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PATENTS

While the standard for proving induced patent infringement is uncertain and is likely to be further informed by a case pending in the Supreme Court, practitioners litigating inducement claims should look to the factors listed in this article to prosecute or rebut such claims.

Practical Tips for Litigating Induced Patent Infringement Cases in the Wake of *DSU*, *SEB*, and Other Recent Decisions



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I. Introduction

Several recent cases—principally *DSU Medical Corp. v. JMS Co.*—have attempted to clarify the standard for proving inducement of patent infringement. These cases, however, have also raised additional questions leaving practitioners uncertain as to what conduct constitutes inducement of infringement. This article provides tools for practitioners on both

sides to use to address issues of induced infringement. The article does so in three parts.

First, it provides a brief description of the historical split addressed by the U.S. Court of Appeals for the Federal Circuit's *DSU* decision and the resolution of that split. The article then summarizes the application of *DSU* by post-*DSU* decisions. Finally, the article identifies a number of factors that practitioners should consider when prosecuting or defending inducement claims.

II. A Little History: The *Hewlett-Packard/Manville Split* and Its Purported Resolution by *DSU*

A. *Hewlett-Packard/Manville Split*

Liability for induced infringement springs from 35 U.S.C. § 271(b), which states that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” But what does “actively induces infringement of a patent” mean? District courts have struggled with that question for a number of years.

As the case law interpreting Section 271(b) developed, two competing tests for inducement emerged in a pair of 1990 Federal Circuit decisions in *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1467, 15 USPQ2d 1525 (Fed. Cir. 1990), and *Manville Sales Corp. v. Paramount Systems Inc.*, 917 F.2d 544, 16 USPQ2d 1587 (Fed. Cir. 1990). Both cases acknowledged that proof of inducement requires evidence of direct infringement as well as intent by the defendant, but differed as to the level of intent required.

In *Hewlett-Packard*, the defendant entered into an agreement with the alleged direct infringer whereby the defendant would work with a third party to develop a product that would not infringe the patent in suit, and would indemnify the third party in the case of a patent infringement lawsuit. In finding no inducement, the Federal Circuit held that the inducer need only intend to cause the acts of a third party that constitute direct infringement. In other words, it was not expressly required that the inducer be shown to have intended to induce a third party to directly infringe a known patent. The inducer could be liable for simply causing steps to be performed that would directly infringe a patent. This standard tended to favor plaintiffs by making it easier to find liability for induced infringement since the plaintiff did not need to prove knowledge of the patent.

During the same year the *Hewlett-Packard* decision issued, however, the Federal Circuit issued the *Manville* decision. In *Manville*, two Paramount corporate officers, Anthony DiSimone and Robert Butterworth, obtained a drawing of the invention in question and directed their employees to copy it. The district court found that even though DiSimone and Butterworth had a good faith belief based upon advice of counsel that Paramount was not infringing and did not have any knowledge of the patent in suit until after the suit was filed, they were liable for inducing infringement.

Reversing the district court, the Federal Circuit held that, “[i]t 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.”

This was a more exacting standard than the *Hewlett-Packard* standard and tended to favor defendants because it required a showing that the defendant had knowledge of and intention to cause a third party to directly infringe a patent. The competing standards persisted for sixteen years before the Federal Circuit in 2006 addressed the issue in the *DSU* case.

B. *DSU Purports to Resolve the Hewlett-Packard/Manville Split*

In 2006, the Federal Circuit purported to resolve the conflicting authority regarding the intent required to prove induced infringement in its decision in *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293, 81 USPQ2d 1238 (Fed. Cir. 2006) (73 PTCJ 206, 12/22/06). In *DSU*, the plaintiff claimed that defendants—a manufacturer and distributor of “open-shell” needle covers for medical use which, when closed, were alleged to infringe plaintiff’s patent—induced one another to infringe plaintiff’s patent. The *DSU* court, sitting en banc, ruled that the more exacting *Manville* standard was the correct test and affirmed the trial court’s finding of no inducement. The court held that “[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.” Moreover, “[t]he requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement that he or she knew of the patent.” *Id.* The *DSU* court stated that the “intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement.”

In resolving the conflicting precedent, the *DSU* court looked to reasoning from *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 75 USPQ2d 1001 (2005) (70 PTCJ 258, 7/1/05), a copyright inducement case in which the Supreme Court referred to patent inducement law in articulating the standard for copyright inducement. *Grokster* held that if an entity offers a product “with the object of promoting its use to infringe [copyright], as shown by clear expression or other affirmative steps taken to foster infringement, it is then liable for the resulting acts of infringement by third parties.”

