

No. 13-896

IN THE
Supreme Court of the United States

COMMIL USA, LLC,
Petitioner,
v.

CISCO SYSTEMS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR RESPONDENT

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QUESTION PRESENTED

In *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011), this Court ruled that a defendant cannot be held liable for actively inducing patent infringement unless the defendant has “knowledge that the induced acts constitute patent infringement.” The question presented is whether, in an action alleging induced infringement, evidence of a defendant’s reasonable, good-faith belief that a patent is invalid is relevant to determining whether the defendant acted with “knowledge that the induced acts constitute patent infringement.”

(i)

CORPORATE DISCLOSURE STATEMENT

Cisco Systems, Inc., has no parent corporation. To Cisco's knowledge, no publicly held company owns 10 percent or more of Cisco's stock.

(ii)

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BRIEF FOR RESPONDENT

INTRODUCTION

In *Global-Tech Appliances, Inc. v. SEB S.A.*, this Court “consider[ed] whether a party who ‘actively induces infringement of a patent’ under 35 U.S.C. §271(b) must know that the induced acts constitute patent infringement.” 131 S. Ct. 2060, 2063 (2011). The Court answered this question unequivocally: “[W]e now hold that induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.” *Id.* at 2068; *see also id.* at 2072 (Kennedy, J., dissenting) (“[T]o induce infringement a defendant must know ‘the induced acts constitute patent infringement.’”). The Court then explained that a patentee could establish the defendant’s knowledge under

§271(b) by showing willful blindness, because “a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of *wrongdoing*.” *Id.* at 2070-2071 (emphasis added). *Global-Tech* thus establishes that the linchpin of scienter under §271(b) is specific, culpable intent—*i.e.*, knowledge of wrongdoing or unlawful conduct.

The Federal Circuit’s decision in this case is a straightforward application of *Global-Tech*. There has never been anything wrongful or unlawful about practicing the steps of an invalid patent claim. It follows, therefore, that if one induces others to perform steps that are claimed by a patent that he reasonably and in good faith believes is invalid, he cannot be said to know that he is inducing any wrongdoing. Without culpable intent, under *Global-Tech*, there is no liability for induced infringement.

Commil asks this Court to ignore *Global-Tech* and change the course of inducement liability in patent law. In fact, Commil seeks a more radical change now than it did in its petition for certiorari or before the Federal Circuit, where it conceded that *Global-Tech* held that §271(b) requires “knowledge that the induced acts constitute patent infringement.” Commil C.A. Br. 42; *see also* Pet. 24. Now, Commil devotes the majority of its brief to arguing that §271(b) requires only a showing of mere knowledge of the patent’s existence and “potential relevance” (Br. 16)—as opposed to knowledge that “the induced acts constitute patent infringement,” *Global-Tech*, 131 S. Ct. at 2063. Commil waived this argument, which was neither raised nor addressed below. *E.g.*, *United States v. United Foods, Inc.*, 533 U.S. 405, 416-417 (2001). The question properly before the Court is a different one: “Whether the Federal Circuit erred in holding that a defendant’s belief that a patent

is invalid is a defense to induced infringement under 35 U.S.C. §271(b).” Pet. i.

The reason for Commil’s tactical switch is apparent: A scienter rule that requires knowledge of infringement but is somehow satisfied even if the defendant reasonably and in good faith believes that the patent is invalid would make no sense. It would divorce liability for induced infringement from its underpinning of specific, culpable intent. It would ignore the foundational principle that infringement presupposes the existence of a valid patent, as well as the reality that many issued patents are ultimately found to be invalid. And it would create a confusing and irrational schism between the evidence relevant to willful infringement and the evidence relevant to induced infringement.

Commil’s newly proposed rule—that the intent required for inducement requires only knowledge of the patent’s existence and “potential relevance” (Br. 16)—lacks any support in law or policy. It is contrary to the holding and reasoning of *Global-Tech* and finds no support in the text of §271(b), this Court’s precedent, or the purpose of induced infringement—to impose liability on culpable conduct. It is inconsistent with prevailing principles of aiding-and-abetting liability in both tort and criminal law. And it ignores Congress’s acquiescence in a quarter century of patent jurisprudence, as well as its implicit approval of *Global-Tech*’s knowledge-of-infringement requirement through the America Invents Act, enacted only months later. Commil’s request to ignore the question presented and overrule *Global-Tech sub silentio*, moreover, would embolden the abusive practices of patent assertion entities, which routinely spray out vague demand letters asserting questionable patents they do not themselves practice in the hope of extracting a settlement or licens-

ing fee. If those predatory practices were sufficient to establish scienter, innovative operating companies would often have no choice but to remove from the market successful products that have substantial non-infringing uses or succumb to licensing demands, because even a reasonable investigation that reveals a patent is probably invalid would serve no purpose in defending against assertions of induced infringement. Nothing in the Patent Act or this Court’s jurisprudence warrants that result.

The Federal Circuit’s judgment should be affirmed.

STATEMENT

A. Parties And Technology

Cisco is a global leader in the development and deployment of wireless networking systems for computers and other devices. Cisco employs over 70,000 people worldwide and invests billions of dollars every year on research and development. By 2005, Cisco was a market leader in the sale of wireless access points that used the well-known “WiFi” wireless communication protocol. A6229.¹

In March 2007, Commil, a patent assertion entity that does not develop or sell any products but merely holds and monetizes intellectual property, acquired U.S. Patent No. 6,430,395 (“the ’395 patent”). A5805; A5821; A12552-12553. Commil purchased the ’395 patent from a venture capital fund for \$400,000 with plans “to enforce it” and agreed to pay the fund “a 10-percent back-end” on any amounts collected in excess of \$10 million. A5821. The ’395 patent is directed to “mobile devices utilizing the Bluetooth short-range wireless

¹ “A” refers to the court of appeals appendix.

communication protocol”—a technology distinct from WiFi. Pet. App. 79a. The patent claims “methods [to] provide seamless and reliable handoff ... while [a] mobile device is moving” within a network. *Id.*; *see also id.* 198a-202a. The patent specification mentions Bluetooth by name over forty times (e.g., *id.* 107a, 110a, 144a), but neither the patent nor the prosecution history ever refers to WiFi (A6023).

B. District Court Proceedings

1. In August 2007, less than five months after acquiring the '395 patent, Commil sued Cisco in the U.S. District Court for the Eastern District of Texas, asserting that Cisco was liable for direct, induced, and contributory infringement of the '395 patent. A1500-1502. Commil asserted infringement of method claims directed against Cisco's WiFi products. A112. As to inducement, Commil contended that end-users operating WiFi networks that employ Cisco's products perform steps that infringe the asserted claims, and that Cisco “induced” such direct infringement by selling its WiFi products. Over Cisco's objection, the district court construed the asserted claims to encompass not only Bluetooth, but more broadly to include “a set of procedures required to initiate and maintain short-range communication between two or more devices.” A1.

Commil's claims were first tried to a jury in May 2010. Cisco argued that, if construed to cover WiFi, the claims were invalid due to lack of written description and lack of enablement. Commil's expert agreed that neither the patent nor its prosecution history refers to WiFi (A6023), even though WiFi was well-known at the time of the patent's filing (A5763) and to the inventors (A5797). Instead, the patent describes implementation in a Bluetooth protocol (Pet. App. 107a, 144a-152a, 180a,

196a-197a) and also mentions other short-range communications protocols that were “designed ... as a cable replacement” (Pet. App. 107a; *see also* A6023). WiFi operates at further distances than Bluetooth and similar protocols that are used for short-range communications. A5770; Dist. Ct. Dkt. 348, at 29. Cisco also presented evidence that the claimed method could not be implemented in a WiFi system, and that the inventors could not do so despite spending millions of dollars and multiple years in the effort. A5799-5801; A5804-5805; A5932; A5938; A6026-6027; A12001.

