

No. 10-6

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IN THE  
**Supreme Court of the United States**

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GLOBAL-TECH APPLIANCES INC., *et al.*,  
*Petitioners,*

v.

SEB S.A.,  
*Respondent.*

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**On Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit**

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**BRIEF OF *AMICUS CURIAE*,  
AMERICAN INTELLECTUAL  
PROPERTY LAW ASSOCIATION  
IN SUPPORT OF RESPONDENT**

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## STATEMENT OF INTEREST<sup>1</sup>

The American Intellectual Property Law Association (AIPLA) is a voluntary bar association of approximately 16,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property.

AIPLA members represent both owners and users of intellectual property. As part of its central mission, AIPLA advocates for clarity in U.S. intellectual property law so that all who rely on these laws will understand their rights and obligations. It also advocates for laws that support intellectual property rights without unduly burdening legitimate commerce in the belief that such laws are tools of innovation — not impediments to it.

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<sup>1</sup> In accordance with Supreme Court Rule 37.6, this brief was not authored, in whole or in part, by counsel for a party, and no such counsel or party made any monetary contribution to fund the preparation or submission of this brief.

After reasonable investigation, AIPLA believes that (a) no member of its Board or *Amicus* Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

**SUMMARY OF ARGUMENT**

AIPLA has two primary concerns with the state of induced infringement law in the wake of *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360 (Fed. Cir. 2010). First, the *SEB* decision confused, rather than clarified, the standard for inducing infringement by coupling intent-based language with language more akin to a negligence-based approach, thereby creating issues of precedential clarity. The *SEB* court sought to work within the constraints of *DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1304-06 (Fed. Cir. 2006), an *en banc* decision that purported to follow this Court’s reasoning in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), by fashioning an intent-to-infringe approach to inducing patent infringement with what it called “deliberate indifference to patent rights.” 471 F.3d at 1303-06; see *Manville Sales v. Paramount Sys., Inc.*, 917 F.2d 544 (Fed. Cir. 1990). In so doing, the *SEB* court confused the state of the law.

Second, to the extent the *SEB* court set forth a standard of liability for inducing infringement, that standard should not require knowledge of a patent violation on the part of the inducer. A knowledge standard runs contrary to Congress’s intent as expressed in the 1952 Patent Act (the “1952 Act”). The difficulty that the *SEB* court experienced in imposing liability for the blameworthy conduct of the inducing defendants here highlights the shortcomings of the *DSU* formulation. At a foundational level, AIPLA questions the provenance and wisdom of a law of inducement liability that requires proof that the inducer — in addition to actively encouraging the underlying acts of infringement — know that those acts will infringe a valid patent. Engrafting such a

knowledge component onto 35 U.S.C. § 271(b) effectively rewrites the statute, a prerogative reserved for Congress. The correct approach would find inducement liability for conduct intended to cause the underlying acts of infringement, thereby protecting valuable patent rights without absolving from liability those who encourage or induce infringement. *See Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

Requiring proof of knowledge of a patent violation in addition to proof of intent to cause the underlying acts of infringement is inadvisable from a policy perspective because such a heightened burden would be inconsistent with the strict liability framework of direct infringement. Direct infringement under 35 U.S.C. § 271(a) has no requirement that an infringer know of a patent before being held liable for infringement.<sup>2</sup> It would be incongruous to hold direct infringers liable without regard to knowledge of the patent violated while immunizing those who encouraged those very infringing acts.

Reducing the scope of liability of § 271(b) in this way would create a sizeable hole in patent rights protection. Induced infringement scenarios typically involve method patents, where an inducer supplies the equipment that can be used to infringe and instructs a customer/end user how to engage in the use that directly infringes. In these situations, direct infringement by the end user is undisputed, but combating this infringement by suing the end users is a largely empty gesture because it is typically

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<sup>2</sup> Knowledge only becomes relevant when seeking extra-compensatory damages for willful infringement under 35 U.S.C. § 284 (2010).

economically infeasible to assert direct actions against individual users. The alleged inducer, however, stands to profit considerably from the widespread direct infringement precisely because the product sold is capable of an infringing use.

