

No. 10-6

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

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GLOBAL-TECH APPLIANCES INC. and  
PENTALPHA ENTERPRISES, LTD.,

*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 *AMICI CURIAE* OF  
41 LAW, ECONOMICS, AND  
BUSINESS PROFESSORS IN  
SUPPORT OF PETITIONER**

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**STATEMENT OF INTEREST  
OF THE *AMICI CURIAE***

Amici are professors who specialize in intellectual property law at law, economics, and business schools throughout the United States, including several who have previously published on the law of inducement. Amici have no personal stake in the outcome of this case,<sup>1</sup> but have an interest in seeing that the patent laws develop in a way that promotes rather than retards innovation. A complete list of amici is included in Appendix A.

**ARGUMENT**

**I. THE FEDERAL CIRCUIT’S “DELIBERATE INDIFFERENCE” STANDARD IS INCONSISTENT WITH THE STATUTE, THIS COURT’S PRECEDENT, AND THE PURPOSES UNDERLYING INFRINGEMENT BY ACTIVE INDUCEMENT**

The Federal Circuit’s identification of the culpable state of mind necessary to prove induced infringement under 35 U.S.C. § 271(b) of the 1952 Patent Act as “deliberate indifference of a known risk” in *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360 (Fed. Cir.

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1. No counsel for a party authored this brief in whole or in part and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No one other than the amici curiae, or their counsel, made a monetary contribution intended to fund such preparation or submission. The parties have filed blanket consents with the Court consenting to the filing of all amicus briefs.



2010), is not only inconsistent with the statute and this Court's precedent, but is in conflict with the purposes underlying creation of liability for infringement for active inducement. The deliberate indifference standard departs from this Court's teachings in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), and *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), and is counter to the statutory structure, history, and purpose of section 271.

The Court should reject the Federal Circuit's "deliberate indifference of a known risk" standard in favor of a requirement that the inducer have both: (1) actual knowledge of a patent and (2) an intent to induce infringement of that patent. This reading of section 271(b) is consistent with court precedent, the language of the statute, and good public policy.

**A. The Federal Circuit's Standard Would Render Contributory Infringement under § 271(c) Superfluous.**

Patent law holds liable not only those who infringe a patent, but also those who assist others in doing so. A party can assist in an act of infringement either by directing another to infringe (induced infringement), or by supplying parts or services that are specially suited to infringe (contributory infringement). In either event, the law requires proof of some level of knowledge on the part of the defendant. This requirement derives from the common law origin of indirect infringement in accessory liability, which requires that the defendant know that the behavior she aids is wrongful. S. Rep. No. 82-1979, at 8 (1952); H.R. Rep. No. 82-1923, at 9

(1952); Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 236 (2005). The common law did require proof of an intent to induce infringement. *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912); *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464 (Fed. Cir. 1990). Pre-1952 common law did not distinguish induced infringement from contributory infringement; instead, efforts to induce infringement, such as advertising a component for use in a patented combination or teaching a direct infringer how to infringe, were treated as evidence of the requisite intent required to prove contributory infringement. Lemley, *Inducing Patent Infringement*, *supra*, at 227.

Congress codified the common law of indirect infringement liability in the Patent Act of 1952, but separated induced infringement from contributory infringement by codifying the former at 35 U.S.C. § 271(b) and the latter at 35 U.S.C. § 271(c). In enacting section 271(c) as a separate provision, Congress effectively carved out the most common form of indirect infringement: contributing to the infringement of another by providing one or more components of a patented combination. The statute sets out in detail what is required to prove contributory infringement: only one who “offers to sell or sells within the United States or imports into the United States a component of a patented [invention] ... constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” 35 U.S.C. § 271(c). Notably, contributory infringement does not

expressly require an intent to infringe. Instead, the statute permits a court rationally to presume that the actor had an intent to infringe from the expressly required demonstration that the defendant had knowledge of the patent and of the resulting infringement, coupled with the proven lack of a substantial noninfringing use. Nonetheless, this Court has interpreted that knowledge standard to require awareness of the patent. In *Aro*, this Court made it clear that a contributory infringer under section 271(c) must know that the combination to which it is contributing “was both patented and infringing.” *Aro*, 377 U.S. at 488.