“The inducement rule . . . premises liability on purposeful, culpable expression and conduct . . .” (emphasis added). *Id.* at 936-47.

The *DSU* court concluded that the Supreme Court’s language in *Grokster* supported the mental state requirement set forth in *Manville*, not that in *Hewlett-Packard*: “*Grokster* has clarified that the intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement. In the words of a recent decision, inducement requires ‘that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.’” *DSU*, 471 F.3d at 1306 (internal citations omitted).

Accordingly, *DSU* established that, to prevail on a claim for induced infringement, a patentee must show:

(a) direct infringement, (b) the alleged inducer knew or should have known his actions would induce actual infringement, which necessarily includes knowledge of the patent, and (c) the alleged inducer possessed a specific intent to encourage another's infringement of the patent.

While *DSU* resolved the split over the intent standard for inducement of patent infringement, questions remained with respect to where the boundaries for the elements of inducement lie and what conduct is sufficient to prove an inducement claim. Cases since *DSU*, including those discussed below, have provided some guidance but have also given rise to additional questions.

III. Post-*DSU* Authority: Some Clarification and Some Confusion

A. *Veritas Operating Corp. v. Microsoft Corp.*

In *Veritas Operating Corp. v. Microsoft Corp.*, 562 F. Supp. 2d 1141, 1277-78 (W.D. Wash. 2008), the plaintiff claimed that Microsoft Corp. induced infringement of its patent relating to data backup procedures and devices. Veritas Operating Corp., however, could not establish that any Microsoft employee had actual knowledge of the patent in suit prior to the filing of the lawsuit. *Id.* at 1277. Instead, Veritas relied on the fact that the patent in suit had been cited by a Patent and Trademark Office patent examiner during the prosecution of two unrelated Microsoft patents and that Microsoft's outside patent prosecution counsel knew that the patent had been cited in order to establish knowledge of the patent for its inducement claim.

Applying agency law principles, the court imputed the prosecuting attorneys' knowledge of the patent in suit to Microsoft and determined that Microsoft had constructive knowledge of the patent. However, the court found that there was no inducement to infringe, noting: "having 'knowledge' of a single patent only because it was cited during prosecution of two patents among thousands (and then only through imputing that knowledge from Microsoft's attorneys) does not give Microsoft sufficient 'knowledge' to formulate the 'intent' required for inducement." *Id.* at 1285.

The plaintiff failed to demonstrate an intent to induce because it could not produce evidence linking the defendant's imputed knowledge of the patent to the alleged inducing activities, which included providing product instructions that happened to teach an infringing use among other noninfringing uses. Thus, while the court found the knowledge of the patent requirement technically met, that evidence alone was not sufficient to establish that Microsoft harbored an intent to induce infringement of the patent, and the court granted summary judgment in Microsoft's favor.

B. *Broadcom v. Qualcomm*

In *DSU*, the disclosure of a credible noninfringement opinion was considered as a factor in the court's finding that the defendant did not induce infringement. In *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 88 USPQ2d 1641 (Fed. Cir. 2008) (75 PTCJ 535, 3/21/08), the Federal Circuit considered the opposite set of facts and, in affirming a jury's inducement verdict, held that the absence of an opinion of counsel can be relevant evidence in resolving an inducement claim.

In *Broadcom*, the defendant obtained a patent invalidity opinion, but did not obtain a noninfringement

opinion, did not waive attorney-client privilege with respect to the invalidity opinion, and did not produce it. The Federal Circuit held that the failure to seek a noninfringement opinion and failure to produce an invalidity opinion could be considered as factors in showing not only whether the defendant knew or should have known that its actions would cause infringement but also could be considered as factors in determining whether there was an intent to induce infringement. *Id.* at 699.

These facts, combined with evidence of the defendant's failure to investigate infringement allegations, explore design-around approaches, or take remedial steps, supported a finding of intent to induce infringement of plaintiff's patents. The court thus affirmed the jury's verdict.

