

U.S. Supreme Court Establishes State-of-Mind Requirement for Inducing Infringement Liability

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Today, the U.S. Supreme Court issued its decision in *Global-Tech Appliances, Inc., et al. v. SEB S.A.*, No. 10-6 (2011), holding that to prove inducing infringement under 35 U.S.C. § 271(b) a plaintiff must prove that the infringer had knowledge that “the induced acts constitute patent infringement.” The Court also held that this knowledge requirement can be satisfied by evidence of “willful blindness.”

Morgan Lewis represented SEB in this case. The leader of our U.S. Supreme Court and Appellate Litigation Practice, Ted Cruz, argued the case on February 23. In today’s decision, by an 8-1 vote, our client prevailed.

On the facts of the case, SEB had developed an innovative method to produce household deep fryers and received a U.S. patent for this invention. A foreign competitor, Global-Tech Appliances, purchased one of SEB’s fryers in Hong Kong where it would not have patent markings, reverse-engineered SEB’s fryer, and then copied the SEB fryer’s unique technology. Global-Tech hired a patent attorney to conduct a patent search, but deliberately chose not to tell that attorney that its fryer was a copy of another company’s commercially successful fryer. The attorney did not locate SEB’s patent in its patent search. Global-Tech then sold its fryers to U.S. companies to sell within the United States. SEB sued Global-Tech for patent infringement and inducing infringement, and the jury found for SEB on all counts.

On appeal, Global-Tech challenged the finding on inducing infringement liability due to a lack of evidence of its actual knowledge of SEB’s patent. Section 271(b) provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” Over the last two decades, the Federal Circuit has offered various formulations of what mental-state requirement must be proven to establish liability under § 271(b). On appeal in this case, the Federal Circuit held that the mental-state requirement could be satisfied by evidence of “deliberate indifference of a known risk that a patent exists” and that Global-Tech’s actions constituted such deliberate indifference.

The Supreme Court rejected the Federal Circuit’s analysis but nonetheless affirmed the judgment. The Court held that inducing infringement liability under § 271(b) requires evidence that the infringer had knowledge that “the induced acts constitute patent infringement.” Adopting the argument advanced by SEB, the Court held that this knowledge requirement could be satisfied by evidence of “willful blindness.” After analyzing the record, the Court held that the judgment for SEB could be affirmed based on the evidence of Global-Tech’s willful blindness. The Court focused on Global-Tech’s decision

to purchase the fryer to reverse-engineer it overseas (where it would not have U.S. patent markings) and then to deliberately withhold from its attorney the basic information that its fryer was a copy of SEB's fryer.

This decision clears up an issue of long-standing confusion in the Federal Circuit as to the mental-state requirement of § 271(b). The Court's explication of the standard should be welcome news to both innovators and holders of patents. The decision prevents frivolous claims of inducing infringement by requiring proof of knowledge of infringement. At the same time, it allows companies to protect their intellectual property rights against those companies that willfully blind themselves to a lawful patent in order to copy a commercially successful product. Corporations hiring attorneys to conduct patent searches should be sure to disclose to their attorneys any products copied or relied upon in developing a new technology.

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