Unlike the more specific requirements for liability under section 271(c), the conduct required under section 271(b) is much less well-defined: “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” Section 271(b) does not offer the section 271(c) safe-harbor from liability for parties who distribute a staple article of commerce. *Grokster*, 545 U.S. at 935 n.10. The scope of section 271(c) is thus more narrowly defined and more limited than section 271(b). See Lynda J. Oswald, *The Intent Element of “Inducement to Infringe” Under Patent Law: Reflections on Grokster*, 13 MICH. TELECOMM. TECH. L. REV. 225, 229–30 (2006). That broader definition of culpable conduct in inducement is counterbalanced, however, by a stricter requirement of intent to induce infringement.<sup>2</sup> In essence, section 271(c) prescribes the

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2. That requirement existed at common law; while Congress did not set it forth expressly in section 271(b), the intent of that statute was to codify the common law, and there is no reason to think that Congress intended to eliminate the preexisting standard of an intent to induce infringement.

circumstances where intent can be presumed; under section 271(b), such intent to encourage infringement must be shown directly.

The structure of sections 271(b) and (c) of the Patent Act indicates that correct interpretation of section 271(b) should differentiate inducement liability under that section from liability for contributory infringement. By proffering a culpable mental state requirement for section 271(b) in *SEB* that does not require actual knowledge, the Federal Circuit blurred the functions of sections 271(b) and 271(c) of the Patent Act. Reducing the intent standard to “deliberate indifference,” as the Federal Circuit did in *SEB*, means that section 271(b) effectively swallows section 271(c). Section 271(c) liability requires both knowledge of infringement, which this Court stated in *Aro* required knowledge of the patent, and specific limited conduct that has no substantial noninfringing use. Under *SEB*, neither is required for proof of inducement. If both the intent and conduct requirements of section 271(b) are lower than in section 271(c), there is no case in which an alleged infringer could be liable for contributory infringement without also being liable for induced infringement. Further, cases of alleged infringement that would otherwise fit within section 271(c), but would not result in secondary liability for failing to meet the requirements of that section, now become infringing conduct under section 271(b). *See* Timothy R. Holbrook, *The Intent Element of Induced Infringement*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 399, 407–08 (2006). As a result, *SEB* renders section 271(c) superfluous, nullifying the carefully crafted limitations of Congressional language. “Deliberate indifference” therefore cannot be the right

interpretation of section 271. *See Hibbs v. Winn*, 542 U.S. 88, 101 (2004) (“A statute should be construed so that effect is given to all its provisions, so that no part will be inoperative or superfluous, void or insignificant . . . .”) (quoting 2A Norman J. Singer, *Statutes and Statutory Construction* § 46.06 (6th ed. 2000)).

**B. The “Deliberate Indifference” Standard is Inconsistent with this Court’s *Grokster* Decision.**

Patent courts before *SEB* have consistently interpreted section 271(b) to require a “specific intent and action to induce infringement.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed. Cir. 2003); Oswald, *Reflections on Grokster*, *supra*, at 229–30.

This Court relied on that requirement in adopting the inducement doctrine from patent law into copyright law in *Grokster*, 545 U.S. at 936. In *Grokster*, this Court drew on section 271(b) of the Patent Act in finding a cause of action for inducement of copyright infringement. In so doing, this Court embraced a higher intent standard than that articulated by the Federal Circuit in *SEB*, stating that “the inducement rule, too, is a sensible one for copyright. *We adopt it here*, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken,” is liable for third parties’ acts of infringement. *Grokster*, 545 U.S. at 936–37 (emphasis added).<sup>3</sup> This language confirms

3. In importing 271(b) to the copyright law in *Grokster*, this Court noted that: “[e]vidence of active steps . . . taken to encourage direct infringement,’ such as advertising an  
(Cont’d)

that the mental culpability required for inducement of infringement is higher than mere negligence or recklessness. It would be peculiar if this Court, having drawn the specific intent requirement from patent law into copyright law, then concluded that patent law didn't have any such requirement after all.

The en banc Federal Circuit, in turn, drew on this Court's teachings in *Grokster* in requiring evidence of intent in *DSU Medical Corp. v. JMS Corp.*, 471 F.3d 1293, 1304–06 (Fed. Cir. 2006) (en banc). The Federal Circuit held that the “[t]he plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts and that he knew or should have known his actions would induce actual infringements,” which “necessarily includes the requirement that he or she knew of the patent.” *Id.* at 1304. This narrower intent standard is consistent with—indeed, drawn from—this Court's reading of the Patent Act articulated in *Grokster*. To overthrow it in favor of a deliberate indifference standard would render the patent standard inconsistent with the copyright standard, even though the copyright standard was explicitly drawn from the patent one.