After Commil conceded that Cisco’s accused products have substantial non-infringing uses, the district court granted judgment as a matter of law of no contributory infringement. A19; A6004; A6119. The first jury found Cisco liable for direct, but not induced, infringement. A136-137. The jury also found that Cisco had not met its burden of proving that the asserted claims were invalid and awarded Commil \$3.7 million in damages. A138-139.

The district court then ordered a new trial based on its conclusion that a statement by Cisco’s local counsel “affected the jury’s ability to discharge the functions for which they were empaneled.” A6057.² Over Cisco’s objection, the court limited the partial retrial to the aspects of the first verdict with which Commil was dissatisfied: induced infringement and damages.

2. In the second trial, Cisco sought to present evidence that its reasonable, good-faith belief that the

² Local counsel apologized to the court, Commil, and the jury for his comment, and Cisco filed declarations from two in-house attorneys who attended the trial, each expressing regret for local counsel’s comment and stating unequivocally that Cisco did not condone it before or after the fact. A2142-2146.

'395 patent was invalid negated the specific intent required for induced infringement. Commil had previously acknowledged the relevance of such evidence: When seeking a partial new trial, Commil admitted that "Cisco may argue that it believed the '395 patent was invalid as a defense to the element of specific intent." A2215 n.28.

As the second trial approached, Commil changed course and moved *in limine* to preclude Cisco from presenting this evidence. Pet. App. 45a-46a. Over Cisco's objection and proffer, the district court granted Commil's motion and excluded any evidence of, or argument regarding, Cisco's good-faith belief of invalidity. *Id.* 46a, 206a-208a; A6365; A6061-6063.

During the second trial, Commil's evidence that Cisco was even aware of the '395 patent before the lawsuit was limited to: (1) a single citation to the '395 patent in an unrelated Cisco patent application in a different technical field (cited before Cisco even acquired the accused technology) (A12609; A12611; A12618; A12724); and (2) vague testimony that the CEO of Commil's predecessor-in-interest had—on some unspecified date in 2004 or 2005—mentioned to "a guy called Yoav something" at Cisco that his company held patents (JA85). There was no testimony that the CEO specifically mentioned the '395 patent to "Yoav" or anyone else at Cisco. JA83-95.³

³ Commil asserts that, during the first trial, Cisco employee Bob O'Hara "admitted that Cisco knew about Commil's '395 Patent." Pet. Br. 8-9 (citing Pet. App. 233a-234a). When Commil questioned Mr. O'Hara on this point during the second trial, however, Mr. O'Hara made clear that "[t]he correct answer is I don't know"; the original testimony concerned the meaning of a reference in a patent application with which Mr. O'Hara was unin-

Though the district court precluded Cisco from presenting evidence of its good-faith belief of invalidity, the court did allow Cisco to present evidence of its good-faith belief of non-infringement (Pet. App. 46a)—a ruling Commil did not challenge on appeal. Thus, a Cisco employee testified to his review of the '395 patent and to his conclusion that it “refer[ed] repeatedly to the use of Bluetooth,” not WiFi, and that Cisco’s WiFi customers did not perform the claimed steps. A6289-6291.

During the charging conference in the second trial, Cisco objected to any jury instruction stating that the jury could find inducement if Cisco “knew or *should have known*” that its actions would induce direct infringement. A6369 (emphasis added). Overruling Cisco’s objection, the court instructed the jury with the erroneous “should have known” formulation. JA21. Commil specifically highlighted this incorrect standard during its summation. A6386. After the verdict but before the judgment, this Court decided *Global-Tech*, conclusively establishing that mere negligence (“should have known”) is insufficient to prove inducement. Cisco renewed its objection and cited *Global-Tech* in post-verdict motions (A36), which the district court denied.

The second jury found Cisco liable for induced infringement and awarded Commil approximately \$63.8 million in damages. A162-164. Cisco moved for judgment as a matter of law of no inducement, contending *inter alia* that Commil had failed to show that Cisco’s customers directly infringed the patent by performing

volved. A6306; Dist. Ct. Dkt. 347, at 62-63; *see also* A6316. The court of appeals did not address Cisco’s argument that the evidence failed to show that Cisco had the requisite knowledge of the '395 patent’s existence (C.A. Br. 37-39)—an issue that remains open on remand.

every step of the asserted method claims in the '395 patent. *See* Dist. Ct. Dkt. 420, at 3-12; A28-29; Pet. App. 30a-33a. Cisco also sought a new trial on several grounds, including the erroneous “should have known” jury instruction and the exclusion of its good-faith belief of invalidity evidence. *See* Dist. Ct. Dkt. 469, at 11; JA6; A36; Pet. App. 6a-10a. The court denied Cisco's post-trial motions and entered final judgment against Cisco for \$74 million including costs and interest. A28-29; Pet. App. 48a-49a.

C. Appeal Proceedings

The Court of Appeals for the Federal Circuit affirmed in part, vacated in part, and remanded for further proceedings.

The panel unanimously ordered a new trial because of the erroneous jury instruction that Cisco could be liable for induced infringement if Cisco “knew or should have known” that end-users directly infringed. Pet. App. 6a-10a, 22a, 28a. The panel specifically noted that *Global-Tech* “held that induced infringement ‘requires knowledge that the induced acts constitute patent infringement.’” Pet. App. 7a (quoting *Global-Tech*, 131 S. Ct. at 2068).

A panel majority (Prost & O'Malley, JJ.) also concluded that Cisco was entitled to present evidence of its good-faith belief of invalidity to negate the specific intent required for induced infringement. Pet. App. 10a-13a, 28a-29a. The majority reasoned that because “one cannot infringe an invalid patent” (*id.* 11a (citing cases)), “a good-faith belief of invalidity is evidence that may negate the specific intent to encourage another's infringement, which is required for induced infringement” (*id.* 12a). The majority further explained that

“[u]nder our case law, it is clear that a good-faith belief of non-infringement is relevant evidence that tends to show that an accused inducer lacked the intent required to be held liable for induced infringement” and that it saw “no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement.” *Id.* 11a.⁴

Commil petitioned for rehearing en banc, challenging the panel’s ruling on both the jury instruction and Cisco’s good-faith belief of invalidity. The Federal Circuit unanimously denied Commil’s petition as it concerned the erroneous jury instruction and denied the petition as it concerned Cisco’s good-faith belief of invalidity over the dissent of five judges. Pet. App. 51a-52a, 53a, 61a.

SUMMARY OF ARGUMENT

I. This Court’s holding in *Global-Tech Appliances, Inc. v. SEB S.A.* was unambiguous: “[W]e now hold that induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.” 131 S. Ct. 2060, 2068 (2011); *see also id.* at 2072 (Kennedy, J., dissenting) (same). Nothing in the Court’s reasoning in *Global-Tech*—and nothing in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964)—clouds this unequivocal holding.

⁴ A different majority (Prost & Newman, JJ.) declined to decide whether end-users who make use of WiFi networks employing Cisco’s products directly infringe the ’395 patent because the case would be remanded anyway. Pet. App. 21a. Judge O’Malley noted in dissent that the issue was “potentially dispositive.” *Id.* 33a. Cisco’s appellate challenge to the damages award (C.A. Br. 53-59) was likewise left open on remand. Pet. App. 21a.

Global-Tech's knowledge-of-infringement requirement is, moreover, correct. It is faithful to the text of §271(b) and congressional purpose. It finds confirmation in this Court's pre-1952 case law and in the tort and criminal law principles of aiding-and-abetting liability that §271(b) reflects. Congress itself has indicated its approval of the knowledge-of-infringement requirement through both acquiescence and recent legislation presuming the requirement's existence. By contrast, Commil's watered-down standard would needlessly exacerbate an already serious threat to American businesses: indiscriminate licensing demands made by patent assertion entities "in the hope that some recipients will be misled or intimidated into paying for licenses." PTO, *I Got a Letter*, <http://www.uspto.gov/patents-maintaining-patent/patent-litigation/i-got-letter> (last visited Feb. 19, 2015).