To require knowledge of a patent violation in order to hold active inducers liable for infringement would undermine the purpose of granting patent rights by encouraging the practice of ignoring patents altogether. The savvy manufacturer would avoid patent reviews at all costs to remain willfully ignorant and thus immune from inducement liability. Congress enacted patent laws to grant a limited monopoly to inventors in exchange for publishing their inventions to advance the state of the art. This regime poorly serves the public if industry can evade inducement liability by simply turning a blind eye to advances in the state of the art found in patents.

The statutory language of § 271(b) and the policies behind the patent laws support a standard that focuses only on active inducement — encouraging, instructing and marketing to produce the acts that give rise to the infringement. At its core, the inducement statute should prohibit the active encouragement of conduct that will result in patent infringement; adding further limits on the scope of this provision erodes its protections. An interpretation of § 271(b) that requires an intent to induce the underlying acts of infringement without more will at once resolve the ambiguity of *SEB* and correct the wayward course taken by the *DSU* court in applying *Grokster*.

**ARGUMENT****I. BY ITS LITERAL TERMS, 35 U.S.C. § 271(b) CONTAINS NO REQUIREMENT THAT THE INDUCER KNOW THAT THE ACTS INDUCED WILL VIOLATE PATENT RIGHTS.**

In drafting broadly the prohibition against inducing patent infringement, codified at 35 U.S.C. §271(b), Congress encompassed the myriad circumstances in which actors may encourage infringement by others:

Whoever actively induces infringement of a patent shall be liable as an infringer.

35 U.S.C. § 271(b) (2010). This statute does not contain any qualifying or limiting expression related to the intent or knowledge of the inducer to violate a patent right.<sup>3</sup>

While worded broadly, the “actively induces” standard of § 271(b) imposes substantial hurdles before finding liability. Active inducement requires proof of “statements and actions directed to promoting infringement . . . .” *Grokster*, 545 U.S. at 935. This type of proof will prevent liability for “the equivocal conduct of selling an item with substantial lawful use” without requiring proof of actual knowledge on the part of the inducer. *Id.* at 933.

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<sup>3</sup> In contrast, 35 U.S.C. § 271(c) contains explicit knowledge language, and the Court in *Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co., Inc.* interpreted that knowledge to include knowledge of a patent infringement, 377 U.S. 476, 478-79 (1964), indicating Congress’s awareness of the availability of a requirement, and its ability to include such a requirement if warranted.

The overall purpose of the 1952 Act was to codify the existing common law of patents, including those principles of contributory infringement that include inducing infringement.<sup>4</sup> *See Aro Mfg.*, 377 U.S. at 485 n.6 (1964) (noting that § 271 was intended to codify principles that had been part of the common law for the preceding 80 years) (citing H.R. Rep. No. 82-1923, at 9 (1952), and 1952 U.S.C.C.A.N. 2402 (statement of Rep. Rogers)). The late Judge Giles Rich, one of the drafters of these statutory provisions, explained that one of the benefits of this codification is that it would “resurrect” contributory infringement principles (including inducement of infringement) found in cases that had been limited in pre-1952 patent misuse cases. Giles S. Rich, *Infringement under Section 271 of the Patent Act of 1952*, 21 *Geo. Wash. L. Rev.* 521, 536 (1953). In his blunt assessment, the important issue of contributory and induced infringement existed in the common law as a theoretical construct, but in practice it was “*entirely dead.*” *Id.*

Congress enacted the broad formulation of § 271(b) as part of the 1952 Act. As demonstrated above, Congress was explicitly aware of the issue of knowledge and deliberately omitted any such knowledge requirement in the Act. Further, the Senate specifically reported the need for a broadly worded statute to prohibit induced infringement in support of the bill as enacted:

One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to

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<sup>4</sup> Prior to the 1952 Act, courts generally referred to what would now be considered induced infringement as a category of contributory infringement.

complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion. Paragraph (b) ***recites in broad terms*** that one who aids and abets an infringement is likewise an infringer.