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infringing use ... show[s] an affirmative intent that the product be used to infringe, and a showing that 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 (internal citation omitted).

### C. The “Deliberate Indifference” Standard Risks Chilling Pro-Competitive Behavior.

In the fast-paced industries of the current economy, the quantity of patents, the almost glacial process of patent prosecution, and the uncertainties surrounding patent scope and validity frequently make it impractical to conduct a patent search before launching a product. In fact, it has become common practice in many of our most innovative industries to put a product on the market before doing a patent search and to then “wait and see” if a patentee claims infringement. *See* Mark A. Lemley, *Ignoring Patents*, 2008 MICH. ST. L. REV. 19, 22 (2008). In response to a 2003 survey, fifty-three percent of intellectual property managers disagreed with the statement “[w]e always do a patent search before initiating any R&D or product development effort.” *Id.* at 22 (citing Iain M. Cockburn & Rebecca Henderson, *Survey Results from the 2003 Intellectual Property Owners Association Survey on Strategic Management of Intellectual Property* F.6 (Oct. 2003)). And the Berkeley Innovation Survey of start-up companies found that in the information technology industries less than a quarter of companies regularly searched for patents. Stuart J.H. Graham et al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 25 BERKELEY TECH. L.J. 1255, 1321–22 (2010).

The development of the practice of “wait and see” is not reflective of a conscious disregard of the risk of the existence of conflicting patent claims, but a response to the inherent uncertainties of the patent system and a desire to conduct legitimate commerce in the face of

those uncertainties. Put simply, it is often impossible to tell whether a product infringes a valid patent even after a perfect search. The Patent & Trademark Office (PTO) takes over three and a half years to issue a patent, and a patent application is not published and available for scrutiny for at least eighteen months of that time, sometimes longer. 35 U.S.C. § 122(b). Patent claims can be changed by filing continuation applications for up to twenty years after the original patent is granted. So it is often impossible to know in a timely fashion whether there will even be a patent with claims that cover a particular product.

Even after a patent is issued, tremendous uncertainty remains about its scope and validity. Lemley, *Ignoring Patents, supra*, at 25–26. When challenged in litigation, at least forty-six percent of patents are invalidated. John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q. J. 185, 205 (1998). And even valid patents might or might not be infringed depending on what the patent claims mean, something that turns out to be surprisingly hard to determine. Every patent case involves a dispute over the construction of patent claims, and even once the district court rules that ruling is reversed on appeal almost forty percent of the time. Kimberly A. Moore, *Markman Eight Years. Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 235–36 (2005). The result is that until a case is actually litigated and appealed, neither side can know for sure what the patent even covers. In the colorful words of James Bessen and Michael Meurer: “if you can’t tell the boundaries, then it ain’t property.” James Bessen & Michael Meurer, *Patent Failure: How*



*Judges, Lawyers and Bureaucrats Put Innovators at Risk* 46 (2008).

Finally, most modern products involve not just one but dozens or even hundreds of different potential legal rights, each of which has the problems of scope, validity, and delay just mentioned. The *SEB* deliberate indifference standard therefore means that companies must search for, (hopefully) find, and assess not one potentially relevant patent, but a bewildering array of patents. Doing so just isn't practical in a fast-changing market. Obliging innovators to defend against allegations of "deliberate indifference of a known risk" would require companies to wait almost indefinitely to release new products because of the enduring risk of discovery of a previously unknown patent or one that turned out to be relevant to their business.

#### **D. A Strict Liability Inducement Regime Would be Disastrous**

If permitting a finding of inducement based on something less than actual knowledge would be bad, making inducement a strict liability offense would be far worse. The definition of inducing conduct is so broad that without an intent requirement, virtually anyone in the country could be a patent infringer. To give just a few examples, Microsoft Word, Microsoft Outlook, and the Blackberry smartphone have all been held to infringe patents. A strict liability standard for inducement would hold liable not only the companies that make those products, but computer makers, telephone companies, and Internet service providers that enable their use, and even individuals who have

ever forwarded a Word document to another, sent an Outlook calendar request, or emailed someone who might receive that message on a Blackberry.