II. The Federal Circuit's ruling that a good-faith belief of patent invalidity is relevant to §271(b)'s scienter requirement is a straightforward application of *Global-Tech*. The lynchpin of liability for induced infringement is culpability—knowledge that the induced conduct violates the patentee's rights. Because the defendant's conduct cannot be wrongful or violate the patentee's rights if the patent is invalid, there can be no knowledge of infringement, and thus no inducement liability, when the defendant believes reasonably and in good faith that the patent is invalid. Congress's inclusion in the America Invents Act of a provision that presumes the relevance in inducement cases of opinions of counsel regarding patent validity reinforces the correctness of the Federal Circuit's decision. So does the fact that evidence of a good-faith belief of invalidity is relevant to the willful infringement inquiry, even though the scienter standard for willfulness is lower than for inducement.

Commil and the government take great pains to assert that invalidity and non-infringement are doctrinally distinct. These contentions miss the critical point: When considering whether the defendant knew that it was inducing *wrongful* conduct in violation of the patentee’s rights, distinctions between invalidity and non-infringement do not matter. A belief in either one—reasonable and held in good faith—is evidence that the defendant did not act with the required specific intent. Furthermore, the purported distinctions between infringement and validity do not show that the two concepts are completely independent. Even in the context of *direct* infringement (where scienter is not required), infringement *presupposes* the existence of a valid patent. Nothing in the statute requires the counterintuitive ruling that a party that reasonably and in good faith believes a patent invalid can nonetheless be charged with specific intent to induce patent infringement.

The judgment of the court of appeals should accordingly be affirmed.

ARGUMENT

I. SECTION 271(b) REQUIRES KNOWLEDGE THAT THE INDUCED CONDUCT CONSTITUTES INFRINGEMENT

In its petition for certiorari, Commil asked the Court to determine “[w]hether the Federal Circuit erred in holding that a defendant’s belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. §271(b).” Pet. i (emphasis added). Now, Commil and its amici devote most of their efforts to a different issue, arguing that §271(b) does not even require knowledge that “the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2063 (2011).

Commil’s limited briefing of the actual question presented highlights the reason for this switch: Commil’s arguments depend almost entirely on rejecting the holding and reasoning of *Global-Tech*. In light of Commil’s and its amici’s focus on relitigating *Global-Tech*, Cisco will address those contentions first, even though the argument was not raised or addressed below and is not subsumed within the question on which the Court granted certiorari. *E.g., United States v. United Foods, Inc.*, 533 U.S. 405, 416-417 (2001) (declining to consider an “argument … ‘not raised or addressed’ below); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2120 (2014) (declining to consider question that was “presuppose[d]” by—but not part of—the question on which certiorari was granted).

A. *Global-Tech* Conclusively And Correctly Ruled That Inducement Liability Depends On Knowledge Of Direct Infringement

1. Section 271(b) provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” Although the text of §271(b) does not expressly state the type or degree of intent required to “actively induce[] infringement,” this Court addressed precisely that question in *Global-Tech*. 131 S. Ct. at 2065-2068.

The opening sentence of *Global-Tech* states the question presented and decided unambiguously: “We consider whether a party who ‘actively induces infringement of a patent’ under 35 U.S.C. §271(b) must *know that the induced acts constitute patent infringement.*” 131 S. Ct. at 2063 (emphasis added). The government accordingly concedes that the ““question presented” in *Global-Tech* was “whether the required in-

tent was knowledge of actual infringement or merely knowledge of the acts that constitute infringement.” U.S. Br. 14.

The Court answered that unambiguous question with an unambiguous holding: “[W]e now hold that induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.” 131 S. Ct. at 2068; *see also id.* at 2072 (Kennedy, J., dissenting) (same). That holding was also necessary to the ultimate outcome in *Global-Tech*: the Court affirmed the judgment of inducement liability against the petitioner (Pentalpha) because the evidence presented at trial supported the inference “that Pentalpha subjectively believed there was a high probability that [respondent] SEB’s fryer was patented, that Pentalpha took deliberate steps to avoid knowing that fact, and that it therefore willfully blinded itself to the *infringing nature* of [its customer’s] sales.” *Id.* at 2072 (emphasis added); *see also id.* at 2071 (rejecting recklessness standard because it did not “require active efforts by an inducer to avoid knowing about the *infringing nature of the activities*” (emphasis added)). The Court’s reasoning thus confirms its express holding: The ultimate scienter question under §271(b) is whether the defendant has knowledge that the induced conduct constitutes infringement.⁵

⁵ In dissent, Justice Kennedy reasoned that only actual knowledge—not willful blindness—can satisfy §271(b)’s intent requirement, but agreed that the intent requirement was directed to the infringing nature of the induced conduct. *E.g.*, 131 S. Ct. at 2072 (“One can believe that there is a ‘high probability’ that acts might infringe a patent but *nonetheless conclude they do not infringe.*” (emphasis added)).

The Federal Circuit has consistently applied *Global-Tech*'s unambiguous "hold[ing]," reaffirming that induced infringement "requires both knowledge of the existence of the patent and 'knowledge that the induced acts constitute patent infringement.'" Pet. App. 9a (quoting *Global-Tech*, 131 S. Ct. at 2068); *see also Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904 (Fed. Cir. 2014) (induced infringement requires "knowledge that the induced acts constitute patent infringement"); *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1339 (Fed. Cir. 2012) (accused infringer must "kn[o]w that the customer's acts constituted infringement"). The government concedes as much. U.S. Br. 13.⁶

2. Nonetheless, Commil and the government now contend that *Global-Tech* did not *really* require "knowledge that the induced acts constitute patent infringement." 131 S. Ct. at 2068. The government goes so far as to assert (Br. 12) that *Global-Tech* did not "clearly resolve" whether §271(b) requires knowledge of infringement. *See also* Pet. Br. 16-17.

That revisionist account is decidedly audacious, not least because it is contrary to Commil's and the government's own prior statements. Commil has repeatedly conceded that *Global-Tech* established that §271(b) requires "knowledge that the induced acts constitute

⁶ Given *Global-Tech*'s unequivocal holding, if Commil and the government wished to accomplish the result they now advocate, they should have asked this Court to overrule *Global-Tech* expressly. For good reason, they have not done so. *See Payne v. Tennessee*, 501 U.S. 808, 828 (1991) (considerations of *stare decisis* "at their acme" in cases involving property rights); *Hilton v. South Carolina Pub. Rys. Comm'n*, 502 U.S. 197, 202 (1991) (*stare decisis* has "special force" in the area of statutory interpretation).

patent infringement.” Commil C.A. Br. 42 (quoted in U.S. Cert. Br. 17); *see also* Pet. 24 (*Global-Tech* “held that inducement requires intent to cause a third party to infringe, not just intent to cause the third party to act in a manner that happens to be infringing”). The government endorsed the same position before this Court last Term. U.S. Br. 13, *Limelight*, No. 12-786 (U.S. Mar. 3, 2014) (“Under ordinary principles of inducement liability, if a vendor induces its customers to practice all of the steps in the patented process, *and does so with knowledge that the induced acts constitute infringement*, the vendor would be liable [under §271(b)].” (emphasis added; citing *Global-Tech*)). Indeed, the government has twice conceded *in this case* that “it would be natural to construe the reference to ‘infringement’ [in §271(b)] to require knowledge *that the induced conduct actually practices the patent*.” U.S. Br. 13 (emphasis added); *see also* U.S. Cert. Br. 19 (same).

Besides contradicting their prior positions, Commil’s and the government’s reading of *Global-Tech* fails on its own terms. Although the government remarkably calls *Global-Tech*’s adoption of the knowledge-of-infringement requirement a “suggest[ion]” (Br. 12), the Court could not have been clearer: “[W]e now hold that induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech*, 131 S. Ct. at 2068 (emphasis added).

