



Please contact the below authors if you have any questions regarding this alert.

Authors:

William D. Coston
wdcoston@Venable.com
202.344.4813

David D. Conway
ddconway@Venable.com
202.344.4489

Supreme Court Clarifies Standard for Induced Patent Infringement in *Global-Tech*

On May 31, 2011, the Supreme Court announced that a defendant, to be liable for actively inducing patent infringement under 35 U.S.C. § 271(b), must have “knowledge that the induced acts constitute patent infringement.” [Global-Tech Appliances, Inc. v. SEB S.A., No. 10-6, 2011 WL 2119109](#) (May 31, 2011). In the first of three patent decisions to be handed down this term, the Court parted ways with the analysis, but not the outcome, of the Federal Circuit, which had previously held that the intent element for induced infringement required only that a plaintiff show that the alleged infringer “knew or should have known that his actions would induce actual infringements.” The Court nevertheless affirmed the Federal Circuit’s judgment based on evidence showing that the petitioner-defendant, Pentalpha, had “willfully blinded itself to the infringing nature” of the induced conduct.

In 1991, SEB obtained a patent for an innovative deep fryer with external surfaces that remain cool during home use. SEB’s deep fryer proved to be a commercial success in the American market. In 1997, Sunbeam Products, an SEB competitor, asked Pentalpha, a Global-Tech unit and Hong Kong manufacturer, to supply it with deep fryers. Pentalpha purchased an SEB deep fryer on the foreign market, copied its non-cosmetic aspects, and hired an attorney to conduct an infringement analysis of the resulting product. Pentalpha did not tell the attorney that its fryer was based on the SEB product, however, and the attorney issued an opinion letter stating that Pentalpha’s fryer did not infringe any U.S. patents.

Sunbeam marketed the Pentalpha deep fryers in the United States at a lower price than SEB’s product. In April 1998, SEB sued Sunbeam for infringing SEB’s deep fryer patent; Sunbeam immediately notified Pentalpha of the lawsuit. Despite Sunbeam’s warning, Pentalpha proceeded to sell its deep fryers to other major U.S. retailers, including Fingerhut Corp. and Montgomery Ward & Co. After settling with Sunbeam, SEB sued Pentalpha for infringing its deep fryer patent—both directly and by actively inducing the infringement of Sunbeam, Fingerhut, and Montgomery Ward. A jury returned a verdict for SEB on both theories, and the district court denied post-trial motions by Pentalpha. On appeal, the Federal Circuit rejected Pentalpha’s claim that SEB failed to prove that Pentalpha actually knew about SEB’s patents prior to April 1998. Instead, the Federal Circuit ruled that SEB had demonstrated the requisite intent for induced infringement by showing that Pentalpha “deliberately disregarded a known risk that SEB had a protective patent.” *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1377 (Fed. Cir. 2010).

On review, the Supreme Court agreed with defendant Pentalpha that the intent element of induced patent infringement requires that a defendant have actual knowledge of the infringed patent, not just deliberate indifference to a known risk of its existence. In doing so, the Supreme Court noted that, because “induced infringement was not considered a separate theory of indirect liability” prior to the 1952 enactment of section 271, the law of contributory infringement should guide the Court’s decision. According to the Court, it “has become a fixture in the law of contributory infringement under section 271(c)” that a contributory infringer must “know that the combination for which his component was especially designed was both patented and infringing.” Accordingly, because contributory infringement under section 271(c) requires that the contributor

have knowledge of the infringed patent's existence, the Court held that the same knowledge is required for induced infringement under section 271(b).

Although the Supreme Court agreed with Pentalpha that the Federal Circuit incorrectly applied the "deliberate indifference" standard, the Court nevertheless affirmed the lower court's judgment against defendant Pentalpha by invoking the criminal law doctrine of "willful blindness." In the Court's formulation, willful blindness occurs when a defendant "takes deliberate actions to avoid confirming a high probability of wrongdoing." It is as if (1) the defendant subjectively believes that there is a high probability that a fact exists, and (2) the defendant can "almost be said to have actually known the critical facts." Although the theory traditionally arises in criminal law, the Court adapted the doctrine to "civil lawsuits for induced patent infringement" based on its "long history" and "wide acceptance in the Federal Judiciary." The Court ruled that the jury had "more than sufficient" evidence to find that Pentalpha had "willfully blinded itself to the infringing nature of the sales it encouraged Sunbeam to make," especially in light of Pentalpha's decision to copy a foreign, unmarked version of SEB's deep fryer and to withhold that fact from its patent attorney.

The Supreme Court's decision in *Global-Tech* should be a slight boost for manufacturers which create and sell imitative products intended for domestic resale to consumers. Whereas previously a patent owner could sue such a manufacturer for induced infringement by simply alleging that the manufacturer "should have had knowledge" of the infringed patent, now a patent owner must plausibly allege that the manufacturer had "actual knowledge" of the infringed patent's existence. "Actual knowledge" may be satisfied by "willful blindness." We predict, however, that juries will be confused by the elements of that doctrine: What is the defendant's "subjective intent"? What is a "high probability"?—Preponderance of evidence? Clear and convincing evidence? Beyond a reasonable doubt? And what constitutes a "deliberate action" to avoid confirming that probability? Patent litigation under an induced infringement theory just got more complicated.

If you have friends or colleagues who would find this alert useful, please invite them to subscribe at www.Venable.com/subscriptioncenter.

CALIFORNIA MARYLAND NEW YORK VIRGINIA WASHINGTON, DC

1.888.VENABLE | www.Venable.com