This Court has recognized the importance of not allowing patent liability rules to impede “the wheels of commerce.” *Henry v. A.B. Dick Co.*, 224 U.S. at 48. *Grokster* itself rested on policy grounds of protecting “legitimate commerce” and the promotion of “innovation having a lawful promise,” *Grokster*, 545 U.S. at 937 — policy considerations that apply in the patent law arena as well. *See Oswald, Reflections on Grokster, supra*, at 239. Were this Court to ignore a century of common law, the statutory structure of section 271, and its own ruling in *Grokster* by adopting a strict liability regime, everyone would risk infringement every day. Modern business would be possible only at the collective sufferance of thousands of different patent owners. That is not a reasonable interpretation of a statute designed to promote rather than retard innovation.

## **II. THE APPROPRIATE STANDARD IS THE INTENT TO INDUCE INFRINGEMENT STANDARD ARTICULATED BY THIS COURT AND PRIOR FEDERAL CIRCUIT CASES**

In *SEB*, the Federal Circuit derived the “deliberate indifference” standard by reasoning that “inducement requires a showing of ‘specific intent to encourage another’s infringement’” and equating specific intent with deliberate indifference.<sup>4</sup> *SEB*, 594 F.3d at 1376. The

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4. “As other courts have observed, ‘specific intent’ in the civil context is not so narrow as to allow an accused wrongdoer to actively disregard a known risk that an element of the offense exists.” *SEB*, 594 F.3d at 1376 (internal citations omitted).

cases cited by the Federal Court likening specific intent to deliberate indifference should be applied cautiously in the patent law context, however, given the exceptional uncertainty associated with the patent system. In the ordinary civil contexts cited by the Federal Circuit, the “known risks” included in the “deliberate indifference” standard are more narrowly defined than the known risks of violating an existing legal right under patent law as the standard was applied by the Federal Circuit in *SEB*. In *Crawford-El v. Britton*, 951 F.2d 1314, 1318 (D.C. Cir. 1991), for example, the risk (that failure to deliver plaintiff’s documents on time would interfere with his litigation) was easily ascertained at the time of the defendant’s actions (the box contained legal documents; ongoing litigation has pending deadlines) and was fairly limited in scope, implying the need for something more than knowledge of some undefined risk. In *Boim v. Holy Land Found. for Relief & Dev.*, 549 F.3d 685, 693 (7th Cir. 2008), the court modified the equation of intentional misconduct and deliberate indifference by suggesting that the standard requires that “one knows there is a *substantial* probability that the organization engages in terrorism but one does not care” (emphasis added).

By contrast, the “known risk” in the patent system, as the standard was applied by the Federal Circuit in *SEB*, can be as broad as the risk that a change to a patentee’s claim made via continuation application nineteen years after an innovator’s product launch will cause the innovator’s product to infringe. A standard covering any possible risk that infringement may occur is untenable in light of the uncertainties inherent in patent law about whether a party is violating a legal right.

By maintaining a “deliberate indifference” standard for liability under section 271(b), the patent system would create an undesirable barrier to market entry by increasing the risk of liability for indirect infringement. If refusing to search is “deliberate indifference,” as the Federal Circuit suggested in *SEB*, the most innovative companies would face the possibility of liability for induced infringement, with the result that a patent law designed to promote innovation would instead chill it.

The proper standard for inducement should punish bad actors, but must also encourage companies to develop new technologies. If mental-state standards for induced infringement are expanded to cover a large class of activities that were once non-infringing, innovative companies will be discouraged from exploring new areas of research for fear of incurring liability. Empirical research shows that alleged infringers have higher average expenditures on research and development than patentee plaintiffs in infringement suits. *See* Bessen, *Patent Failure, supra*, at 123.<sup>5</sup> This, when viewed in conjunction with the finding that in only about four percent of patent litigation cases are defendants found to have intentionally copied a patent, Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. REV. 1421, 1424 (2009), suggests that the burden of an overbroad standard will

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5. “By the late 1990s, the risk of patent litigation for public firms outside of the chemical and pharmaceutical industries exceeded the profits derived from patents. This means that patents likely provided a net *disincentive* for innovation for the firms who fund the lion’s share of industrial R&D.” *Id.* at 144 (emphasis in original).

fall primarily on inadvertent infringers rather than bad actors. *Id.* at 126. Imposing additional risk for inadvertent infringement on inventive product-producing companies will chill innovation.