Commil and the government base their reading on their contention that the “factual circumstances” of *Global-Tech* “did not require” the Court to decide that more than mere awareness of the patent’s existence is required before a defendant can be held liable for the acts of third parties. U.S. Br. 12; *see also* Pet. Br. 23-

24. But as previously noted (*supra* p.14), the Court affirmed Pentalpha’s inducement liability not merely because it willfully blinded itself to the patent’s existence, but because it also “willfully blinded itself *to the infringing nature of [its customer’s] sales.*” 131 S. Ct. at 2072 (emphasis added). It was only because Pentalpha deliberately copied SEB’s fryer and then sold the copied product that willful blindness to the existence of SEB’s patent permitted a further inference of willful blindness to the fact that Pentalpha’s exact copy infringed that patent. *Id.* at 2064. Thus, although knowledge of the patent’s existence *can* sometimes be sufficient proof, *Global-Tech* is unequivocal about the ultimate scienter question in §271(b) cases: The defendant must have knowledge of the “infringing nature” of the induced conduct. *Id.* at 2072.⁷

Commil’s and the government’s reliance on *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (“*Aro II*”), fares no better. In *Aro II*, the Court considered whether the knowledge requirement for contributory infringement under §271(c) “require[d] a further showing that Aro knew that the tops were patented, and knew also that Ford was not licensed under the patent so that any fabric replacement by a Ford car owner constituted infringement.” *Id.* at 488. As the government concedes, the Court “held that Section 271(c) requires knowledge that the ‘combination ... was both patented and *infringing.*’” U.S. Br. 14 (emphasis added) (quoting *Aro II*, 377 U.S. at 488); *see also Aro II*, 377 U.S. at 488 & n.8

⁷ Although the government at one point suggests (Br. 11) that *Global-Tech* “did not purport to conduct an independent examination” of §271(b)’s “text and history,” *Global-Tech* considered both, finding them inconclusive. 131 S. Ct. at 2065-2066.

(plurality opinion) (noting that a majority of the Court shared this view); *id.* at 514-515 (White, J., concurring); *id.* at 524-527 (Black, J., dissenting); *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 219 (1980) (“[Aro *II*] held that §271(c) requires a showing that an alleged contributory infringer knew that the combination for which his component was especially designed was *both* patented *and infringing.*” (emphases added)). Thus, like *Global-Tech*, Aro *II* requires knowledge of actual infringement, not just knowledge of the patent or the patentee’s infringement allegation.

There is no merit to the government’s speculation that the Court “appeared to treat” a demand letter sent to Aro on January 2, 1954 as “conclusively establishing Aro’s scienter” under §271(c). U.S. Br. 14-15; *see also* Pet Br. 21-23. As in *Global-Tech*, the Aro *II* Court was reviewing a judgment of liability entered against the defendant (Aro) after trial. 377 U.S. at 479-481.⁸ And, similarly to the facts in *Global-Tech*, Aro’s accused convertible tops were essentially copies of the convertible tops used in the patented combination; indeed, that was their entire purpose, since they were designed to be replacements for such tops. *Id.* at 478-479; *see also* *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 270 F.2d 200, 201 (1st Cir. 1959). Further, neither Aro *I* nor Aro *II* suggests that Aro claimed to be operating under a good-faith belief of non-infringement or patent invalidity at any point during the relevant period. Aro appar-

⁸ The judgment of liability against Aro had been vacated by the district court with respect to both General Motors and Ford cars after this Court’s earlier decision in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (“Aro *I*”); the First Circuit had then reinstated it with respect to the Ford cars, *Aro II*, 377 U.S. at 480. *See also* *Convertible Top Replacement Co. v. Aro Mfg. Co.*, 312 F.2d 52, 57 (1st Cir. 1962).

ently did not even challenge the patentee's showing of scienter. *Aro II*, 377 U.S. at 488 (scienter issue had "apparently not [been] noticed by the parties or the courts below"). Where, as in *Aro II*, a party fails to mount an intent-based defense, it is perfectly reasonable for a trier of fact to conclude that knowledge of the patent's existence and an allegation of infringement warrants an inference of knowledge that a copy of the patented article infringes that patent.⁹

By contrast, where a defendant like Cisco *does* raise scienter and proposes to negate specific intent with proof that it lacked knowledge that the conduct it is accused to have induced constituted infringement, *Global-Tech* and *Aro II* require that such evidence be considered. *Aro II*'s analysis of Aro's sales *preceding* the January 1954 letter confirms that. As to those sales, the Court found insufficient evidence of scienter to support a judgment of contributory infringement. And, as to those sales, this Court's remand instructions were unequivocal: "Aro cannot be held liable in the absence of a showing that at that time it had already ac-

⁹ The government speculates (Br. 15 n.2) that Aro might not have had "actual knowledge" of the infringement because the parties "vigorously contested" direct infringement and the Court divided on the issue. Commil similarly notes (Br. 23 n.3) that patent validity was a litigated issue in the lower courts. But the lawsuit against Aro did not begin until April 1956, *Aro I*, 365 U.S. at 337; *see also Aro II*, 377 U.S. at 479—approximately nine months *after* the relevant period ended on July 21, 1955, *id.* at 513-514 (no liability "with respect to replacement-fabric sales made after July 21, 1955"); *id.* at 493-497. Aro apparently did not argue that it had previously held a good-faith belief of non-infringement based on the grounds it later asserted in litigation. *Aro II*, 377 U.S. at 488. In any event, that contention could not have changed the outcome in the deferential post-trial posture in which the Court first considered the scienter issue in *Aro II*.

quired the requisite *knowledge* that Ford car tops were patented *and infringing.*” 377 U.S. at 491 (emphases added).

B. The Text And Purpose Of §271(b) Confirm *Global-Tech*’s Interpretation

Global-Tech’s interpretation of §271(b) is faithful to statutory text and purpose. The knowledge-of-a-potentially-relevant-patent requirement advocated by Commil and the government cannot be reconciled with either.

1. The interpretation of a statute, of course, “begin[s] with the text.” *Arlington Cent. Sch. Dist. Bd. of Educ. v. Murphy*, 548 U.S. 291, 296 (2006). As between *Global-Tech*’s knowledge-of-infringement holding and Commil’s knowledge-of-the-patent interpretation, that is where the inquiry should end.

To be liable under §271(b), a defendant must “actively induce[] infringement of a patent.” Inducement of infringement thus consists of three elements, as the government recognizes: “an act of direct ‘infringement’ by the direct infringer; “the inducer’s active steps to bring about that infringement”; and “scienter.” U.S. Br. 19. *Global-Tech*’s knowledge-of-infringement requirement properly identifies the two relevant conduct elements (direct infringement by a third party and an act of inducement by the defendant) and then recognizes a scienter requirement (actual knowledge or willful blindness) that applies equally to both conduct elements. As the government admits, this is a “natural” reading of the statute. U.S. Br. 13.

In their attempt to avoid that natural reading, Commil and the government needlessly mismatch §271(b)’s elements. Their theory recognizes the two

conduct elements of §271(b)—direct infringement by a third party and active inducement—but would require specific intent as to only the patent’s existence and the *patentee’s infringement allegation*.¹⁰ In other words, under the government’s and Commil’s interpretation, the scienter that all agree is necessary to induce an act of “infringement” would not require knowledge that the induced conduct actually constitutes “infringement.” If Congress had intended to create such a counterintuitive patchwork, it would have said so explicitly.

2. The knowledge-of-infringement requirement is also critical to effectuating §271(b)’s purpose. Congress’s objective in enacting §271(b) and (c) was to create liability for conduct that was not only instrumental to infringement, but *culpably* so. *See* S. Rep. No. 82-1979, at 8 (1952) (“The doctrine of contributory infringement ... has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. ... [The doctrine] ... has been characterized as ‘*an expression both of law and morals.*’” (emphasis added)); H.R. Rep. No. 82-1923, at 9 (1952) (same); *accord Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 677 (1944) (Frankfurter, J., dissenting). This Court has recognized the same principle in the copyright context: “The inducement rule ... premises liability on purposeful, culpable expression and conduct[.]” *Metro-*

¹⁰ While Commil and the government would require that the defendant know of the patent’s “potential relevance” (Pet. Br. 16), presumably through the patentee’s “allegation of infringement” (U.S. Br. 17), they contend that this criterion can be satisfied through a *pro forma* letter stating the patentee’s belief that the defendant might be inducing the patent’s infringement. This “relevance” criterion does not add anything significant to a defendant’s mere knowledge of the patent’s existence.

Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 937 (2005).

Against this backdrop, requiring knowledge of infringement serves Congress's objective. If a defendant acts with knowledge that his conduct will induce infringement of a valid patent, his conduct is culpable. But if one has a good-faith, reasonable belief that a process does not infringe a valid patent, actions taken to facilitate that process cannot be said to be culpable. *See Global-Tech*, 131 S. Ct. at 2070 ("[A] willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of *wrongdoing*." (emphasis added)); *id.* at 2072 (Kennedy, J., dissenting) ("The alleged inducer who believes a device is noninfringing cannot be said to know otherwise.").¹¹

¹¹ In contrast, Commil's and the government's sweeping theory could potentially make liable even an attorney who provides a good-faith, reasonable opinion advising a client that a competitor's patent is not infringed. Under their interpretation, if the attorney's opinion is incorrect, her facilitation of her client's infringement could subject her to §271(b) liability simply because she knows of the patent's existence and the patentee's allegations. That construction was considered and uniformly rejected in the hearings that ultimately led to the enactment of §271. *See Contributory Infringement: Hearings Before Subcomm. No. 4 of the H. Comm. on the Judiciary on H.R. 3866*, 81st Cong. 51 (1949) (John C. Stedman) ("Does ['actively inducing' infringement] include advice from a patent attorney that a given patent is probably invalid and that the client should take the risk of infringing?"); *id.* at 65 (Giles S. Rich) ("The question of lawyers giving advice came up last year, and nobody apparently took it seriously.").

C. Neither This Court’s Pre-1952 Case Law Nor Principles Of Aiding And Abetting Support Commil’s Position

Both this Court’s relevant pre-1952 precedent and principles of aiding-and-abetting liability in the tort and criminal law are consistent with *Global-Tech*’s conclusion that §271(b) requires knowledge of actual infringement.

1. Commil (but not the government) purports to find support in two of this Court’s pre-1952 decisions involving contributory infringement.¹² Pet. Br. 24-27. Commil’s arguments on this score are largely answered by *Global-Tech*, where this Court canvassed the pre-1952 landscape and found it inconclusive. 131 S. Ct. at 2065-2067.

In any event, the precedent Commil cites undermines its position. *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912), *overruled on other grounds by Motion Pictures Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917), involved allegations of aiding-and-abetting liability against a party who had supplied ink for use in a patented machine. *Id.* at 11. In the very language Commil quotes, the Court made clear that induced infringement requires knowledge of infringement, not just of the patent’s existence:

[I]f the defendants *knew* of the patent *and* that she had *unlawfully* made the patented article, and then sold her ink or other supplies without which she could not operate the machine, *with the intent and purpose that she should use the*

¹² Before 1952, “contributory infringement” encompassed both induced infringement (now §271(b)) and actual contributory infringement (now §271(c)). *Global-Tech*, 131 S. Ct. at 2066.

infringing article by means of the ink supplied by them, they would assist in her infringing use.

Id. at 33 (last emphasis in original); *see also id.* at 49.

Commil nonetheless speculates (Br. 24-26) that the defendant in *A.B. Dick* could not have had actual knowledge of infringement because the case presented two threshold issues (jurisdiction and patent misuse), which the Court discussed—and rejected—prior to deciding indirect infringement. But as in *Aro II*, the fact that *A.B. Dick* presented some litigable issues is hardly evidence that, at the time of the relevant sale, the defendant had a reasonable good-faith belief of non-infringement or patent invalidity based on those issues. It certainly does not show that the defendant argued lack of scienter, such that the Court’s holding should be viewed as a ruling on the point. To the contrary, the “facts [were] certified” that the accused inducers admitted “to hav[ing] made a direct sale to the user of the patented article, with *knowledge* that under the license from the patentee *she could not use the ink*, sold by them directly to her.” *A.B. Dick*, 224 U.S. at 49 (emphases added). The fact that *A.B. Dick* contemplated knowledge of infringement is powerful evidence *against* Commil’s theory.¹³

2. *Global-Tech*’s requirement that inducement liability turn on knowledge of infringement is also con-

¹³ Commil also cites (Br. 26-27) *Cortelyou v. Charles Eneu Johnson & Co.*, 207 U.S. 196, 200 (1907), but the Court there concluded merely that there could be no liability absent “sufficient evidence of notice” to the accused inducer. No one disputes that knowledge of the patent’s existence is necessary. The question is whether it is sufficient. On that question, *Cortelyou* is silent.

sistent with background principles of tort and criminal law.

a. In tort, aiding-and-abetting liability requires proof of knowledge of another's wrongdoing and an intent to assist the wrongdoing. H.R. Rep. No. 82-1923, at 9 ("[§271(b)] recites in broad terms that one who aids and abets an infringement is likewise an infringer."); S. Rep. No. 82-1979, at 8 (same); *Global-Tech*, 131 S. Ct. at 2067. The first Restatement of Torts explained:

For harm resulting to a third person from the tortious conduct of another, a person is liable if he ... *knows* that the other's conduct constitutes a *breach of duty* and gives substantial assistance or encouragement to the other[.]

Restatement of Torts §876(b) (1939) (emphases added); *see also Restatement (Second) of Torts* §876(b) (1979) (same); *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 181 (1994) (same); 2 Dobbs et al., *The Law of Torts* §435 (2d ed. 2011) ("*Aiding, abetting, encouraging.* One who *knowingly* provides substantial aid or encouragement to another's commission of a tort is also ... liable[.]" (second emphasis added)).¹⁴

¹⁴ Amicus Gilead focuses (Br. 6-7) on §876(a) of the first Restatement, rather than §876(b). But the "induc[ement]" then addressed in §876(a) is narrower than the range of conduct qualifying as "actively induc[ing]" under §271(b) because the latter includes conduct such as "substantial assistance or encouragement," which was covered under §876(b) of the first Restatement. *See Tegal Corp. v. Tokyo Electron Co.*, 248 F.3d 1376, 1379 (Fed. Cir. 2001) ("[T]he term is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent."); *cf. Failla v. City of Passaic*, 146 F.3d 149, 157 (3d Cir. 1998) ("Courts have recognized that [§876(b)] sets forth the standard for civil aiding and abetting liability."); *Aetna Cas. & Sur. Co.*

Precedent similarly requires knowledge of wrongdoing in order to hold a defendant liable for aiding and abetting a third party's tort. *See Wells Fargo Bank v. Arizona Laborers, Teamsters & Cement Masons Local No. 395 Pension Trust Fund*, 38 P.3d 12, 23 (Ariz. 2002) ("[T]he defendants must know that the conduct they are aiding and abetting is a tort."); *United States v. Hitachi Am., Ltd.*, 172 F.3d 1319, 1337 (Fed. Cir. 1999) ("[L]egal authority in various civil ... contexts supports the view that liability for aiding or abetting requires *inter alia* proof of knowledge of unlawfulness, also articulated as intent to violate the law."); *Camp v. Dema*, 948 F.2d 455, 459 (8th Cir. 1991) ("[A]iding and abetting not only requires assistance, but also knowledge of a wrongful purpose.").

b. Longstanding principles of criminal aiding-and-abetting liability also support the knowledge-of-infringement requirement articulated in *Global-Tech*.¹⁵

Cases interpreting 18 U.S.C. §2 and its predecessors are unequivocal that criminal aiding-and-abetting liability requires specific intent. Section 2 extends liability to "those who provide *knowing* aid to persons committing federal crimes, *with the intent to facilitate the crime.*" *Rosemond v. United States*, 134 S. Ct. 1240, 1245 (2014) (emphases added); *see also id.* ("[A]

v. *Leahy Constr. Co.*, 219 F.3d 519, 533 (6th Cir. 2000) (same). Thus, the more relevant counterpart to §271(b) is §876(b). Moreover, §876(a) still required knowledge "of the conditions under which the act is done" or intent to further "the consequences that ensue"—which, here, would embrace knowledge of the facts showing that the induced conduct practices a valid patent or intent to further infringement, respectively.