C. *Vita-Mix Corp. v. Basic Holding Inc.*

In *Vita-Mix Corp. v. Basic Holding Inc.*, 581 F.3d 1317, 92 USPQ2d 1340 (Fed. Cir. 2009) (78 PTCJ 646, 9/25/09), the Federal Circuit held that product instructions teaching infringing uses can be corrected to avoid liability for inducement. Defendant Basic sold food blenders with product instructions that taught the user to "stir in a counterclockwise motion while the blades are moving," which Vita-Mix argued infringed its patent. Basic, however, changed its instructions to teach a noninfringing use of the product (stirring in a counterclockwise motion *while scraping the sides of the pitcher with the stir stick* while the blades are moving) after Vita-Mix articulated its infringement contentions, but before Vita-Mix filed suit. *Id.*

The court found this conduct compelling and determined that the original instructions "do not evidence a specific intent to encourage infringement, since they teach a stirring action which Basic could have reasonably believed was noninfringing. The amended product instructions teach an undisputedly noninfringing use, evidencing intent to discourage infringement."

The *Vita-Mix* court went on to clarify that the pertinent question is not just "whether a user following the instructions may end up using the device in an infringing way," but "whether Basic's instructions teach an infringing use of the device such that we are willing to infer from those instructions an affirmative intent to infringe the patent."

D. *Fujitsu Ltd. v. Netgear, Inc.*

The Federal Circuit in *Fujitsu Ltd. v. Netgear Inc.*, No. 2010-1045, 2010 U.S. App. LEXIS 19543 at *2 (Fed. Cir. Sept. 20, 2010) (80 PTCJ 723, 10/1/10), reversed a district court's grant of summary judgment in favor of the defendant on an inducement claim and remanded the case to the district court. In that matter, the plaintiff sent the defendant a letter offering to license patents, and included copies of the patent in suit and language stating that the patent was "essential" to the practice of wireless communications standards. Because the letter did not accuse any products of infringement and the section of the standard relating to the patent in suit was optional, the district court held that the defendant did not have notice and therefore did not have the requisite intent to induce.

Reversing the district court, the Federal Circuit held that such a letter may be sufficient to demonstrate knowledge of a patent for inducement purposes and re-

versed the lower court's summary judgment finding of no induced infringement.

E. *SEB S.A. v. Montgomery Ward & Co.*

In *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1376, 93 USPQ2d 1617 (Fed. Cir. 2010) (79 PTCJ 426, 2/12/10), the Federal Circuit upheld a finding of inducement without a showing of actual or constructive knowledge of the patent in suit where it found that the defendant “deliberately disregarded a known risk that [plaintiff] had a protective patent.” The *SEB* court acknowledged that *DSU* requires knowledge of the patent, but explained that the *DSU* court “did not, however, set out the metes and bounds of the knowledge-of-the-patent requirement.”

In *SEB*, defendant Pentalpha purchased an *SEB* fryer in Hong Kong, and reverse engineered it to design its own fryer. Pentalpha copied the *SEB* fryer's design, including allegedly patented features, and sold Pentalpha fryers that were imported into the United States. Pentalpha obtained a right-to-use study from a United States attorney, but failed to disclose to the attorney that Pentalpha had copied the *SEB* product. The attorney's patent search identified 26 patents, but did not identify *SEB*'s patent in suit, and the attorney concluded that none of the claims of the 26 patents read on the Pentalpha fryer.

SEB filed a patent infringement lawsuit against Pentalpha that included an inducement claim and the case proceeded to trial. At the close of evidence at trial Pentalpha moved for judgment as a matter of law on the inducement claim on the basis that no evidence had been presented that Pentalpha was aware of the patent in suit prior to the lawsuit. *SEB* responded that the jury could infer intent from Pentalpha's failure to inform its patent attorney that it had copied an *SEB* fryer. The trial court denied the motion, finding that there was evidence to support *SEB*'s theory of inducement. The jury returned a verdict against Pentalpha, including a finding of induced infringement against Pentalpha.

The Federal Circuit affirmed the decision, stating that the finding of inducement was justified because Pentalpha “deliberately disregarded a known risk that [plaintiff] had a protective patent.” Looking to various non-patent decisions from other courts, the Federal Circuit recognized that “specific intent is not so narrow as to allow an accused wrongdoer to actively disregard a known risk that an element of the offense exists.” The *SEB* court reasoned that the district court's holding is consistent with *DSU* because deliberate indifference of a known risk is a form of actual knowledge.

