

Client Alert

Latham & Watkins Supreme Court and Appellate
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Supreme Court Says "Willful Blindness" Satisfies Knowledge Requirement for Inducement of Patent Infringement

Global-Tech Appliances, Inc., et al. v. SEB S.A., No. 10-6, 563 U.S. ___ (May 31, 2011)

The US Supreme Court issued a decision Tuesday in *Global-Tech Appliances, Inc., et al. v. SEB S.A.* (8-1, with Justice Kennedy dissenting) that changes the standard of liability for inducement of patent infringement. Disagreeing with the Federal Circuit's reasoning, the Court held that liability under 35 U.S.C. § 271(b) cannot be imposed absent knowledge by the defendant that the induced acts constitute patent infringement. The Court rejected the Federal Circuit's approach, under which "deliberate indifference to a known risk that a patent exists" was sufficient to establish knowledge. But the Court nonetheless affirmed the Federal Circuit's judgment, holding that "willful blindness" of the fact that the induced acts constitute patent infringement is sufficient to establish actual knowledge, and finding a reasonable basis for a finding of willful blindness in the record of the case. The decision alters what had been the prevailing standard in the Federal Circuit and will make it somewhat more difficult to prove inducement liability going forward — although it is not entirely clear how the standard will be applied in practice.

The Court stopped short of requiring plaintiffs to prove "actual notice," which would have set the bar for inducement liability still higher. And, as Justice Kennedy's dissenting opinion points out, the Court's "willful blindness" approach to the statutory requirement of knowledge in this case may also impact other areas of the law.

The *Global-Tech* Litigation

The case concerned plaintiff-respondent SEB S.A.'s design for a "cool touch" deep fryer for home use. SEB's patented apparatus, marketed under the "T-Fal" brand, situated metal portions of the deep fryer inside a plastic skirt so that the exposed portions of the fryer stay cool to the user's touch. Defendant-petitioner Pentalpha purchased a T-Fal brand "cool touch" fryer in Hong Kong, copied key aspects of the T-Fal design, and manufactured a competing "cool-touch" fryer for distribution in the United States. Although Pentalpha retained an attorney to conduct a right-to-use study, it failed to inform the attorney that it had copied SEB's design. Pentalpha's attorney did not independently identify SEB's patent, and issued an opinion letter stating that Pentalpha's deep fryer did not infringe any of the patents he had found.

"Under the Court's new test, inducement liability will not be found unless the defendant has demonstrated knowledge (at least 'willful blindness') of both the asserted scope of the claims of the earlier patented invention, and the fact that the acts it induced/encouraged fall within the scope of those claims."

SEB sued Pentalpha and several other defendants for patent infringement. The jury found that Pentalpha had directly infringed SEB's patent and also had actively induced the other defendants (retailers who sold the products in the United States) to infringe SEB's patent.

On appeal to the Federal Circuit, Pentalpha argued (among other things) that there was insufficient evidence to support the jury's finding of induced infringement under § 271(b) because Pentalpha did not actually know of SEB's patent until SEB filed suit. The Federal Circuit rejected that argument, stating that the record established that "Pentalpha deliberately disregarded a known risk that SEB had a protective patent." Such "deliberate indifference," the court of appeals reasoned, was sufficient to satisfy the knowledge requirement under § 271(b). The Supreme Court granted certiorari on October 12, 2010 and heard oral argument on February 23, 2011.

The Supreme Court Holds Knowledge of Infringement Is Required

Writing for eight Members of the Court, Justice Alito first found that § 271(b)'s knowledge requirement is ambiguous: It "may require merely that the inducer lead another to engage in conduct that happens to amount to infringement," (slip op. 4), or it may "be read to mean that the inducer must persuade another to engage in conduct that the inducer knows in infringement" (slip op. 5). To illustrate his point, Justice Alito offered a colorful analogy:

If a used car salesman induces a customer to buy a car, the salesman knows that the desired result is the purchase of the car. But what if it is said that the salesman induced the customer to buy a *damaged* car? Does this mean merely that

the salesman induced the customer to purchase a car that happened to be damaged, a fact of which the salesman may have been unaware? Or does this mean that the salesman knew that the car was damaged? The statement that the salesman induced the customer to buy a damaged car is ambiguous. So is § 271(b).

Finding the statutory text inconclusive, the Court turned to the body of case law that predated the enactment of the Patent Act. The Court found the pre-enactment inducement cases "susceptible to conflicting interpretations." Slip op. 7. It concluded, however, that its prior decision in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*), was controlling.

When Congress enacted § 271, the Court explained, it separated contributory infringement offenses into two categories: § 271(b) (inducement); and § 271(c) (the sale of a component of a patented invention). In *Aro II*, a divided Supreme Court had interpreted § 271(c) to require actual knowledge of the patent, rather than knowledge "only that the component is specially adapted for use in a product that happens to infringe a patent." Slip op. 9.

The Court in *Global-Tech* observed that § 271(c) contains "exactly the same ambiguity as § 271(b)." *Id.* Because *Aro II*'s interpretation of analogous ambiguity in § 271(c) had become "a fixture in the law of contributory infringement" over the past fifty years, and because the two provisions have "a common origin in the pre-1952 understanding of contributory infringement," the Court held that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement. Slip op. 9-10.