¹⁵ This Court considers criminal law principles in interpreting §271(b). *Global-Tech*, 131 S. Ct. at 2068-2070.

person is liable under §2 for aiding and abetting a crime if (and only if) he (1) takes an affirmative act in furtherance of that offense, (2) *with the intent* of facilitating the offense's commission." (emphasis added)); *Nye & Nissen v. United States*, 336 U.S. 613, 619 (1949) ("In order to aid and abet another to commit a crime it is necessary that a defendant 'in some sort associate himself with the venture, that he participate in it as in something that he wishes to bring about, that he seek by his action to make it succeed.'" (quoting *United States v. Peoni*, 100 F.2d 401, 402 (2d Cir. 1938) (Hand, J.))). The word "'abet' ... carr[ies] an implication of purposive attitude." *Peoni*, 100 F.2d at 402.

D. The America Invents Act And Longstanding Acquiescence Reveal Congress's Agreement That §271(b) Requires Knowledge Of Infringement

1. Since *Global-Tech*, Congress has enacted legislation that presupposes a knowledge-of-infringement requirement for inducement liability. The Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), enacted shortly after *Global-Tech*, was the most significant overhaul of patent law since 1952. H.R. Rep. No. 112-98, at 38-39 & n.4 (2011). Among other reforms, it barred courts and juries from using "[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent" for purposes of "prov[ing] that the accused infringer willfully infringed the patent or *that the infringer intended to induce infringement of the patent.*" 35 U.S.C. §298 (emphasis added). The premise of this provision is that a failure to obtain an opinion of counsel can be relevant evidence of a defendant's intent to induce; that relevance arises from the potential inference that the

defendant knew that the induced conduct was infringing and thus did not wish to put the matter before opinion counsel.¹⁶ But there would be no need for §298 under Commil’s and the government’s reading of §271(b), because an infringer’s *failure* to obtain an opinion of counsel does not prove that he knew *of the patent*. Commil and the government would thus render superfluous the part of §298 excluding evidence of a failure to obtain an opinion of counsel as proof of “inten[t] to induce infringement”—a disfavored method of construction. *E.g.*, *Clark v. Rameker*, 134 S. Ct. 2242, 2248 (2014).

The government contends that §298 does not “logically imply” the death knell of its position because Congress “could have determined” that it did not want the failure to obtain an opinion of counsel to be used in showing “willful blindness” to the patent’s existence. U.S. Br. 16 n.3. That speculative construction cannot withstand scrutiny. The purpose of §298 was, in relevant part, to “reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes.” H.R. Rep. No. 112-98, at 53. But once a defendant is accused by the patentee, he is—under the government’s theory of scienter—under no pressure to obtain an opinion of counsel, because an opinion can neither prospectively negate actual knowledge of the patent nor retroactively undo any past willful blindness to the patent’s existence.¹⁷ The only plausible reading of §298 is that Con-

¹⁶ That is how the patentee used the defendant’s failure to obtain advice of counsel in *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 697-700 (Fed. Cir. 2008), the decision Congress “legislatively abrogat[ed]” through §298. H.R. Rep. No. 112-98, at 53.

¹⁷ The government cites *Global-Tech* to support its contention (Br. 16 n.3), but *Global-Tech* relied on the fact that the defendant

gress understood §271(b) to require proof of the defendant's knowledge that the induced conduct constituted infringement and chose to place off-limits one previously recognized way of proving it.¹⁸

2. Even before the AIA, Congress demonstrated longstanding acquiescence in the Federal Circuit's construction of §271(b), which dates back a quarter century. In 1990, the Federal Circuit ruled that an alleged infringer must know that "his actions would induce actual infringements." *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990) (reversing finding of inducement liability where defendants maintained "good faith belief" of non-infringement); *see also Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (requiring subjective "intent to induce infringement") (cited in *Groksster*, 545 U.S. at 936).

In the intervening twenty-five years, the Federal Circuit repeatedly reiterated *Manville*'s knowledge-of-infringement requirement, including in a 2006 en banc decision that "clarif[ied]" that inducement liability requires knowledge of "actual infringements." *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc in relevant part) (knowledge-of-

did obtain an opinion of counsel, albeit one that was deceptively misdirected, 131 S. Ct. at 2071.

¹⁸ The government (Br. 17 n.4) invokes 35 U.S.C. §287(a), which, where it applies, precludes monetary damages for infringement absent patent marking or notification to the defendant. But §287(a) shows that, when Congress wishes to link infringement remedies to *notice* as opposed to specific intent, it does so expressly. That Comil and the government would apply the same "notice" standard for damages liability under both direct and indirect infringement underscores how far their theory goes in diluting §271(b)'s scienter requirement.

infringement requirement “necessarily includes” knowledge of the patent); *id.* at 1307 (panel relied on opinions of counsel in affirming verdict of no inducement);¹⁹ *see also, e.g., Micro Chem., Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250, 1261 (Fed. Cir. 1999); *Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1342 (Fed. Cir. 2003); *Ecolab, Inc. v. FMC Corp.*, 569 F.3d 1335, 1350-1351, *amended on reh’g in part*, 366 F. App’x 154 (Fed. Cir. 2009); *Kinetic Concepts, Inc. v. Blue Sky Med. Group, Inc.*, 554 F.3d 1010, 1024-1025 (Fed. Cir. 2009); *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328-1329 (Fed. Cir. 2009). At no point has Congress disturbed the line of Federal Circuit precedent originating in *Manville*.²⁰

This Court has repeatedly held that such congressional inaction following longstanding lower-court decisions strongly suggests that the decisions are correct. *See Monessen Sw. Ry. Co. v. Morgan*, 486 U.S. 330, 338 (1988); *Cannon v. University of Chicago*, 441 U.S. 677, 702-703 (1979). That principle applies even more forcefully here, given the Federal Circuit’s nationwide juris-

¹⁹ *DSU* removed doubt created by a statement in *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990), and noted in some later cases. 471 F.3d at 1305 & n.2; *see also id.* at 1311 (Michel, C.J., concurring) (en banc review unwarranted; no “real conflict[]” in precedent). *DSU* did not purport to overrule any decision to reaffirm *Manville*. *Cf. id.* at 1305 n.2.

²⁰ In *Global-Tech*, this Court held that a showing of negligence or recklessness (*i.e.*, “should have known”) is not sufficient for inducement. 131 S. Ct. at 2068-2069. That holding overruled a portion of *DSU* and *Manville* that had been too permissive with respect to inducement liability. Pet. App. 7a-8a. This aspect of *Global-Tech* only confirms that the required scienter for inducement is even more demanding than the Federal Circuit had previously recognized in *Manville*, *DSU*, and like cases.

dition over patent cases. *See Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2252 (2011) (upholding Federal Circuit's interpretation of §282 where, “[f]or nearly 30 years, the Federal Circuit has interpreted §282 as we do today” without congressional disapproval).

Congress's acquiescence is particularly probative here because Congress has repeatedly reacted to Federal Circuit holdings with which it disagrees. *E.g.*, H.R. Rep. No. 112-98 at 53 (§298 “legislatively abrogates” *Broadcom*); *id.* (AIA amended false-marking provision in response to *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009)); *In re Swanson*, 540 F.3d 1368, 1375 (Fed. Cir. 2008) (“Congress amended §303(a) to ... ‘overturn[] ... *In re Portola Packaging Inc.*, a 1997 Federal Circuit decision’”). In contrast, through nearly a quarter century of Federal Circuit decisions recognizing the knowledge-of-infringement requirement, Congress has not altered the relevant law.