S. Rep. No. 82-1979, at 8 (1952) (citation omitted in original; emphasis added).

The pre-1952 precedent that enunciated principles of contributory and inducing infringement supports a broad prohibition against active inducement. With respect to the precedent of this Court, these principles must be gleaned with a measure of caution due to the variation in the treatment of patent rights generally (compare *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912), with *Motion Picture Co. v. Universal Film*, 243 U.S. 502 (1917)). Also of significance is the endorsement of conduct later rendered unlawful under the Clayton Act, and the criticism of conduct under the patent misuse doctrine (e.g., *Mercoide Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944)) that Congress later legislated as lawful through 271(d). It is against this backdrop that Judge Rich considered contributory infringement a dead doctrine in need of revival.

Accepting these cautions, a very early decision of this Court found contributory infringement where there was no finding of knowledge by the alleged contributory infringer of the patent in suit. In *Cotton-Tie Co. v. Simmons*, 106 U.S. 89 (1882), this Court reviewed an alleged contributory infringement of patents claiming the use of certain buckles as fastening ties for bales of cotton. The cotton baling tie appliance had a license restriction stamped into the buckle (“licensed to use once only”) and the court did not discuss whether the buckle contained any patent references or markings (at the time there were no “marking” requirements under patent law). This Court held, “[b]ecause the defendants prepare and sell the arrow tie, . . . *intending* to have it used to bale cotton and to produce the results set forth in the . . . patents, they infringe those patents.” *Id.* at 95 (emphasis added) (citing *Saxe v. Hammond*, 1 Holmes 456, 21 F. Cas. 593 (C.C. Mass. 1875) (No. 12,411); *Bowker v. Dows*, 3 Banning & Arden, 518, 3 F. Cas. 1070 (C.C. Mass. 1878) (No. 1,734)). This Court did not discuss in its finding of infringement whether the defendants knew of the patents in question. This Court was also careful in *Cotton-Tie* to differentiate this wrongful conduct from what it considered legitimate commerce: “We do not decide that they are liable as infringers . . . merely because they sold the buckle considered apart from the band or from the entire structure as a tie.” *Id.* This holding is consistent with an interpretation of 271(b) that does not require knowledge of the patent infringed.

The approach in *Cotton-Tie* also comports with the approach taken in the lower courts of the time. For example, in *Thomson-Houston Electric Co. v. Ohio Brass Co.*, 80 F. 712 (6th Cir. 1897) — one of the cases cited by this Court in *Grokster* to supply the

patent law antecedents for contributory copyright infringement — the court noted that a claim for inducing patent infringement required no greater proof of knowledge than in the case of direct infringement:

It being established that defendant is offering for sale articles, intending them to be used in combination which, if unlicensed by complainant, would be infringements of complainant's patents, we think that it is the duty of the defendant to see to it that such combinations which it is intentionally inducing and promoting shall be confined to those which may be lawfully organized. ***We are unable to see why any different rule should be applied in such a case from that applicable to a case in which a defendant makes a patented machine to order.***

80 F. at 723 (emphasis added). As the *Thomson-Houston* court observed, once there is intentional inducing and promoting of a use that turns out to be infringing, a party is just as liable as it would be for direct infringement. The *Thomson-Houston* court noted that its ruling applied only where the alleged inducer “is offering the parts with the purpose that they shall be used in the patented combination.” *Id.* Section 271(b) fully accords with the prescription described in *Thomson-Houston*, and does not unduly limit liability solely to those situations where an accused inducer actually knew that the use is infringing a valid patent.

The appropriate standard should be consonant with the approach taken by the Federal Circuit in *Hewlett-Packard*. The *Hewlett-Packard* court considered “proof of actual intent to cause the acts which constitute the infringement,” to form “sufficient culpability” to impose liability. 909 F.2d at 1469.

