

Intellectual Property **ADVISORY**

June 10, 2011

The Supreme Court Raises the Standard for Induced Patent Infringement to Require Knowledge of Infringement or “Willful Blindness”

Summary

On May 31, 2011, the U.S. Supreme Court issued its decision in *Global-Tech Appliances, Inc. v. SEB S.A.*,¹ holding that inducement of infringement under 35 U.S.C. § 271(b) requires knowledge that the induced acts constitute patent infringement. The Court held that the Federal Circuit’s standard, which required a showing of “deliberate indifference of a known risk” of infringement, was insufficient to meet the knowledge requirement of Section 271(b). Instead, the Court held that actual knowledge may be shown under the doctrine of “willful blindness” by showing that a party (1) subjectively believed that there was a high probability of patent infringement, and that it (2) made a deliberate effort to avoid learning of the infringement. The Court found that the record was sufficient to support a finding of knowledge under the “willful blindness” standard and thus affirmed the Federal Circuit’s opinion.

Background of the Case

Global-Tech involved a patent for a deep fryer owned by plaintiff SEB S.A. Defendant Pentalpha, a Hong Kong home appliance manufacturer and subsidiary of defendant Global-Tech Appliances, Inc., purchased an SEB deep fryer overseas. The product did not bear any U.S. patent markings. Pentalpha, looking to develop a competing product, copied all but the cosmetic features of SEB’s deep fryer in manufacturing its own version.

Pentalpha retained patent counsel to obtain a right-to-use opinion on the Pentalpha deep fryer, but it failed to disclose to counsel that it had copied SEB’s product. The attorney’s search did not reveal SEB’s patent. With no knowledge of the SEB product or any patents that may cover the SEB product, the attorney issued an opinion stating that Pentalpha’s deep fryer did not infringe any patents he had found. Pentalpha thereafter began selling the accused deep fryers in the United States.

District Court and Federal Circuit Proceedings

SEB sued Pentalpha and other defendants for infringement of its patent. After a five-day trial, a jury found that Pentalpha had both directly infringed and induced infringement of SEB’s patent.

On appeal, Pentalpha argued there was insufficient evidence to support a finding of induced infringement. Specifically, Pentalpha asserted that it had no direct knowledge of the patent until SEB filed suit. The Federal Circuit affirmed the lower court’s judgment. Although the Federal Circuit held that there was no evidence

¹ *Global-Tech Appliances, Inc. v. SEB S.A.*, No. 10-6, Slip Op. (2011).

that Pentalpha had direct knowledge of SEB's patent, the Federal Circuit nonetheless held that Pentalpha was deliberately indifferent to a known risk of patent infringement. The Federal Circuit adopted a "deliberate indifference of a known risk" standard for purposes of satisfying the knowledge requirement.

The Supreme Court's Decision

Justice Alito, writing for the majority, began by commenting on the lack of guidance in the text of the statute itself. 35 U.S.C. § 271(b) states that "[w]hoever actively induces infringement of a patent shall be liable as an infringer."

The Court made clear that knowledge that the induced acts constitute patent infringement is required. But the Court also held that "willful blindness" would be sufficient to establish the knowledge element.² "Willful blindness," the Court said, consists of two elements: "(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."³ Drawing similarities to a recklessness standard, the Court rejected the Federal Circuit's "deliberate indifference" standard, since it provides for liability when there is merely a "known risk" that the induced acts are infringing, and it does not require an infringer to make an active effort to avoid learning of the infringement.⁴

The Court held that the evidence of record satisfied the knowledge element under the "willful blindness" standard, and affirmed the Federal Circuit's opinion. The Court identified the following factors as relevant to its determination of "willful blindness": the novelty of the SEB patent; Pentalpha's decision to copy an overseas model of SEB's patented deep fryer, knowing that foreign products typically do not bear U.S. patent markings; and Pentalpha's decision not to inform its patent counsel that its deep fryer was a copy of SEB's product.⁵ In view of these circumstances, the Court stated that a jury could have found that Pentalpha willfully blinded itself to the high risk that its product was infringing SEB's patent and that it was inducing others to do the same.⁶

Dissent

Writing alone in dissent, Justice Kennedy agreed with the majority that inducement of infringement requires knowledge that the induced acts constitute patent infringement, but disagreed that "willful blindness" can satisfy that requirement.⁷ Justice Kennedy stated that "[o]ne can believe that there is a 'high probability' that acts might infringe a patent but nonetheless conclude they do not infringe," and therefore "[t]he alleged inducer who believes a device is noninfringing cannot be said to know otherwise."⁸

² *Id.* at 10.

³ *Id.* at 13.

⁴ *Id.* at 14.

⁵ *Id.* at 15.

⁶ *Id.* at 14.

⁷ *Global-Tech Appliances, Inc. v. SEB S.A.*, No. 10-6, Dissent at 1 (Kennedy, J., Dissenting).

⁸ *Id.* at 2.

Implications of *Global-Tech*

The *Global-Tech* decision clarifies the standard of knowledge required to support a claim for inducement of infringement under 35 U.S.C. § 271(b). By rejecting the Federal Circuit’s “deliberate indifference” standard, *Global-Tech* effectively heightens the knowledge element of inducement by requiring knowledge of both the patent and the infringing nature of the induced acts. The Court did, however, provide a means for establishing liability without proving that the inducer had actual knowledge of the patent. Under the “willful blindness” standard, knowledge can be shown where a party, subjectively believing that there is a high probability that the actions it induces are infringing a patent, makes a deliberate attempt to avoid learning whether the actions actually infringe.

Questions Remaining

Several questions remain after the Supreme Court’s *Global-Tech* decision. For example, even though the Court suggested that Pentalpha was undoubtedly aware that its customers were selling its products in the United States, the Court did not address the issue of whether “willful blindness” would suffice to establish knowledge of the induced acts themselves. Therefore, whether “willful blindness” of actual induced acts, as opposed to the existence of an infringed patent, will suffice to satisfy the knowledge requirement remains an open issue.

It is also unclear what types of evidence will be sufficient to support a finding of “willful blindness.” The *Global-Tech* Court found the evidence in the case to be “plainly sufficient” to support a finding of knowledge under the “willful blindness” standard.⁹ The Court did not, however, elaborate on what constitutes a “deliberate action” to avoid learning of the alleged infringement. Nor did the Court discuss what facts would indicate an inducer’s subjective belief of a high probability of patent infringement. Time will tell what additional evidence courts will find sufficient.

Questions also remain concerning whether or when patent searches or opinions of counsel are necessary. The particular circumstances that will trigger these obligations were not specifically addressed in *Global-Tech*, nor did the Court address the necessary level of disclosure to patent counsel when obtaining an opinion of counsel.

Finally, the potential interplay between the *Global-Tech* decision and the Federal Circuit’s decision in *Seagate*¹⁰ remains unclear. Specifically, the question of whether an inducer can be held liable under the “willful blindness” standard of induced infringement for deciding not to seek legal advice (i.e., conduct a patent search or obtain opinion of counsel) after receipt of notice of patent infringement may require future clarification. Will an affirmative decision not to act be considered “deliberate action” in finding “willful blindness?”

⁹ *Global-Tech Appliances, Inc. v. SEB S.A.*, No. 10-6, Slip Op. at 10.

¹⁰ *In re Seagate Technology, L.L.C.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (“reemphasiz[ing] that there is no affirmative obligation to obtain opinion of counsel”).

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