E. The Notice-Letter Standard Urged By Commil And The Government Would Exacerbate Abusive Practices And Discourage Innovation Without Improving Patent Rights

1. In addition to being contrary to precedent, statutory text, and Congress's intent, the rule proposed by Commil and the government would exacerbate the significant and wasteful burdens already imposed on innovative companies by bogus licensing demands and litigation threats. Under the proposed rule, receipt of a vague demand letter that merely identifies a patent and makes generalized inducement allegations would satisfy the intent requirement for inducement liability, even if the accused inducer undertakes a thorough investigation and concludes in good faith that the patent is invalid. So-called “patent assertion entities”

(“PAEs”—entities whose sole purpose is to monetize patent portfolios they acquire—routinely employ this strategy, and Commil’s argument in this case is a thinly-veiled attempt to roll back Congress’s wise restraint in requiring more under §271(b).

Just last year, the Federal Trade Commission warned Congress that patent demand letters “may be sent very broadly and without prior investigation, may assert vague claims of infringement, and may be designed to obtain payments that are based more on the costs of defending litigation than on the merit of the patent claims.” FTC, *Prepared Statement of the Federal Trade Commission on Discussion Draft of Patent Demand Letter Legislation 2* (May 22, 2014). The Patent and Trademark Office alerts American businesses to the same risk. PTO, *I Got a Letter* (demand letters may be sent “in the hope that some recipients will be misled or intimidated into paying for licenses”).

These and similar practices are pervasive and wasteful. According to a 2013 White House report, “[c]onservative estimates place the number of threats [by PAEs] in [2012] alone at a minimum of 60,000 and more likely at over 100,000.” Executive Office of the President, *Patent Assertion and U.S. Innovation 6* (2013) (“White House Report”). Of these, even those that result in lawsuits are highly suspect: In cases that are decided on the merits, the win rate of PAEs is 8%, compared to 40% for other entities. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 Geo. L.J. 677, 694 (2011).

These statistics are all the more sobering because they arise under *current* law, which requires inducement plaintiffs to prove specific intent and permits a defendant to offer rebuttal through evidence of a good-

faith belief of non-infringement or invalidity. Adopting Commil’s position would revise the law so that merely sending a demand letter would conclusively establish intent to induce. Such a switch would only embolden those engaged in these abusive practices that the government has already recognized as a scourge.²¹

2. By comparison, the government’s principal worry is that, under the existing rule, the patentee cannot “confer the requisite knowledge on the inducer.” U.S. Br. 18. But the government does not explain why the patentee should be unilaterally able to “confer” the specific intent required to hold multiple defendants liable for the conduct of third parties, even though defendants have reasonable bases for believing that the conduct they encourage does not violate any valid patent rights. The government cites no other statutory scheme in which a potential plaintiff may automatically “confer” *specific* intent on a defendant in that way—and certainly not one where Congress decreed it through words like “actively induce[.]” Rather, the knowledge requirement is a defining feature of all causes of action that, like the “inducement rule, ... premise[] liability on purposeful, *culpable* expression and conduct.” *Grokster*, 545 U.S. at 937 (emphasis added). If the government has now decided as a policy

²¹ Commil is correct (Br. 33) that Cisco has been “highly critical” of a recent harassing campaign by a PAE that demanded royalty payments from thousands of WiFi end-users such as bakeries, hotels, and other small businesses based on questionable patents. *See* Am. Compl. 19, *In re Innovatio IP Ventures, LLC Patent Litig.*, Dkt. No. 431, No. 11-cv-9308 (N.D. Ill. Oct. 1, 2012). Nothing in Commil’s proposed rule will prevent such abuses. The appropriate response to this predatory behavior is certainly not to incentivize PAEs to send out more demand letters to generate inducement claims.

matter that inducement liability should turn on the unilateral actions of the patentee, it should request that change from Congress, not this Court.

Commil expresses concern (Br. 42) that requiring knowledge of infringement might make it difficult to enforce certain patents against inducers and encourage “inefficient and undesirable” lawsuits against end-users. *See also id.* 29-34. But evidence of a good-faith belief of non-infringement has been part of the scienter inquiry under §271(b) for a quarter century. *See Manville*, 917 F.2d at 553; *supra* pp.29-31. There is no indication that patentees have shied away from vigorously enforcing their patent rights against purported inducers during this time. As Commil’s own amicus recognizes, even if an accused inducer *initially* holds a good-faith belief of non-infringement, a patentee who proves that belief incorrect can obtain full prospective relief as soon as the assertions of non-infringement and invalidity are conclusively rejected. Gilead Br. 19.

The only limitation imposed by a good-faith belief of non-infringement is thus on a patentee’s ability to exact an outsized damage award from a single alleged inducer. But there is nothing troubling about a rule that incentivizes patentees to bring their claims promptly while encouraging those who receive demand letters to investigate the asserted patents rather than accept the patentees’ assertions as conclusive.²² Even

²² Commil makes sweeping assertions (Br. 29-34) about Congress’s purpose in enacting §271(b), but the sources it cites discuss means to “enjoin” inducers, S. Rep. No. 82-1979 at 8, not creation of massive monetary liability without a showing of knowledge that the induced conduct is infringement. *See also* Pet. Br. 31 (“ability to prevent active inducement” (quoting 5 *Chisum on Patents* §17.04[4][f] (2014) (emphasis added)); *id.* (“the practical way to stop the infringement” (quoting Giles Rich testimony) (emphasis added)).

then, merely asserting a good-faith belief of non-infringement or invalidity provides no guarantee that non-infringement or invalidity will prevail as a defense. A defendant's intent is an issue of fact that is routinely tested through cross-examination and frequently resolved in the plaintiff's favor based on the record of each case. *See Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1364-1365 (Fed. Cir. 2006) (upholding bench trial verdict of induced infringement despite defendant's opinion of counsel evidence); *nCube Corp. v. SeaChange Int'l, Inc.*, 436 F.3d 1317, 1324-1325 (Fed. Cir. 2006) (similar); *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001) (reinstating jury verdict of inducement despite defendant's opinion of counsel evidence).

Nor is there merit to Commil's complaint (Br. 24 n.4) that *Global-Tech*'s knowledge-of-infringement requirement makes it "easier" for a patentee to satisfy the scienter requirement when the defendant "lacks actual knowledge of the patent." Absent actual knowledge, the patentee must establish that the defendant was willfully blind to the "infringing nature" of the induced conduct. *Global-Tech*, 131 S. Ct. at 2071. That requires proof of "deliberate actions" by the defendant to avoid learning the truth—an element not required to establish actual knowledge. *Id.* at 2070 (emphasis added). Proving willful blindness is thus different from—but not necessarily easier than—proving actual knowledge. In any event, what matters is not which standard is "easier" to satisfy, but that a willfully blind defendant is more *culpable* than one who in good faith believes that the asserted patent is not infringed or invalid. *Id.* at 2070-2071.