The *SEB* court did not go so far as to further define what constitutes a “known risk” generally but rather identified the specific facts of the case that supported the jury's verdict. The court found “considerable evidence of deliberate indifference,” including that Pentalpha's president was the named inventor on 29 U.S. patents and familiar with the U.S. patent system, that Pentalpha and *SEB* had earlier been engaged in a business relationship involving one of Pentalpha's patented products, and that, despite these facts, Pentalpha did not tell its patent counsel that it had copied *SEB*'s fryer (resulting in a right-to-use opinion that omitted the patent in suit).

The *SEB* court did note, however, that “a showing of deliberate indifference may be defeated where an accused infringer establishes that he *actually believed*

that a patent covering the accused product did not exist.” But the court did not discuss how this standard might be met. The court, however, did not find persuasive Pentalpha's argument that it could not have known of the patent because *SEB*'s fryer, purchased in Hong Kong, was not marked with its U.S. patent number.

Significantly, the Federal Circuit left some wiggle room for future cases by stating that the *SEB* decision does not “establish the outer limits of the type of knowledge needed for inducement.” Accordingly, it is possible that the Federal Circuit would affirm a finding of inducement based on even less evidence than that present in the *DSU* case.

The Supreme Court granted a writ of certiorari to review the Federal Circuit decision on Oct. 12. *Global-Tech Appliances Inc. v. SEB S.A.*, cert. granted (U.S. No.10-6, Oct. 12, 2010) (No. 10-6). In addition to the writ petition filed by defendants, 26 law, economics, and business professors filed an *amicus* brief seeking clarification from the Supreme Court on the standards for an inducement claim. Further clarification may therefore be forthcoming.

IV. Bringing Some Sanity to the Process: Practice Pointers for Litigating Inducement Claims

The above cases illustrate that rigid application of applicable legal standards does not always lead to predictable results in inducement cases. Indeed, the Federal Circuit has confirmed that inducement necessarily includes the requirement that the alleged infringer knew of the patent but has also confirmed without changing the test that “deliberate indifference” to the existence of a patent can satisfy the knowledge element. How should practitioners make sense of these decisions in prosecuting or defending inducement claims?

We submit that the critical issue in litigating inducement claims is whether the conduct of the alleged inducer, taken together, might tend to prove or disprove an intent to induce infringement. In other words, regardless of how the inducement standard is articulated or refined, state of mind evidence will usually be the most important evidence in determining whether a defendant will or will not be held liable for inducement.

We have thus surveyed the inducement decisions, both patent and copyright, and identify below a number of factors identified in those cases as relevant to proving or disproving state of mind that practitioners on both sides should consider when litigating an inducement case.

A. Advertisements and Other Marketing Materials

In *Grokster*, the Supreme Court emphasized the importance of advertising in inducement cases: “The classic case of direct evidence of unlawful purpose occurs when one induces commission of infringement by another, or entic[es] or persuad[es] another to infringe. . . , as by advertising.” *Grokster*, 545 U.S. at 935 (internal citations and quotation marks omitted). The court noted, “[A]t common law a copyright or patent defendant who ‘not only expected but invoked [infringing use] by advertisement’ was liable of infringement ‘on principles recognized in every part of the law.’” Advertising an infringing use is considered an “active step” to encourage direct infringement.

Accordingly, plaintiffs should review and preserve advertisements and marketing materials, including

those made in print and on the websites of potential inducers. Similarly, potential defendants should ensure to the extent possible that advertising does not teach the practicing of patent claims. When infringement allegations are made, potential defendants should consider changing advertising to remove statements that could be interpreted as inducing infringement and/or include statements that teach away from infringement.

As evidenced in decisions like *Vita-Mix* and *Grokster*, courts tend to look more favorably on defendants who take corrective measures. Advertising, however, as with the other factors, needs to be analyzed in context. For example, an advertisement that discourages infringing use may not avoid an inducement claim if a defendant has exhibited through other conduct an intent to induce infringement.

B. Product Instructions and Other Generic Customer Communications

As with advertising, product instructions, and other uniform customer communications like training manuals, white papers, product specifications, FAQs, scripts for customer calls, and other materials, may play an important role in determining liability. In *i4i IP v. Microsoft Corp.*, 598 F.3d 831, 93 USPQ2d 1943 (Fed. Cir. 2010) (79 PTCJ 538, 3/12/10), Microsoft marketed its accused XML editor along with online training and user support resources, which provided customers with detailed instructions on how to use the accused product. The plaintiff's expert testified that using the editor as directed by these materials would infringe plaintiff's patent. In addition, there were internal e-mail messages and statements by Microsoft employees recognizing the infringing nature of the accused product, Microsoft kept data tracking infringing uses of its product, and Microsoft provided marketing materials listing "real" examples of customers using the product in an infringing manner. According to the court, this was substantial evidence supporting a finding of induced infringement.

