make it more difficult to prove inducement of infringement, thereby providing a margin of comfort to defendants who have not taken steps to avoid learning whether a patent covers a given product.

Petitioner Pentalpha Enterprises Ltd., a home appliances manufacturer based in Hong Kong and a wholly owned subsidiary of Global-Tech Appliances Inc., copied the design of a successful deep fryer invented by SEB S.A. Though it hired an attorney to perform a right-to-use study, Pentalpha never informed him that it had copied the design from SEB's fryer, and the attorney never came upon SEB's patent for the fryer in his study. Pentalpha then sold these fryers to a number of other companies who resold them in the United States, each under its own trademark. When SEB discovered the infringement, it brought suit against one of the resellers and ultimately sued Pentalpha for direct infringement and inducement of infringement, securing a favorable verdict on both claims.

The Court of Appeals for the Federal Circuit affirmed the inducement of infringement judgment on the basis that Pentalpha deliberately disregarded a known risk of infringement. Pentalpha had argued that § 271(b) instead requires actual knowledge of the infringed patent. The SEB fryer whose design it copied was purchased in Hong Kong and thus did not bear any U.S. patent markings; not until SEB sued one of the companies reselling the Pentalpha fryers in the United States did Pentalpha claim to have learned of the patent. The Supreme Court granted certiorari to determine whether § 271(b) requires a party to have actual

knowledge of the patent whose infringement it is alleged to have induced.

Intent to Induce Infringement

On its face, the text of § 271(b)—“Whoever actively induces infringement of a patent shall be liable as an infringer”—did not answer this question, though the Court found that the use of the word “induce” entailed intention in some form. But this posed a further question: does this section require a party to have induced the *act* that may happen to constitute infringement, regardless of whether the party is aware that the act will constitute infringement, or need the party specifically intend to induce the *infringement* itself? The Court concluded that the text was ambiguous.

Nor did earlier case law provide a clear answer. Before the Patent Act of 1952, claims for what have since been codified in separate sections of the U.S. Code as inducement of infringement (§ 271(b)) and the sale of a component of a patented invention (§ 271(c)) would both have been brought as a claim for “contributory infringement.” Instead of answering the question, a review of pre-1952 contributory infringement cases involving claims over the sale of a part used in an infringing product revealed that this ambiguity has been longstanding. Courts reached different conclusions on whether a defendant merely had to contribute to the act constituting infringement, or do so with knowledge that infringement would result from its act.

With the pre-1952 case law inconclusive, the Court turned its attention to *Aro Manufacturing Co. v. Convertible Top Replacement Co.*,² a case decided after the enactment of the Patent Act of 1952. There, the Court also faced the question of whether knowledge that a patent would be infringed was necessary to impose liability, but interpreted § 271(c) rather than § 271(b): the phrase “knowing the same to be especially made or especially adapted for use in an infringement” in § 271(c) could mean that the statute imposed liability

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ity for the mere performance of the act, or that the defendant must have knowledge that its act would result in the infringement of a patent. In what the Court here described as a “badly fractured decision,” the majority in *Aro* narrowly concluded that to impose liability under § 271(c) an alleged infringer must have knowledge of the patent.

Though the Court acknowledged that both sides in *Aro* had strong arguments, it proceeded to interpret § 271(b) in light of *Aro*’s holding, to which the Court attributed a “special force” by virtue of *stare decisis*, and which has remained undisturbed by subsequent congressional action. Accordingly, because of the established interpretation of § 271(c) and the common root of § 271(b) and (c) in contributory infringement, the Court held that induced infringement requires knowledge that the acts induced will result in the infringement of a patent—a holding that has the added benefit of consistency among both forms of statutory indirect infringement.

Willful Blindness Is Equivalent to Actual Knowledge

Though Pentalpha prevailed on its interpretation of § 271(b), the Court nevertheless affirmed the appellate court’s decision, since Pentalpha’s “willful blindness” to the risk of infringement was the equivalent of actual knowledge for the purpose of the statute. In criminal law, the Court explained, the doctrine of willful blindness provides that “defendants cannot escape the reach of [criminal] statutes by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances.” The acceptance of this doctrine is widespread and longstanding, according to the Court—the Model Penal Code, a previous Supreme Court decision³ and all but one of the federal appellate courts with criminal jurisdiction have recognized that willful blindness amounts to actual knowledge. This broad consensus was sufficient reason to apply it in the civil context of induced infringement under § 271(b).

In surveying appellate decisions that applied the doctrine, the Court found agreement as to the doctrine’s two basic components: the subjective belief that there is a high probability that a fact exists, and the occurrence of deliberate actions to avoid learning the fact. These elements differentiated willful blindness from mere recklessness and negligence, ensuring that parties could not be held liable if they just knew or should have known of a substantial and unjustified risk of infringement. The Court explained that the Federal Circuit’s standard for inducement of infringement—deliberate indifference to a known risk—was no substitute for actual knowledge insofar as “deliberate indifference” does not require “active efforts” to blind oneself to a fact, and a “known risk” is simply too low a probability.

By this measure, the Court concluded that a jury could reasonably have found that Pentalpha willfully blinded itself to the high probability that the companies to whom it sold its fryers for resale in the United States would infringe SEB’s patent. Pentalpha knew that its fryers would be sold in the U.S. market, yet it copied the design of an SEB fryer

purchased in Hong Kong with the awareness that the fryer would not carry the markings of any U.S. patents that covered the product. Nor did Pentalpha tell the lawyer whom it had hired to provide a right-to-use opinion the crucial fact that its design was copied from another company’s fryer. For these reasons, the Court affirmed the judgment below.

Without proof that defendants accused of inducement of infringement had actual knowledge of the allegedly infringed patent, plaintiffs must now satisfy a stricter standard to establish liability. Though it remains to be seen whether the actual knowledge requirement will result in fewer inducement of infringement verdicts, the immediate, practical lesson of *Global-Tech* lies in Pentalpha’s having lost despite convincing the Court to reject the Federal Circuit’s standard: companies that commission right-to-use opinions must not withhold relevant information from the attorneys conducting the study. □

Endnotes

¹131 S. Ct. 2060 (2011).

²377 U.S. 476 (1964).

³*Spurr v. United States*, 174 U.S. 728 (1899).