“Willful Blindness” Is Knowledge for Purposes of Inducement Liability Under § 271(b)

Because inducement liability requires actual knowledge that the conduct induced is infringing, the Court agreed with Pentalpha that the Federal Circuit’s test — “deliberate indifference to a known risk that a patent exists” — was the wrong legal test. The Court affirmed the Federal Circuit’s judgment, however, because it found the evidence was sufficient to support a finding of knowledge under the “willful blindness” doctrine.

Observing that the doctrine had long been used to define “knowledge” in the criminal law, the Court concluded that there was “no reason why the doctrine should not apply in civil lawsuits for induced patent infringement.” Slip op. 12. The Court explained that willful blindness requires that “1) the defendant must subjectively believe that there is a high probability that a fact exists; and 2) the defendant must take deliberate actions to avoid learning of that fact.” Slip 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.” Slip op. 14.

The Court explained that this standard differs materially from the test applied by the Federal Circuit, which permitted a finding of knowledge where there is merely a “known risk” that the induced acts are infringing, and even where the inducer takes no affirmative action to shield itself from knowledge of the infringing nature of the activities. *Id.*

Applying that standard, the Court determined that the jury could have found that Pentalpha “willfully blinded itself to the infringing nature of the sales it encouraged” others to make. In particular, there was evidence that Pentalpha knew that the “cool touch”

fryer was a commercial success in the United States, but intentionally purchased a unit in Hong Kong, where it was less likely to bear U.S. Patent markings. Moreover, after Pentalpha had copied the SEB fryer’s design (all but a few cosmetic features), Pentalpha retained an attorney to conduct a right-to-use study, but refrained from telling the attorney that its design was copied directly from SEB’s. That evidence persuaded the majority that the jury could properly have concluded that Pentalpha was aware of a high probability that its fryer was infringing and that it took affirmative steps to avoid obtaining actual notice of SEB’s patent.

Justice Kennedy dissented. Although he agreed with the majority’s interpretation of § 271(b) as requiring knowledge that the induced acts are infringing, he would not have held “willful blindness” sufficient to satisfy “a statutory requirement of knowledge.”

Likely Impact of the Decision

The *Global-Tech* decision should make it more difficult for a plaintiff to prove indirect patent infringement, particularly induced infringement. Under the Federal Circuit’s “deliberate indifference” test, a plaintiff needed only to show that the defendant acted with indifference in the face of a “risk” that a patent exists. Plaintiffs now must show that the defendant “subjectively believe[d] there [wa]s a *high probability*” not just that a patent exists, but that the conduct encouraged/induced constitutes infringement of that patent. Plaintiffs must further demonstrate that the defendant took affirmative steps to maintain plausible deniability (*i.e.*, to avoid receiving actual notice of the infringement).

Although willful blindness may be proved by circumstantial evidence (as it was in *Global-Tech* itself), the requirement that the defendant have knowledge of the infringement may

have the practical effect of encouraging patentees to provide actual notice to the alleged inducer before they can recover under § 271(b). Patentees will have to show that the defendant actually had a basis for discerning the alleged scope of the claims of the patent — and how the actions it encourages are infringing. Of course, patent markings perform a notice function. See 35 U.S.C. § 287(a). When a defendant copies a marked product, it is presumed to have some knowledge of the asserted scope of the claims embodied by the marked product (and also some knowledge that the copied product implicates those claims). But induced infringement cases can involve assertions that technology *independently developed* by the defendant induces third parties to make an apparatus (or perform a method) that was earlier patented by the plaintiff. Under the Court's new test, inducement liability will not be found unless the defendant has demonstrated knowledge (at least "willful blindness") of both the asserted scope of the claims of the earlier patented invention, and the fact that the acts it induced/encouraged fall within the scope of those claims.

That said, it is difficult to predict how the Court's new test will work in practice. It is unclear, for example, whether this test will make it easier for defendants to dispose of inducement claims at summary judgment. The Court's test appears to require a very fact-intensive inquiry, and it may be that plaintiffs will not find it materially more difficult to avoid summary judgment on this issue. Moreover, the Court appears to have left open the question whether "§ 271(b) demands more than willful blindness with respect to *the induced acts* that constitute infringement." Slip op. 12. The Court thought it unnecessary in *Global-Tech* to reach that question, because Pentalpha "indisputably" knew that "its customers were selling its product in this country." *Id.*

As Justice Kennedy pointed out in dissent, the Court's "willful blindness" approach to the statutory requirement of knowledge here may have wide-ranging consequences for other areas of the law, because "[t]he Court appears to endorse the willful blindness doctrine" as sufficient to establish the statutory element of "knowledge" in federal statutes generally. Whether the majority meant to endorse such a broad pronouncement remains to be seen.

Finally, the *Global-Tech* decision continues what appears to be a common thread in the Supreme Court's patent decisions, namely supplanting legal rules unique to patent cases with generalized legal principles.

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