

**United States Court of Appeals  
for the Federal Circuit**

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SEB S.A.,

*Plaintiff/Counterclaim  
Defendant-Cross Appellant,*

*and*

T-FAL CORPORATION,

*Counterclaim Defendant,*

*v.*

MONTGOMERY WARD & CO., INC.,

*Defendant,*

*and*

GLOBAL-TECH APPLIANCES, INC.,

*Defendant-Appellant,*

*and*

PENTALPHA ENTERPRISES, LTD.,

*Defendant-Counterclaimant-  
Appellant.*

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*Appeals from the United States District Court for the Southern  
District of New York in 99-CV-9284, Judge Stephen C. Robinson*

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**BRIEF OF *AMICI CURIAE* AMERICAN INTELLECTUAL PROPERTY  
LAWYERS ASSOCIATION and THE FEDERAL CIRCUIT BAR  
ASSOCIATION SUPPORTING APPELLANTS' PETITION FOR  
REHEARING *EN BANC***

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## STATEMENT OF INTEREST OF *AMICI CURIAE*<sup>1</sup>

The American Intellectual Property Law Association (“AIPLA”) is a voluntary bar association of over 16,000 members. Its members include attorneys in private and corporate practice, government officials and members of academia, all of whom share an interest in the legal issues affecting intellectual property.

AIPLA educates its members on the legal and business issues underlying the development, commercialization and exploitation of intellectual property. As part of its central mission, AIPLA advocates for clarity in U.S. patent law so that its members and others who rely on these laws will understand their rights and obligations.

The Federal Circuit Bar Association (“FCBA”) is a national bar association with over 2600 members from across the country, all of whom practice before or have an interest in the Federal Circuit’s decisions. The FCBA offers a forum for common concerns and dialogue between the bar and the Federal Circuit judges. One of the FCBA’s objectives is to offer assistance and advice to courts, including through *amicus curiae* briefs, on issues affecting practice before the Federal Circuit and lower tribunals.

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1. Pursuant to Fed. R. App. P. 29(a), the parties have consented to the filing of this brief. AIPLA and the FCBA state that no counsel for a party authored this brief in whole or in part. Furthermore, no person or entity, other than the *amici curiae*, their members or their counsel, made any monetary contribution to the preparation or submission of the brief.

AIPLA and the FCBA are of the view that the reasoning expressed by the panel in *SEB S.A. v. Montgomery Ward & Co. Inc.*, Nos. 2009-1099, 2009-1108, 2009-1119, 2010 WL 398118 (Fed. Cir. Feb. 5, 2010), is symptomatic of the lack of clarity in the law of induced patent infringement. In the wake of *SEB*, the law regarding the culpability level required to establish induced patent infringement is as confused as ever. A clearer formulation of the law would allow practitioners and those in the industry to understand better the boundary between allowed and wrongful conduct.

## ARGUMENT

### **THE *EN BANC* COURT SHOULD CLARIFY THE CULPABLE STATE OF MIND REQUIRED FOR INDUCED INFRINGEMENT LIABILITY.**

*SEB* provides this Court with a prime opportunity to clarify, *en banc*, the legal standard required to prove induced infringement. The culpable state of mind necessary to establish induced infringement has been the subject of diverging case law with inconsistent formulations. The pronouncements in *SEB* are the latest example of such formulations, identifying a spectrum of legal standards that could apply – specific intent, knowing conduct, recklessness and negligence (*i.e.*, “should have known”), *see* 2010 WL 398118 at \*12 – without giving guidance as to the legal standard that *does* apply.

Rehearing this case *en banc* could clarify the culpability requirement by supplying a unified legal standard for proving a culpable state of mind sufficient to support a finding of induced infringement.

**A. Historically, the Law of Induced Infringement Has Lacked Clarity.**

Induced infringement has proven to be a difficult legal concept that has escaped clear definition. Prior to the Patent Act of 1952, the Court treated induced infringement as a species of contributory infringement. *See Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1468-69 (Fed. Cir. 1990) (discussing legislative history of Patent Act of 1952). The 1952 Act separated induced infringement from contributory infringement (the latter is codified at 35 U.S.C. § 271(c)), and enacted § 271(b) as follows: “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” There is no express provision in § 271(b) regarding the required mental state of the inducer. Courts have inferred a required state of culpability, however, perhaps because pre-Act cases applied such a requirement and the enactment of §§ 271(b) and (c) was a codification of prior law. *See e.g., Hewlett-Packard*, 909 F.2d at 1469 (discussing history of doctrine); *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (same).