The *DSU* standard adopted by the en banc Federal Circuit is the proper one. To be liable for encouraging another to infringe a patent, a defendant must be aware of the existence of the patent, and either actually knows or should know that the acts it encourages will infringe that patent. Those unaware of a patent can have no specific intent to encourage infringement.

Exactly how much evidence of intent must be required may depend on various circumstances. It might, for instance, be permissible to balance the evidence of intent against the nature of the defendant's acts, finding liability with a lesser showing of intent in circumstances where the defendant played a greater role in causing the act of infringement. Lemley, *Inducing Patent Infringement*, *supra*, at 236. Courts may also wish to consider whether a company that is aware it is encouraging infringement of a patent should be able to defend against an inducement claim because it had an objectively reasonable belief that that patent was invalid. But these issues are not before the Court, and can be resolved by the lower courts once the proper standard of intent is restored.

### III. AN INTENT STANDARD DOES NOT LEAVE PROPER PLAINTIFFS WITHOUT A REMEDY

This case is a somewhat troubling one for application of the intent standard because the plaintiffs in this case are accused of deliberately copying the plaintiff's product while turning a blind eye to whether that product was patented. But we do not think the unusual facts of this case justify the creation of a general rule that will interfere with innovation.

Requiring knowledge of a patent as a prerequisite for inducing infringement does not leave most plaintiffs without a remedy. In most cases, patentees can pursue the direct infringer. Indeed, it is worth noting that in this case, the very same defendant was found liable for direct infringement as well as inducement. Under 35 U.S.C. § 271(a), a party directly infringes on a patent when it “without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention.” Section 271(a) makes direct infringement a strict liability offense—neither proof of knowledge nor intent is required to prove liability. In the context of direct infringement, the intent of an alleged infringer is only considered in the context of the calculations of special damages for “willful infringement.” Oswald, *Reflections on Grokster*, *supra*, at 229. Thus, bringing suit under section 271(a) remains a viable remedy for patentees even if they cannot show that an alleged infringer had the intent to infringe required for liability under section 271(b). And in this case, where the product was imported, the patentee can separately seek an order from the International Trade Commission excluding the infringing products from the United States.

Further, patentees can ensure that defendants who copy products have constructive notice of an existing patent right by marking “substantially all” their products or by directly notifying an alleged infringer. Indeed, section 287(a) requires patentees who seek past damages either to mark all products for sale in the United States with “patent” or “pat.” or to provide actual notice of the patent to the infringer. The incorporation of the marking statute into the Patent Act of 1952 “help[s] avoid innocent infringement” by providing potential infringers with actual or constructive notice of the patent. *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998).

Once a defendant is on notice of the existence of a patent, the law provides both for damages and for injunctive relief against continued acts of infringement. A narrower standard for liability under section 271(b) does not preclude a patentee from equitable remedies after notice is given. See Holbrook, *The Intent Element of Induced Infringement*, *supra*, at 406.

Finally, empirical evidence suggests that only a small percentage of patent cases involve copying of the plaintiff’s invention. Of 1,871 published decisions in patent cases examined, two authors found that less than seven percent included even an allegation of copying; even fewer proved that allegation. See Cotropia, *Copying in Patent Law*, *supra*, at 1424. It would be a mistake to sweep the overwhelming majority of independent developers into the net of inducement liability in an effort to capture a very few bad apples.

By restricting liability for inducing infringement to alleged infringers who had knowledge of the patent and intended to encourage infringement, the patent system can punish bad actors while limiting any adverse impact on inadvertent infringers. This maintains a fair balance between the rights of patentees and the risks imposed on innocent infringers while avoiding the creation of a disincentive to explore and develop new technologies.

### CONCLUSION

For the foregoing reasons, this Court should reject the “deliberate indifference” standard articulated by the Federal Circuit in *SEB* in favor of a requirement that the defendant be aware of a patent and encourage an act that it knows or should know would infringe that patent.

Respectfully submitted,

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## **APPENDIX**

**APPENDIX — LIST OF SIGNATORIES<sup>1</sup>**

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1. Institutions are listed for identification purposes only.

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