Thus, practitioners should be aware of product instructions related to accused products and analyze such materials to determine how they might relate to inducement claims.

C. Specific Customer Communications

In addition to generic communications with customers, evidence of customer specific communications may support or rebut a claim of induced infringement. For example, responses to requests for proposals or product bids may include relevant information. E-mail correspondence with customers or customer files (such as customer specific product specifications), which are generally harder to gather than generic customer communications, may also include relevant information.

D. Internal Communications and Materials

Practitioners should also consider internal company communications such as e-mail, reports, and memoranda that may shed light on a party's knowledge of a patent and/or state of mind relevant to an inducement claim. While many of these communications are likely to be privileged or work product (and those on the defense side of an issue should try to protect privileged communications to the extent possible), there may be instances where non-privileged communications occur and contain evidence relevant to an inducement claim.

E. Customer Base

Practitioners should also take care to understand a party's customer base and strategic policies with respect to customers as this information may bear on the issue of inducement. For example, in the *Grokster* case, the Supreme Court noted as relevant the fact that defendants marketed their products to customers already known for committing copyright infringement.

Some factors that should be weighed with respect to this category are whether the customers were known to previously use plaintiff's product that allegedly practices the patent or another product known to infringe the patent in suit as well as the extent to which customers use the accused product for noninfringing purposes. See, e.g., *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1365, 65 USPQ2d 1481 (Fed. Cir. 2003) (66 PTCJ 732, 10/31/03).

F. Patent Clearance Work

A patent investigation related to the release of a new product played an important role in the facts specific to the *SEB* decision (where defendant copied a product but did not tell clearance counsel that fact), but it is not clear to what extent parties have a duty to conduct patent investigations where they do not have notice of a patent. For potential defendants, a reasonable right to use analysis could be a strong factor to rebut an inducement claim. For patent holders, an unreasonable analysis may provide evidence useful to prosecuting an inducement claim.

G. Product Design

The design of a product is also an important factor to consider in analyzing an inducement claim. See, e.g. *Vita-Mix*, 581 F.3d at 1328-29 (disagreeing that the design of the accused product induced infringement and finding that, if anything, "the product design naturally encourages non-infringing use"). Practitioners should consider whether an accused product was designed with knowledge of the patent or designed in such a way to favor or deter potential infringement. For example, if the removal of a part could avoid infringement by the user, but the accused decided to nevertheless include that part, a patent holder may claim that this tends to show intent to induce infringement. To the contrary, if the accused infringer can show steps taken to remove potentially infringing aspect, that would tend to rebut an intent to induce infringement.

H. Design Arounds

Similar to the issues presented with advertisements and product instructions, parties should explore the feasibility of changing a product so that it is not capable of or at least diminishes infringement. Efforts to design around an infringing feature and avoid infringement would tend to paint a defendant in a more favorable light than not. See *Vita-Mix*, 581 F.3d at 1329; see also *Grokster*, 545 U.S. at 938-39; and *Arista Records LLC v. Lime Group LLC*, No. 06 CV 5936, slip op. at 31 (S.D.N.Y. May 11, 2010) (80 PTCJ 88).

Should a party decide to explore this route, it is important that the party actually follow through with such an effort. Courts have not looked favorably on parties that have just paid lip service to putting in the effort but not actually done it. *Id.* at 33-34.

I. Substantial Noninfringing Uses

Traditionally, the question of whether a product has a substantial noninfringing use arises in the contribu-

tory infringement context; however, this should be considered in the inducement context as well. In *Warner-Lambert*, the defendant manufactured a generic drug that, among several other noninfringing uses, was sometimes prescribed for off-label use in treatment of neurodegenerative diseases, which infringed the patent in suit. The evidence showed that only about 2.1 percent of prescriptions written for the drug were for use in the infringing manner. Conversely, 97.9 percent of prescriptions were for noninfringing on label and off label uses and represented more than 46 times the amount of revenue from infringing uses.

The court held on those facts that “where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be infringing the patent.” The court reasoned that it would defy common sense to find intent in that case where off label promotion of the potentially infringing use would be in contravention of FDA regulations and constituted such a small fraction of sales.

