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Supreme Court Rejects Belief of Invalidity Defense for Inducement in *Commil v. Cisco*

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On May 26, 2015, the Supreme Court held in *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896 (“*Commil*”), that a good-faith belief that an asserted patent is invalid is not a defense to inducement of infringement of that patent. “[A] belief as to invalidity cannot negate the scienter required for induced infringement.”¹

INDUCED INFRINGEMENT

A party that induces infringement by another is liable for that infringement.² Inducement occurs when the defendant “knowingly induce[s] infringement and possess[es] specific intent to encourage [another party’s direct] infringement.”³ Accordingly, to induce infringement, a defendant must both (i) know of the patent in question and (ii) know the induced acts infringe that patent.⁴

COMMIL IN THE LOWER COURTS

In *Commil*, Commil sued Cisco, alleging infringement of patents relating to wireless networks. At trial, Cisco argued it should not be liable for inducing its customers’ infringement because it believed in good faith that Commil’s patents were invalid. The Eastern District of Texas disagreed with Cisco, but the Federal Circuit reversed, ruling that “evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”⁵

THE SUPREME COURT’S RULING

In an opinion by Justice Kennedy, the Supreme Court reversed the Federal Circuit. The Court held that a good-faith belief in patent invalidity is not a defense to induced infringement: “[B]elief regarding validity cannot negate the scienter required for [induced infringement].”⁶ The Court noted that in *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S. ___ (2011), it had held that to induce infringement, a defendant must both know of the patent in question and know that “the induced acts constitute patent infringement.”⁷ In *Commil*, the Court rejected the argument advanced by Commil and the solicitor general that *Global-Tech* “should be read as holding that only

¹ *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U.S. ___, slip op. at 11 (2015).

² 35 U.S.C. § 271(b).

³ *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006).

⁴ *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S. ___, slip op. at 10 (2011).

⁵ *Commil USA, LLC v. Cisco Systems, Inc.*, 720 F.3d 1361, 1368-69 (Fed. Cir. 2013).

⁶ *Commil*, 575 U.S. ___, slip op. at 9.

⁷ *Commil*, 575 U.S. ___, slip op. at 5 (quoting *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S. ___, slip op. at 10 (2011)). *Global-Tech* mirrors *Aro Mfg. Co. v. Convertible Top Replacement Co.*, which held that contributory infringement requires knowledge of the patent in suit and knowledge of patent infringement. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964).

Client Alert

knowledge of the patent is required for induced infringement.”⁸ The Court instead reaffirmed *Global-Tech’s* “clear” rule that a defendant may not be liable for inducement absent “proof the defendant knew the acts were infringing.”⁹

The Court, however, rejected Cisco’s argument that, by analogy, there should be no inducement liability when the defendant believes in good faith that the patent was invalid. The Court’s decision rested on the “axiom . . . that infringement and invalidity are separate matters under patent law.”¹⁰ Noninfringement and invalidity are two separate defenses in the Patent Act, and defendants are free to raise either or both of them.¹¹ According to the Court, a defense to inducement liability based on a good-faith belief in invalidity would “conflate the issues of infringement and validity.”¹² While the Court noted that, if a patent were to be found invalid, there would be “no patent to be infringed,” the “orderly administration of the patent system” was supported by the bifurcation of infringement and validity.¹³

The Court also noted that the good-faith belief of invalidity defense would “undermine” the presumption of validity embodied in 35 U.S.C. § 282(a).¹⁴ According to the Court, “if invalidity were a defense to induced infringement, the force of [the presumption of validity] would be lessened to a drastic degree, for a defendant could prevail if he proved he reasonably believed the patent invalid.”¹⁵

The Court also discussed a number of practical considerations in support of its holding. The Court noted that accused inducers who believe a patent to be invalid already have “various proper ways to obtain a ruling to that effect,” including declaratory judgment actions, *inter partes* review, *ex parte* reexamination requests, and assertion of the defense of invalidity.¹⁶ The Court also expressed concern regarding the practicality of litigating a defendant’s state of mind, which could “render litigation more burdensome for everyone involved.”¹⁷

The Court’s decision also contains a frank discussion of frivolous cases. The Court noted that “an industry has developed . . . [where] [s]ome companies . . . use patents as a sword to go after money, even when their claims are frivolous.”¹⁸ While the Court acknowledged that *Commil* was not such a case, it found it “necessary and proper” to address frivolous cases because they “can impose a ‘harmful tax on innovation.’”¹⁹ The Court stressed that “district courts have the authority and responsibility to ensure frivolous cases are dissuaded.”²⁰ Methods of penalizing frivolous suits recommended by the Court included attorney sanctions and award of attorneys’ fees in exceptional

⁸ *Commil*, 575 U.S. ___, slip op. at 6.