Confusion as to the boundary between induced infringement and proper commercial conduct remains to this day since the Court has at different

times promulgated different tests. In *Hewlett-Packard*, a panel of the Court held that there was no induced infringement in connection with a transaction that included an infringement indemnity provision, but in so doing articulated a standard suggesting that one need only show a specific intent to cause the acts that infringed without an intent to encourage a legal wrong. 909 F.2d at 1469. Shortly thereafter, in *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990), another panel of this Court reversed a finding of liability for inducement, and in so doing announced a test requiring knowledge of the acts giving rise to infringement and of the infringement itself.

The differing formulations used by *Hewlett-Packard* and *Manville* created confusion as to how standards recited in these two cases relate.<sup>2</sup> In *DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1304-06 (Fed. Cir. 2006), this Court noted the conflict and chose the *Manville* line of cases over *Hewlett-Packard*, relying on the Supreme Court's decision in the copyright case *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).<sup>3</sup> After noting

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2. See Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. Davis L. Rev. 225, 238-242 (2005).

3. The Supreme Court in *Grokster* sought to balance the competing interests between allowable innovation and improper encouragement under copyright law: "The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful purpose." 545 U.S. at 937. The Supreme Court fashioned a standard for judging inducement under the

the *Grokster* articulation of inducement, the *DSU* court concluded that the Supreme Court, “thus, validate[d] this court’s . . . state of mind requirement.” *Id.* at 1305-06 (citing *Manville*).

*Manville*’s formulation of the inducement test has, however, contributed to the uncertainty because it simultaneously refers to a heightened “specific intent” to encourage infringement and to another level of intent – “knew or should have known” – when referring to awareness of infringement:

It must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The 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.

917 F.2d at 553.<sup>4</sup> Thus, *Manville*’s test is a hybrid of sorts with respect to the mental state of a would-be inducer, referring to conflicting standards – a “specific intent” standard and a negligence standard. This apparent inconsistency was not addressed in *DSU*, but is fully revealed in *SEB*.

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copyright law by referring to the law of induced patent infringement. *Id.* at 936-37.

4. This formulation appears first in *Manville* even though it cites *Water Technologies* as its authority for the formulation. *See Manville*, 917 F.2d at 553. *Water Technologies* expresses no such formulation either expressly or by implication; rather, it stands for the unassailable proposition that intent may be inferred through circumstantial evidence. *See* 850 F.2d at 668-69. Nor, obviously, does *Hewlett-Packard*, which the *DSU* court also cites, support the formulation expressed in *Manville*.

**B. *SEB* Manifests the Confusion in the Law as to the Mental State Required for Induced Infringement.**

The application of *Manville* and *DSU* in *SEB* demonstrates the confusion in the law. During the discussion of the culpable state of mind requirement for inducement, the panel appeared to acknowledge, at different points, authority supporting specific intent, negligence (“knew or should have known”), and recklessness constructs such as “deliberate indifference.” *SEB*, 2010 WL 398118 at \*12. The panel opinion demonstrates that there is a pressing need to address the confused state of the law.<sup>5</sup>

A review of the salient facts will illustrate this point. In *SEB*, defendant Pentalpha Enterprises, Ltd. (“Pentalpha”) copied a version of the patentee’s product that it purchased in Hong Kong and that had no patent markings. 2010 WL 398118 at \*2, 13. Pentalpha then hired an attorney to perform a right-to-use analysis, but without informing the attorney of the copying that took place. *Id.* Pentalpha’s president was patent-savvy, with 29 patents in his name, *id.* at \*13, but there was no direct or circumstantial evidence that Pentalpha

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5. The *SEB* decision is not the only post-*DSU* decision that has contributed to the confusion. For example, this Court in *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. 2008), in reviewing the denial of a motion for JMOL on induced infringement, affirmed a district court finding that “the totality of the circumstances” supported a finding of a “lack of good faith,” borrowing from the district court’s determination as to willfulness. *Id.* at 700. This is yet another induced infringement state of mind formulation with which to contend.

knew of patents covering the infringing product. But there also was no good explanation of why the patent-in-suit was not discovered in the right-to-use search.