However, a substantial noninfringing use does not necessarily foreclose a finding of an intent to induce. The *Warner-Lambert* court acknowledged that a plaintiff may overcome this hurdle with a showing of direct evidence of intent: “Where there are many uses for a product . . . and fewer than 1 in 46 sales of that product are for infringing uses, we are not in a position to infer or not infer intent on the part of [defendant] without any direct evidence.” See also *Veritas*, 562 F. Supp. 2d at 1265. Whether and when a noninfringing use is substantial can depend on quantitative and qualitative factors and is not well defined in the case law.

Parties should therefore look to build a record emphasizing, or de-emphasizing, noninfringing uses for accused products. Along this vein, counsel should consider engaging an expert witness who can determine and analyze the market share and uses of the accused product and revenues or profits earned according to infringing and noninfringing uses, as was done in *Warner-Lambert*.

J. Opinion of Counsel

Whether a party obtains noninfringement or invalidity opinions can play an important role in determining liability for inducement as well. The disclosure of a favorable opinion (especially of noninfringement) tends to negate a showing that the defendant had knowledge of infringement or an intent to infringe. *Broadcom*, 543 F.3d at 699-700.

Conversely, the failure to secure an opinion, especially in light of infringement allegations, can be considered when determining that a defendant had sufficient knowledge or intent to induce. It is important to note that the *Broadcom* decision does not necessarily require that parties secure opinions from counsel or disclose them during litigation.

Parties should make calculated decisions when determining whether to seek an opinion in light of infringement allegations. Even if a party is able to secure a favorable opinion, it will have to decide whether it would be likely to waive privilege with respect to the opinion and disclose it in subsequent litigation in order to get the full benefit of it. Moreover, if a party does not receive a favorable opinion, it can simply decide not to disclose it on the basis of privilege.

K. Economic Factors

Parties should also consider the economics of the accused inducer’s business and its reliance on or independence from infringing activities. The more the success of an accused inducer’s business relies on or profits from infringing activities, the more likely it is that a fact finder might find an intent to induce. See *Grokster*, 545 U.S. at 939-40; *Arista Records*, No. 06 CV 5936, slip op. 36-37.

Conversely, the less a business relies on infringing activities, such as in *Warner-Lambert*, the less likely it is a court will find intent. As with determining the extent of substantial noninfringing uses, a good expert witness can be very helpful in analyzing the economic factors.

L. Patent Marking

Whether or not the plaintiff marked its product or provided notice of its patent is also relevant in determining the inducement issue. Though not dispositive, a defendant would generally be better off if it can show the plaintiff’s product is not marked while plaintiffs will be generally better off showing they did mark a product. In *SEB*, the court stated in dicta that a defendant’s disregard of clear patent markings might play a role in establishing constructive knowledge of a patent.

M. Efforts to Stop Known Infringement

A defendant’s efforts to stop infringing activity, such as terminating a large customer account based on infringement allegations, could provide evidence of intent not to induce patent infringement. For example, a defendant who enforces policies prohibiting allegedly infringing uses by sanction or account termination is likely to be in a stronger position in rebutting an inducement claim than a defendant who prohibits allegedly infringing conduct but does nothing to punish violations.

Failure to stop known infringement may also indicate an intent to induce infringement. The *Grokster* court cited the fact that none of the defendants attempted to mitigate infringing activities of their customers and that the defendants relied on infringing activities for the success of their businesses.

N. Potential Legal Factors

External legal factors may also affect the inducement analysis. For example, in *Warner-Lambert* case the defendants were prohibited from off label marketing of the accused product. The court considered this to be a significant factor in its determination that there was no intent to induce infringement (since defendants would be violating the law to market the product for off label use).

Similarly, in *Viacom International Inc. v. YouTube Inc.* No. 07 Civ. 2103, slip op. at 16 (S.D.N.Y. June 23, 2010) (80 PTCJ 289), a copyright inducement decision, the court cited favorably the fact that YouTube complied with the Digital Millennium Copyright Act’s notice and take down procedure in finding that YouTube was not liable for inducement of copyright infringement.

Accordingly, practitioners should consider whether these or other legal factors may be relevant to a particular set of facts that may support or rebut an inducement claim.

V. Conclusion

While the standard for proving inducement is somewhat uncertain and is likely to be further informed by the Supreme Court's upcoming decision in the *SEB*

matter, practitioners litigating inducement claims should look to the factors listed in this article to prosecute or rebut inducement claims.