This formulation accords with that endorsed in *Thomson-Houston* almost a century before. The *Hewlett-Packard* court reviewed pre-1952 cases and noted that they imposed liability for indirect infringement for “any other activity where, although not technically making, using or selling, the defendant displayed sufficient culpability to be held liable as an infringer.” *Id.* (citing *Thomson-Houston*, 80 F. at 721, and *Henry v. A.B. Dick Co.*, 224 U.S. at 33-34). The *Hewlett-Packard* formulation fully accords with the broad scope of § 271(b) and should be helpful to this Court in determining the appropriate liability formulation for inducing infringement.

**II. THIS COURT’S REVERSAL OF THE NINTH CIRCUIT’S “SPECIFIC KNOWLEDGE” REQUIREMENT IN *GROKSTER* SUPPORTS THE APPROACH ENDORSED BY AIPLA.**

In *Grokster*, this Court applied tenets of patent law to the common law of induced copyright infringement. In doing so, this Court did not undertake an in-depth analysis of those patent law tenets, nor did it focus on their unsettled nature. In referring to patent cases discussing inducement of infringement, the Court, whether by design or not, did not cite to the *Hewlett-Packard* or *Manville* cases in the Federal Circuit that frame the differences in approach with respect to knowledge of patent infringement. Nor is there any indication that any party brought to the Court’s attention the unsettled state of the law of inducing patent infringement.<sup>5</sup>

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<sup>5</sup> Knowledge of a violation of patent rights as an element of inducing infringement was not clearly established in the law at the time of the *Grokster* decision. To confirm this point, one

Viewed properly, *Grokster* defines the contours of the “active inducement” prong of inducing infringement and does not concern itself with knowledge of actual copyright violations. In adapting patent law tenets of inducing infringement to copyright law, this Court noted:

“[A]ctive steps . . . taken to encourage direct infringement,” such as advertising an infringing use . . . show an affirmative intent that the product be used to infringe, and a showing that the infringement was encouraged overcomes the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use.

*Grokster*, 545 U.S. at 936 (citation omitted). This passage focuses on the nature of the acts of inducement. The “purposeful, culpable expression and conduct” highlighted in *Grokster* was the encouragement, through advertising, *etc.*, of the acts — the downloading of music files. *Id.* at 937. This definition of “purposeful, culpable” conduct is consistent with the patent cases cited to establish the support for contributory copyright infringement. *See, e.g., Thomson-Houston*, 80 F. at 723. The affirmative intent required to overcome the “law’s reluctance” is focused on the active steps, through advertising and otherwise, taken to encourage acts that will infringe when performed; the distinction between culpable

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need look no further than *DSU*, an *en banc* decision of the Federal Circuit wherein ten members of the court believed that there was a split within the circuit going back to 1990 with respect to *Hewlett-Packard* and *Manville*. *See DSU*, 471 F.3d at 1311 (Michel, C.J., concurring) (stating that the *en banc* majority reads *Hewlett-Packard* as being in conflict with *Manville* and disagreeing with this conclusion).

conduct and legitimate commerce lies in the acts of inducement, not in knowing about a particular violation of a patent (or copyright).

While this Court did not delve directly into the confusion in the law of inducing patent infringement, it gave a strong signal that a standard requiring a knowledge-of-patent-violation is inappropriate. In reversing the decision of the Ninth Circuit, this Court rejected the “specific knowledge of copyright infringement” requirement applied by the appellate court. This Court found that the Ninth Circuit incorrectly read *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), “to mean that whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties’ infringing use, . . . even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product, unless the distributors had ‘specific knowledge of the infringement at a time at which they contributed to the infringement, and failed to act upon that information.’” *Id.* at 934 (citing *Metro-Goldwyn-Mayer Studios v. Grokster*, 380 F.3d 1154, 1162 (9th Cir. 2004)). *Sony* held that where there was no evidence of “stated or indicated intent to promote infringing uses,” and where the technology was capable of substantial non-infringing use, “the manufacturer could not be faulted solely on the basis of its distribution.” *Grokster*, 545 U.S. at 931-32. More than mere distribution, thus, was required to find inducement of infringement.