⁹ *Commil*, 575 U.S. ___, slip op. at 9.

¹⁰ *Id.*, slip op at 10, citing *Pandrol USA, LP v. Airboss R. Prods., Inc.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003).

¹¹ 35 U.S.C. §§ 282(b)(1), (2); *Cardinal Chemical Co. v. Morton Int’l, Inc.*, 508 U. S. 83, 98 (1993).

¹² *Id.*, slip op. at 10.

¹³ *Id.*, slip op. at 11.

¹⁴ *Id.*, slip op. at 10-11.

¹⁵ *Id.*

¹⁶ *Id.*, slip op. at 12.

¹⁷ *Id.*

¹⁸ *Id.*, slip op. at 13 (quotations and citations omitted).

¹⁹ *Id.*, slip op. at 14, citing L. Greisman, PREPARED STATEMENT OF THE FEDERAL TRADE COMMISSION ON DISCUSSION DRAFT OF PATENT DEMAND LETTER LEGISLATION BEFORE THE SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE OF THE HOUSE COMMITTEE ON ENERGY AND COMMERCE 2 (2014).

²⁰ *Commil*, 575 U.S. ___, slip op. at 14.

Client Alert

cases.

Justice Scalia, joined by Chief Justice Roberts, dissented, writing that “[i]t follows, as night the day, that only valid patents can be infringed. To talk of infringing an invalid patent is to talk nonsense.”²¹ Justice Scalia further wrote that “anyone with a good-faith belief in a patent’s *invalidity* necessarily believes the patent *cannot* be infringed . . . it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he *knows* will infringe it.”²² Justice Scalia criticized the majority’s reliance on practical considerations, noting that it was not the Court’s job to “*create* a defense” but rather to merely interpret the Patent Act.²³ Justice Scalia did note, however, that “if the desirability of the rule we adopt were a proper consideration,” it was “by no means clear” that the majority’s ruling was preferable given that it “increases the *in terrorem* power of patent trolls.”²⁴

RAMIFICATIONS

Before *Commil*, some potential inducers may have relied on a good-faith belief in invalidity as potential protection against a claim of inducement. Now, accused infringers may be forced to select more formal methods - such as *inter partes* review - to challenge the validity of patents they believe they may infringe.

The Court’s decision may also raise questions regarding liability for willful-infringement. As currently framed, the willful infringement inquiry considers, in part, the defendant’s knowledge that it proceeded “despite an objectively high likelihood that its actions constituted infringement of a *valid* patent.”²⁵ The inclusion of the word suggests that a good-faith belief of invalidity should remain a defense to willful infringement under the current standard. It is unclear, however, whether this standard might be held to conflict with the *Commil* Court’s distinction between validity and infringement for purposes of inducement.

The *Commil* decision is also interesting for the Court’s open discussion of frivolous cases, even though *Commil* itself did not present the concerns the Court sought to address. In discussing methods by which lower courts can deter frivolous cases, the Court cited its ruling in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. ___ (2014), where it granted lower courts significantly broader authority to make parties (particularly those bringing baseless claims) pay for the other parties’ legal fees.²⁶ This discussion, while dicta, may further encourage lower courts to penalize parties for bringing frivolous lawsuits by making them liable for attorneys’ fees.

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²¹ *Id.*, slip op. at 1 (Scalia, J., dissenting).

²² *Id.*, slip op. at 1-2 (Scalia, J., dissenting).

²³ *Id.*, slip op. at 3 (Scalia, J., dissenting).

²⁴ *Id.*

²⁵ *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

²⁶ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. ___, slip op. at 7-8 (2014).

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