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INTELLECTUAL PROPERTY LAW

Intellectual Property Alert:
A New Standard for Inducement to Infringe:
Global-Tech Appliances, Inc. v. SEB S.A.

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The Supreme Court in *Global-Tech Appliances, Inc., et al. v. SEB S.A.*, 131 S.Ct. 2060 (2011), relying on the criminal law doctrine of "willful blindness," redefined the knowledge requirement for establishing inducement to infringe under 35 U.S.C. § 271(b). In doing so, the Court criticized the Federal Circuit for applying the wrong standard, yet arrived at the same result. Under this new "willful blindness" standard (1) the defendant must subjectively believe that there is a high probability that a fact exists (*i.e.*, the existence of a patent) and (2) the defendant must take deliberate actions to avoid learning of that fact.

In *Global-Tech*, the District Court had upheld a jury verdict that Defendants were liable for inducing infringement of the patent-in-suit, which was directed to a deep fryer. The primary facts supporting this decision included (1) the fact that the Defendants had copied nearly "all but the cosmetics" of the patent owner's deep fryer – a product that was commercially successful; (2) the copied deep fryer was copied outside the U.S. where no U.S. patent markings were placed on the product; (3) the Defendants obtained a freedom to operate opinion, but did not inform the opinion counsel performing the patent search and providing the opinion that the product had been copied; and (4) the Defendants provided no exculpatory evidence that they believed the copied product was not protected by a patent.

On appeal, the Federal Circuit recognized that while there was no direct evidence that Defendants were aware of a patent on the copied deep fryer, the pattern of egregious conduct by the Defendants suggested that the Defendants did what they could to ignore the existence of any patent covering the deep fryer. Without evidence that the Defendants were aware of the patent covering the copied deep fryer, the Federal Circuit applied the "deliberate indifference" standard from Supreme Court precedent. The Federal Circuit held that under this standard 35 U.S.C. § 271(b) requires a "plaintiff to show that the alleged infringer knew or should have known that his actions would induce actual infringement" and that "this showing includes proof that the alleged infringer knew of the patent," but was "deliberately indifferent" to the possibility of patent infringement. Applying this standard, the Federal Circuit affirmed the District Court decision.

The Defendants appealed to the Supreme Court. The question presented to the Court was whether the state of mind requirement of "deliberate indifference" was a proper standard for satisfying the knowledge requirement under § 271(b). The Court said no. In rejecting the Federal Circuit's deliberate indifference standard, the Supreme Court, in an 8-1 decision, held that liability under § 271(b) requires actual knowledge, which can be established through a showing of "willful blindness." Justice Kennedy, in dissent, wanted an even more stringent actual knowledge standard. In requiring actual knowledge, the Court relied on *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964), where the Court found that contributory

infringement under 35 U.S.C. § 271(c) required that an infringer "must know that the combination for which his component was especially designed was both patented and infringing." Using this precedent, the Court stated that the same knowledge is needed for induced infringement under §271(b) in view of the "common origins" of the two statutory provisions and their similar language. The Court commented that "[i]t would thus be strange to hold that knowledge of the relevant patent is needed under §271(c) but not under §271(b)."

The Court then went on to adopt from criminal law doctrine a "willful blindness" standard as an appropriate standard to use when determining actual knowledge of the patent. The Court determined that the Federal Circuit test of "deliberate indifference" departs from the proper willful blindness standard because the deliberate indifference test permits a finding of knowledge when there is simply a known risk that the induced acts are infringing, and the test does not require active efforts by an inducer to avoid knowing about the infringing nature of the activities. The Court stated that under the proper "willful blindness" standard (1) the defendant must subjectively believe that there is a high probability that a fact exists (*i.e.*, that a patent that covers the product) and (2) the defendant must take deliberate actions to avoid learning of that fact. The Court then stated that "[u]nder this formulation, 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."

Applying this new "willful blindness" standard, the Supreme Court arrived at the same result as the Federal Circuit. In doing so, the Court concluded that Defendants' actions, especially the fact that the opinion attorney was not informed that Defendants' deep fryer was "simply a knockoff of the patent owner's deep fryer," evidence that Defendants subjectively believed there was a high probability that the deep fryer was patented and took deliberate steps to avoid learning about the patent owner's patent.

The *Global-Tech* decision and the new "willful blindness" standard for establishing actual knowledge may have broad implications. In all likelihood, this standard will be applied in cases involving contributory infringement under 35 U.S.C. § 271(c) where there is no direct evidence of actual knowledge of the patent. This is especially true given the Court's recognition of the common origins of the two statutory provisions. This standard may also find its way into cases involving willful patent infringement and possibly inequitable conduct where again there is no direct evidence of actual knowledge of the patent but strong suggestions exist that a defendant did what it could to avoid learning about the patent. Time will tell.