In reversing, this Court held that a “specific knowledge of infringement” requirement imposed too high a burden for finding contributory copyright infringement in cases where there were substantial non-

infringing uses. *Grokster*, 545 U.S. at 934. Moreover, this Court at the very least implied that “an actual purpose to cause infringing use [as] shown by evidence independent of design and distribution of the product” would suffice to impose liability for contributory infringement. *Id.*

Once this Court held that the Court of Appeals’ knowledge requirement was too burdensome, it did not need to define the lower limits of intent required for contributory copyright infringement to decide the case. The record in *Grokster* was replete with evidence of active inducement — advertisements, instructions and press releases discussing how defendants’ services can be used to copy proprietary music files. *See, e.g., id.* at 937-40. The defendants in *Grokster* could have been held liable on any of the myriad standards posited here by Petitioner and supporting *amici*, whether based on knowledge, recklessness, or a conscious disregard of rights.

It is critical to identify the particular contours and to note the limits of the *Grokster* decision because the Federal Circuit used *Grokster* to support its choice of the *Manville* approach over the *Hewlett Packard* approach. In *DSU*, the *en banc* court noted the conflict between the *Manville* and *Hewlett-Packard* lines of cases, and selected the *Manville* line, relying on *Grokster* as its primary support. The appellate court read into the *Grokster* decision implications for patent law that had not been suggested by this Court while ignoring the decision’s actual holding. After noting the *Grokster* articulation of inducement with respect to “purposeful, culpable expression and conduct,” the *DSU* court concluded that the decision “validate[d] this court’s . . . state of mind requirement.” *Id.* at 1306 (citing *Manville*, 917 F.2d at 544).

As shown above, however, *Grokster* should not have been applied in this manner.<sup>6</sup>

Ironically, in seeking to apply patent law principles to copyright law, the *Grokster* Court triggered a change in those very patent law principles.

### **III. IMPOSING A KNOWLEDGE-OF-PATENT-VIOLATION REQUIREMENT FOR § 271(b) WILL SEVERELY LIMIT THE SCOPE OF INDUCEMENT LAW.**

Applying an intent standard along the lines of that expressed in *Hewlett Packard* would not only lead to a faithful application of the statute, but would also result in more certain jurisprudence. It will not lead to limitless consequences because typically liability will attach only where there is a supply of all or substantially all of the article, device, composition or combination used to infringe, and where there is purposeful encouragement to engage in acts of infringement. *See, e.g., Grokster*, 545 U.S. at 921-26 (supply of file sharing software plus instructions and marketing); *DSU*, 471 F.3d at 1297-98 (needle guard that is assembled and combined with needle assembly, which combination infringes during use); *cf. Rich*, Infringement under Section 271 of the Patent Act of 1952, 21 Geo. Wash. L. Rev. at 538 (“The supplying of both the means and the *instructions* is

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<sup>6</sup> The cross application of patent and copyright principles only goes so far. *Sony*, 464 U.S. at 442 (“We recognize there are substantial differences between the patent and copyright laws.”) This is particularly true on the issue of knowledge of infringement. In *Grokster*, there was evidence of widespread file sharing of current songs that enjoyed copyright protection from the moment of creation. The same cannot be said of patent protection, which does not attach to a new product as a matter of law in the way a copyright attaches to a new song.

an important aspect of these [induced infringement] cases.”) (emphasis in original).

Conversely, applying a form of knowledge-of-patent-violation requirement will lead to uncertain jurisprudence and a law of very limited effect. Inducement must capture the blameworthy conduct of encouraging another to commit acts that infringe. Direct infringement is a strict liability offense with respect to awareness of the patent; knowledge only comes into play in willful infringement claims where the patent holder seeks extra-compensatory damages. *See, e.g., In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007). In this respect, knowledge is not a limitation on liability, but on the remedy for infringement. Consider the example of the product supplier who, without knowledge of the patent, instructs and markets to a user an infringing use, where part of the value to be derived from the product is its capability to perform the infringing use. The blameworthiness of the inducer — who profits from the sale of a product it intends to be used in a way that will infringe the patent of another — is at least as high as that of the user. With a knowledge-of-patent-violation requirement, it is only the end user that is liable. There is no principled reason to treat the product supplier’s conduct differently than the conduct of the end user.

