

ClientAlert

Intellectual Property

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Supreme Court Rules in *Global-Tech*: Inducement Requires Knowledge of Patent Infringement

The Supreme Court has ruled that induced patent infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement, in *Global-Tech Appliances, Inc. v. SEB S.A.* (2011). The court also ruled that the knowledge requirement can be met by a showing of “willful blindness”—i.e., where defendants deliberately shield themselves from clear evidence of critical facts that are strongly suggested by the circumstances. The court split 8-1, with Justice Alito writing for the majority and Justice Kennedy dissenting.

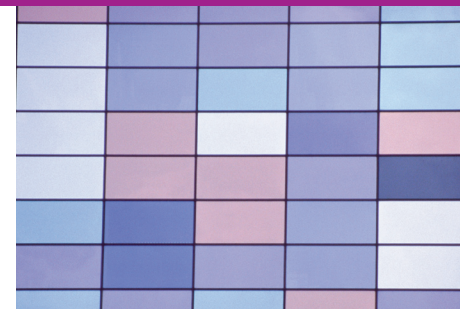
In *Global-Tech*, SEB owned a design patent covering a popular deep fryer sold in the US under the T-Fal brand name. Hong Kong appliance maker Pentalpha manufactured a knock-off of the SEB deep fryer, which it supplied to Sunbeam for sale in the United States. Pentalpha had copied the design of the SEB fryer from a version sold in foreign markets which, as a consequence, was not marked with the US patent number. Pentalpha also commissioned a right-to-use opinion from outside patent counsel, but did not tell the lawyer that it had copied SEB’s design.

A jury found that Pentalpha directly infringed and induced infringement of SEB’s patent, and the Federal Circuit affirmed. Pentalpha appealed, arguing that inducement liability under § 271(b) requires actual knowledge of the patent and that there was insufficient evidence for the jury to find that Pentalpha knew of SEB’s patent.

Federal Circuit law had long been unclear on this issue, applying different standards over the years. In 2006, however, the Federal Circuit *en banc* clarified that induced infringement requires proof that the inducer knew of the plaintiff’s patent. *See DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006). In the decision from which Pentalpha appealed, the Federal Circuit ruled that Pentalpha could be charged with knowledge of SEB’s patent because of its “deliberate indifference to a known risk” of patent infringement, which is “a form of actual knowledge.” *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360, 1376-77 (Fed. Cir. 2010). The Supreme Court rejected that standard, ruling instead that proof of “willful blindness” will suffice to support a finding of knowledge.

Knowledge of Infringement Required

Section 271(b) of the Patent Act provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” Writing for the majority, Justice Alito noted the inherent ambiguity of this provision. The statute may require “merely that the inducer lead another to engage in conduct that happens to amount to infringement,” or it may



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require “that the inducer must persuade another to engage in conduct that the inducer knows is infringement.” Op. 4-5. Both interpretations are reasonable.

The Supreme Court faced the same conundrum in 1964 when it construed the similarly ambiguous definition of contributory infringement found in § 271(c) from which inducement is derived. In *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 US 476 (1964) (“*Aro II*”), a sharply divided court held that actual knowledge of patent infringement was required. That is, a contributory infringer must know “that the combination for which his component was especially designed was both patented and infringing.” 377 US at 488.

Guided principally by the longstanding precedent of *Aro II* (which the patentee did not challenge on appeal), the *Global-Tech* court ruled that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” Op. 10.

“Willful Blindness” Satisfies Knowledge Requirement

Having won the battle, Pentalpha then lost the war. The court ruled that the “knowledge” element can be—and in this case is—established under the doctrine of “willful blindness.” *Id.* Willful blindness has two requirements: (1) the defendant “must subjectively believe that there is a high probability that” the induced act constitutes direct patent infringement, and (2) the defendant “must take deliberate actions to avoid learning” that the induced act infringes. Op. 13. “[A] willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.” Op. 14.

The court found the Federal Circuit’s “deliberate indifference to a known risk” standard flawed because, similar to recklessness, it provides for liability when there is merely a “known risk,” and because it does not require the active efforts to avoid knowing about the infringing nature of the activities. Op. 14.

Although the jury was instructed using the wrong inducement standard, the court held that the evidence supported a finding of willful blindness, and therefore inducement, under the proper standard. Pentalpha knew that SEB’s fryer was a valuable innovation in the US market; Pentalpha chose to copy an overseas model knowing that products made for overseas markets are not

usually marked with US patent numbers; and Pentalpha did not inform its patent counsel that it had copied SEB’s design. Thus, the court affirmed the Federal Circuit’s judgment in favor of SEB.

The Dissent

Justice Kennedy, the lone dissenter, agreed with the majority that actual knowledge of patent infringement—and not merely deliberate indifference—is required, but dissented as to the court’s “willful blindness” standard. “Willful blindness is not knowledge; and judges should not broaden a legislative proscription by analogy.” Dissent 1. But Justice Kennedy also stated that the evidence in this case could be enough for a jury to find that Pentalpha had actual knowledge that its fryers were infringing.

The Takeaway

The Supreme Court has clarified the standard for proving inducement of infringement, adopting a stricter standard for proving inducement in cases where the defendant lacked actual knowledge of the plaintiff’s patent. Knowledge of infringement, however, may still be proved by circumstantial evidence, and the same evidence that supports a finding of “deliberate indifference to a known risk” may support a finding of “willful blindness” or even actual knowledge.

It is also worth noting that Pentalpha asked the Supreme Court to remand the case so it could move for a new trial. But because Pentalpha failed to challenge the jury instruction on inducement, the court refused to consider Pentalpha’s remand request. See Op. 14-15, n.10.

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