The panel concluded that induced infringement may stand on this record. It found that the record supported a conclusion that the party accused of inducement infringement “deliberately disregarded a known risk that SEB held a protective patent,” *id.* at \*13, and found this level of culpable conduct sufficient to meet the state of mind requirement. *Id.* It described this “deliberate disregard” standard as distinct from negligence because it is subjective. *Id.* at \*12. To support this distinction, the panel cited *Farmer v. Brennan*, 511 U.S. 825 (1994), a case involving a constitutional *Bivens* claim under the Eighth Amendment. In *Farmer*, the Supreme Court ascribes liability where the accused “knows of and disregards an excessive risk,” noting that it is a subjective test that accords with common law principles of recklessness. *Id.* at 837-39.

The *SEB* panel also suggested that constructive knowledge, such as that related to patent markings, may be sufficient in some (as yet undefined) set of 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).” 2010 WL 398118 at \*14. 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 888 (8th ed. 2004). 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. The panel's reference to "constructive knowledge" could be construed as endorsing a lower standard akin to recklessness or simple negligence.

The *SEB* panel also gave mixed signals as to the meaning of "specific intent" in the *Manville* formulation. It suggested that it was applying a "specific intent" standard of culpability: "This court has made clear, however, that inducement requires a showing of 'specific intent to encourage another's infringement.'" 2010 WL 398118 at \*12 (citations omitted). But it then suggested that such specific intent as construed in connection with encouraging patent infringement is not that high a standard: "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." *Id.* (citations omitted).

In the wake of *SEB*, the law is confused as to what level of culpability is required to prove inducement infringement. Federal Circuit law supports the contradictory standards for subjective specific intent and objective negligence ("should have known"), and it also endorses recklessness constructs such as

“deliberate indifference.” *Id.* In addition, the *SEB* court held that constructive knowledge may be adequate in certain as yet undefined circumstances, which is to say no actual knowledge of infringement would be required for induced infringement liability. *Id.* at \*14.

**C. *SEB* Highlights a Number of Open Questions Vexing the Bar.**

While the law is settled that an inducing infringer must intend to encourage the underlying acts that constitute infringement, the level of culpability is not clear. On this important issue, there are a number of unresolved questions that would benefit from examination by the full court:

- Is the required culpable state of mind an objective or subjective inquiry, or both?
- Is the required culpable state of mind regarding the wrongfulness of the acts negligence, recklessness, intent or something else?
- If the test is “knew or should have known,” and some kind of duty exists, what is the scope of that duty and when is it implicated?
- Is a reasonable belief that the patent is invalid or unenforceable a defense to induced infringement?
- What is the difference between the mental state required for willfulness and the mental state required for induced infringement?

- Is knowledge of the patent required, and, if not, what is the standard to prove “constructive knowledge”?

These questions are of tremendous importance to the bar, and they come up often in counseling clients preparing to bring products to market. Clearance work becomes more complicated if one must anticipate potentially infringing uses of its products by customers. It is also important for patent prosecutors to understand the reach of inducement law in counseling clients on claims drafting and in explaining the enforcement limits that a particular claim may have. The potential reach of inducement law will affect the value of a patent and thus the decision to invest in one.

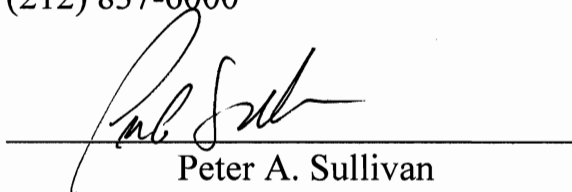
AIPLA and the FCBA do not at this stage take a position with respect to the appropriate level of culpability needed to sustain an action for induced infringement. However, both organizations, representing practitioners in the field, believe that this Court needs to grant *en banc* review in order to clarify this murky area of the law. Whatever the test prescribed, it should be clear enough to understand and allow practitioners to counsel clients confidently with respect to its contours.

### **CONCLUSION**

For the foregoing reasons, the petition for rehearing *en banc* should be granted.

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