Also consider that the inducer likely first tested the device to determine if it could perform as advertised or instructed.<sup>7</sup> That conduct constitutes direct

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<sup>7</sup> Likewise, patent infringement cases often arise out of preliminary licensing negotiations. In these cases the defendant’s knowledge of the patent is established prior to commencement of the litigation, thereby obscuring a clear view of whether knowledge of patent was ever required for liability. *See Henry*

infringement, and the supplier should be liable for that infringement; the only open question would be damages for that directly infringing conduct. Where the inducer profits from the sale of the product which it intends the consumer to use to directly infringe, it is clear that those profits are wrongfully gained by the inducing infringer and liability should extend to the inducing acts. There is no reason in the logic of the patent statute for the encouragement of others to use the supplied device to infringe (and thereby reap a monetary reward for selling the device having such capability) to be treated differently than the supplier's direct infringement.

An actual knowledge or conscious disregard standard would severely limit the ability of patent holders to succeed in prosecuting a claim for inducing infringement in the above circumstances. Rarely would one find direct evidence that an accused inducer had a specific intent to cause a customer to violate specific patents. Considering that intent is rarely provable by direct evidence, the effect of a high knowledge or intent standard would be to render the statute hopelessly inadequate.

Manufacturers would be encouraged in such a regime to ignore patents altogether to avoid exposure to inducement liability. Commentators have noted that some industries already engage in a form of willful blindness to patents in order to avoid enhanced damages for willful infringement; imposing a knowledge requirement for inducement liability

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*v. A.B. Dick Co.*, 224 U.S. 1 (1912); *Rumford Chem. Works v. Hecker*, 20 F. Cas. 1342 (D.N.J. 1876); *Oak Indus. Inc. v. Zenith Elec. Corp.*, 697 F.Supp. 988 (N.D. Ill. 1988); *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660 (Fed. Cir. 1988); *Sims v. Mack Trucks, Inc.*, 459 F.Supp. 1198 (E.D. Pa. 1978).

would only exacerbate the practice. *See, e.g.*, Mark A. Lemley, Ignoring Patents, 2008 Mich. St. L. Rev. 19, 33 (2008) (reporting widespread intentional avoidance of patents, and advocating a regime that encourages reasonable searches for patents and good-faith license negotiations by assessing enhanced damages where such searches or negotiations are not conducted).

If actual knowledge of infringement of a valid patent were required, an inducer could defeat a claim for inducing infringement by proffering an opinion of counsel, even one that is erroneous. The accused inducer could defeat liability because he did not “know” that he was inducing patent infringement since he had an opinion that the acts did not infringe, or that the patent was invalid. This knowledge standard is too easy to manipulate to circumvent liability. The *SEB* court surely recognized this when it applied an approach that stretches *DSU*’s state-of-mind formulation.

The intermediate intent standard of “deliberate indifference,” enunciated by the *SEB* court and advanced by some *amici*, will undoubtedly lead to uncertainty in application. The *SEB* panel blurred the intent standard, suggesting that constructive knowledge, such as that related to patent markings, may be sufficient in some circumstances: “For instance, a patentee may perhaps only need to show, as *Insituform [Technologies, Inc. v. Cat Contracting, Inc.]*, 161 F.3d 688 (Fed. Cir. 1998)] suggests, constructive knowledge with persuasive evidence of disregard for clear patent markings, similar to the constructive notice requirement in § 287(a).” *SEB*, 594 F.3d at 1378.

Constructive knowledge is a legal fiction — knowledge is attributed where actual knowledge would have been obtained through the exercise of reasonable care and diligence. *See* Black’s Law Dictionary 950 (9th ed. 2009). Marking is an example: knowledge of the patent is attributed to the infringer regardless of whether he actually saw the marking on the patented article. *See* 35 U.S.C. § 287 (2010). The panel’s reference to “constructive knowledge” could be construed as endorsing a lower standard akin to recklessness or simple negligence. It could lead to litigation over the “standard of care” of those responsible for understanding the patent landscape in a given technical field. If that were to occur, the line between inducement and proper commercial conduct will be blurred even more than it is now.

A regime that imposes liability for inducing infringement on the same basis as it imposes liability for direct infringement would be consistent with the policies of the patent law and would be easier to apply in practice; it would certainly be easier than the standard espoused in *SEB*.

**IV. THE REASONS EXPRESSED FOR A HIGH KNOWLEDGE STANDARD REFLECT DISSATISFACTION WITH OTHER ASPECTS OF PATENT LAW AND ARE INAPPLICABLE.**

The *amici* argue on policy grounds that a high knowledge/intent standard is required for inducing infringement, citing 1) tort antecedents; 2) general dissatisfaction with other aspects of patent law; and 3) the commercial difficulties involved in clearing products for infringement exposure. None of their arguments is availing.

**A. Tort Principles Support Inducement Liability Without a Knowledge Requirement.**

Several *amici* refer to common law tort aiding and abetting liability as a reason to import a patent rights violation knowledge requirement into § 271. These analogies offer very weak support, and ignore areas of tort law where accessory liability may be imposed without fault or knowledge, as in product liability.

In the area of product liability, those in the stream of commerce are liable for the sale of a defective product even though they may have no control over the product or even an awareness of the defect. *See* 3 J.D. Lee & Barry A. Lindahl, *Modern Tort Law: Liability and Litigation* § 27:56 (2d ed. 2002) (“The general policy of strict liability is to bring within its scope all those who play any part in putting a defective product into the stream of commerce. In other words, liability extends from the manufacturer down the chain of distribution and includes any business entity in the chain of distribution.”); Restatement (Third) of Torts: Products Liability § 1 (1998) (“The rule stated in this Section provides that all commercial sellers and distributors of products, including nonmanufacturing sellers and distributors such as wholesalers and retailers, are subject to liability for selling products that are defective. Liability attaches even when such nonmanufacturing sellers or distributors do not themselves render the products defective and regardless of whether they are in a position to prevent defects from occurring.”); John S. Allee et al., *Product Liability* §2.02 (1984); 72A C.J.S. Products Liability § 71 (2004) (“A retailer engaged in the business of selling products to the public may be strictly

liable in tort for personal injuries caused by a defect in the product. The strict liability of a retailer arises from its integral role in the marketing enterprise, in that it has marketed or distributed a defective product, and put that product into circulation. In some cases, the retailer may be the only member of the marketing enterprise reasonably available to the injured plaintiff . . .”). Describing the rationale for imposing liability to retailers who did not make the product, one court explained that retailers “are an integral part of the overall producing and marketing enterprise that should bear the cost of injuries resulting from defective products.” *Vandermark v. Ford Motor Corp.*, 391 P.2d 168, 171 (Cal. 1964). In the case of inducing patent infringement, the inducing infringer is an integral part of the infringement chain and should not escape the strict liability afforded against direct infringers.

Another rationale for holding the retailer strictly liable for another’s product is based on the implied warranty of merchantability. *See, e.g.*, W. Page Keeton, *Prosser & Keeton on Torts* § 100 (5th ed. 1984) (“[B]oth strict liability for breach of the implied warranty of merchantability and strict liability in tort have generally been applied against dealers and wholesalers” because, under certain circumstances, “the loss is one that can best be borne by the retailer as a cost of doing business.”). Extended to the principles at issue here, a consumer should be able to rely on a purveyor’s instructions on use that the consumer who follows those instructions will not infringe the patent rights of a third party. When following those instructions leads to no other result than infringement, the inducing instructor should be held strictly liable as though they were a direct infringer.

Where, as here, a manufacturer provides encouragement and instructions on infringing use, the manufacturer should bear responsibility for the ultimate infringement, along with the directly infringing user. In ascribing similar liability for defective products, the New York Court of Appeals in *Codling v. Paglia*, espoused the policy basis for liability along the stream of commerce that also resonates for induced patent infringement:

The policy of protecting the public from injury, physical or pecuniary, resulting from misrepresentations outweighs allegiance to old and outmoded technical rules of law which, if observed, might be productive of great injustice. The manufacturer unquestionably intends and expects that the product will be purchased and used in reliance upon his express assurance of its quality and, in fact, it is so purchased and used. Having invited and solicited the use, the manufacturer should not be permitted to avoid responsibility, when the expected use leads to injury and loss, by claiming that he made no contract directly with the user.

32 N.Y.2d 330, 339 (1973) (citing *Randy Knitwear v. American Cyanamid Co.*, 11 N.Y.2d 5 (1962)). In such strict liability cases, there is no requirement that the manufacturer know of any specific defect.<sup>8</sup>

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<sup>8</sup> “Dram Shop” laws also impose strict liability without negligence on providers of alcoholic beverages. See Keeton, Prosser & Keeton, *supra*, § 81. The damages recoverable to third parties may be available even when the intoxicated actor causes another to injure him. See, e.g., *Kiriluk v. Cohen*, 148 N.E.2d 607, 610-611 (Ill. App. Ct. 1958) (finding that widow who killed her drunk husband in self defense could recover damages against the liquor provider for providing the alcohol that contri-

To the extent that the Court looks to tort antecedents to determine the knowledge requirement of § 271(b), those antecedents giving rise to product liability law support the view that AIPLA expresses here.

**B. The Dissatisfaction with Other Aspects of Patent Law Should Not Serve as a Basis for Limiting Inducement Liability.**

Several *amici* have raised dissatisfaction with other aspects of the law as justification for limiting the scope of inducement liability, such as: the prevalence of patent infringement suits brought by non-producing entities; the potential for “submarine” patents arising after a product is on the market; the increasing costs of patent litigation; and the issuance of “questionable” patents.

Without addressing the substance of these complaints, the obvious retort is to address the issues head-on rather than seek a way to limit liability in a widespread way so as to mitigate the overall effects of these perceived shortcomings in patent law. Nothing that this Court does to address inducement liability will have an effect on these complaints.

**C. The Commercial Difficulties of Operating in a Patent Environment is not a Basis to Limit Inducement Liability.**

Several *amici* have complained that it is difficult, if not impossible, to review the multitude of patents that are issued each year for product clearance

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buted to the deceased husband’s attack on his wife and that the proper question for the jury was whether the widow acted in self-defense.)

purposes. Their complaint prompts at least two responses.

First, as there is no knowledge requirement for direct infringement, limiting inducement liability will do nothing to alleviate the need to clear products. If these corporations are ignoring patents, they are doing so at their peril with respect to direct infringement.

Second, and this also responds to a countervailing theme running throughout the *amicus* briefing, we must respect patent rights. The right to secure patents is an express power delegated to Congress through the Constitution, and respect for patent rights was a policy basis for enacting the 1952 Act and a primary reason for the establishment of the Federal Circuit. The subtext of these briefs is that the accused infringers are the *innovators* and the patent holders are something else — a nuisance, a hindrance to commerce, or an obstacle to “real” innovation.

That premise is faulty. Patent holders are innovators in the truest sense — they bring new inventions to the public consciousness. Patents are also an important class of assets in the economy. Obtaining patents is often critical for start-up companies to attract risk capital to help grow their businesses. Industry relies heavily on patent pipelines to protect products, such as new forms of pharmaceuticals and medical devices, that are offered to the consumer. By disclosing their inventions, inventors perform a valuable service in advancing the state of the art. It is unassailable that this intellectual property is worthy of protection. The patent laws should not be distorted in a way that diminishes these contributions.

**V. THE JUDGMENT SHOULD BE AFFIRMED  
BASED ON THE PROPOSED APPROACH.**

Applying the inducement standard proposed herein, the underlying decision should be affirmed. Defendants supplied products that inevitably infringe when sold at retail by its customers. Their sales of devices that could only be used to infringe was an active inducement of infringement by its customers. On this basis, the judgment of the Court of Appeals should be affirmed.

**CONCLUSION**

For the foregoing reasons and applying the standard articulated herein, the judgment of the Court of Appeals should be affirmed.

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