Finally, there is no basis for Commil's fear-mongering about "self-serving" opinions of counsel pro-

cured to defeat inducement. Pet. Br. 37; *cf.* U.S. Br. 30-31. Opinions of counsel can support accused infringers only if they are procured in good faith and are reasonable—both propositions that patentees are well-equipped to test at trial. Commil’s suggestion that opinion counsel are unethical or unreasonable in carrying out their task is irresponsible. Nor should it be of concern that such opinions might be dispositive in appropriate cases—*i.e.*, where they are in fact accompanied by “unquestionable proof of good-faith reliance” and insufficient countervailing evidence. Pet. Br. 37-38 (quoting *Bose Corp. v. SDI Techs., Inc.*, 558 F. App’x 1012, 1024 (Fed. Cir. 2014) (*denying* summary judgment due to material dispute on good-faith reliance)). In any event, to the extent Congress believed there was a problem with advice-of-counsel evidence, it addressed it by enacting §298. *See supra* pp.27-29.²³

II. EVIDENCE OF A GOOD-FAITH BELIEF OF INVALIDITY IS RELEVANT TO §271(b)’S SCIENTER REQUIREMENT

This Court’s decision in *Global-Tech* establishes that the lynchpin of scienter in §271(b) is culpability—*i.e.*, knowledge of “wrongdoing” and that the induced acts “violate[] the rights of” the patentee. 131 S. Ct. at 2070. Because an inducement defendant who genuinely

²³ Commil and the government direct many of their arguments toward the straw man that a good-faith but unreasonable belief of non-infringement or invalidity will preclude inducement liability. *E.g.*, Pet. Br. 18, 37-38; U.S. Br. 31 & n.8. Contrary to the premise of these contentions, *unreasonable* steps in the face of knowledge of the patent’s existence and asserted relevance would not negate an inference of willful blindness as to the infringement of a valid patent. Commil is thus incorrect when it asserts (Br. 18) that “an irrational and unreasonable subjective belief” can negate the scienter required under §271(b).

and reasonably believes in good faith that the patent is invalid lacks that knowledge, he lacks the required scienter and cannot be liable under §271(b). Commil's and the government's contrary arguments miss the fundamental link between inducement and culpability; for that reason, they are largely irrelevant to the question presented. They also turn on the false premise that infringement and validity are unrelated concepts. In fact, the text of the Patent Act and case law make clear that patent infringement presupposes patent validity.

- A. A Good-Faith And Reasonable Belief Of Invalidity Is Relevant To Culpability, Which Is Required Under §271(b)**
 - 1. Under *Global-Tech*, inducement requires knowledge that the induced conduct constitutes “wrongdoing”**

The relevance of a defendant's good-faith, reasonable belief of invalidity follows directly from *Grokster* and *Global-Tech*. *Grokster* teaches that “purposeful, *culpable* expression and conduct” are required for inducement. 545 U.S. at 937 (emphasis added). But there is nothing unlawful or even disfavored about practicing the steps of an *invalid* patent. *See* 35 U.S.C. §282(b)(2). Thus, a person who induces another to engage in conduct that the inducer in good faith and reasonably believes practices, at most, steps claimed in an invalid patent is not “*culpable*” and lacks the requisite scienter for inducement liability.

Global-Tech made this syllogism explicit. *Global-Tech* reasoned that inducement liability was warranted in *Grokster* because the defendants “were fully aware—in the ordinary sense of the term—that their file-sharing software was routinely used in carrying out the acts that constituted infringement (the unauthorized

sharing of copyrighted works) *and that these acts violated the rights of copyright holders.*” 131 S. Ct. at 2070 (emphasis added). The Court thus relied on the *Groksster* defendants’ knowledge that the underlying “rights” were “violated.” *Id.*; *see also id.* at 2069 n.8 (describing willfully blind inducers as “tak[ing] deliberate steps to remain ignorant of [patent] rights despite a high probability that the rights exist and are being infringed.” (emphases added)). But no such rights exist if a patent is invalid. *See, e.g., FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2231 (2013) (“[A] valid patent excludes all except its owner from the use of the protected process or product.’ ... But an *invalidated* patent carries with it no such right.” (quoting *United States v. Line Material Co.*, 333 U.S. 287, 308 (1948))).

Consistent with this understanding, this Court reasoned that willful blindness was an adequate scienter standard under §271(b) because “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.” *Global-Tech*, 131 S. Ct. at 2070-2071 (emphasis added). This formulation again confirms that scienter is tied to knowledge of unlawful conduct.

2. Because patent infringement presupposes patent validity, knowledge of infringement requires knowledge of validity

Commil and the government contend that because direct infringement and patent invalidity are treated as distinct issues in some respects, a defendant’s good-faith, reasonable belief that the patent is invalid is irrelevant in determining whether he acted with the required scienter for inducement. Pet. Br. 44-50; U.S. Br. 19-26. That theory fails because the wrong of patent

infringement presupposes the validity of the patent, and there can be no scienter if the accused inducer reasonably believes the patent invalid.

a. Commil and the government contend that their position is resolved by §271(b)'s use of the word "infringement." Pet. Br. 44; U.S. Br. 21. But the word "infringement" does not mark the metes and bounds of §271(b)'s *scienter* requirement. Indeed, in *Global-Tech*, the Court looked to the words "induce" and "actively"—not "infringement"—as the primary interpretative tools to discern the scope of §271(b)'s scienter requirement. 131 S. Ct. at 2065. Ultimately, the Court tied §271(b)'s scienter requirement to knowledge of "wrongdoing," *id.* at 2070—not abstract knowledge that the induced conduct practices the steps of a patent.

Once Commil's and the government's conflation of §271(b)'s scienter and "infringement" is removed, their challenges to allowing evidence of a good-faith belief of invalidity become irrelevant. It does not matter *for scienter purposes* whether direct infringement and patent invalidity are treated as separate legal issues for other purposes. U.S. Br. 22-23 (noting that "noninfringement" and "invalidity" defenses are codified in separate subsections, §282(b)(1) and §282(b)(2), respectively); *id.* 23-24 (citing case law on whether noninfringement moots validity; whether courts (or juries) can find a patent infringed and invalid; and whether failure to raise invalidity in response to a patentee's motion for summary judgment waives invalidity for future proceedings); Pet. Br. 44-50 (similar). Unless those distinctions somehow show that one who practices the steps of an invalid patent engages in "wrongdoing" or "violat[ion of the patentee's] rights," *Global-Tech*, 131 S. Ct. at 2070, they have no bearing on scienter. For good reason, neither Commil nor the govern-

ment contends that practicing the claims of an invalid patent constitutes “wrongdoing.”

b. Moreover, even on their terms, Commil’s and the government’s efforts to show that infringement and patent validity are “separate” (Pet. Br. 44) or “distinct” (U.S. Br. 24) issues fall short. None of their proffered distinctions addresses the pertinent question: whether infringement *presupposes* patent validity. It clearly does.

i. Section 271 defines direct and induced “infringement” by reference to the patent being infringed, presupposing its validity:

(a) [W]hoever without authority makes, uses, offers to sell, or sells any *patented* invention, within the United States or imports into the United States any *patented* invention during the term of the patent therefor, infringes *the patent*.

(b) Whoever actively induces infringement of a *patent* shall be liable as an infringer.

(Emphases added). As used in §271, a “patent” is not merely a paper certificate. Rather, as this Court reiterated just last Term, a patent is defined by the rights it protects: “A patent is[] the conferral of rights in a particular claimed set of elements.” *Limelight*, 134 S. Ct. at 2117; *see also* 35 U.S.C. §154(a)(1). Those rights exist only when the patent is valid; an invalid patent does not “entitle[] [its holder] to the privileges bestowed by” the Patent Act. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 522 (1972), *superseded by statute on other grounds; see also Actavis*, 133 S. Ct. at 2231. It follows that, in defining “infringement of a patent,” Congress defined infringement of a *valid* patent.

See also H.R. Rep. No. 82-1923, at 9 (“[§271(a)]s not actually necessary because the granting clause [§154(a)(1)] creates certain exclusive rights and infringement would be any violation of those rights.” (emphasis added)); S. Rep. No. 82-1979, at 8 (same).

That interpretation is consistent with the well-established understanding of “infringement,” which has always meant an encroachment upon or violation of *legal right*. *E.g.*, *Black’s Law Dictionary* 900 (10th ed. 2014) (“An act that interferes with one of the exclusive rights of a patent[.]”); *Black’s Law Dictionary* 961 (3d ed. 1933) (“A breaking into; a trespass or encroachment upon; a violation of a law, regulation, contract, or right. Used especially of invasions of the rights secured by patents[.]”); *Webster’s New International Dictionary of the English Language* 1277 (2d ed. 1945) (“An encroachment or trespass on a right or privilege; specif. ... [t]he unlawful manufacture, use, or sale of a patented or copyrighted article.”). In all these definitions, infringement presupposes the existence of actual legal rights. In the patent context, that necessarily means that infringement presupposes the patent’s validity.

ii. This Court has long recognized that invalidity renders patent claims void. *Brown v. Piper*, 91 U.S. 37, 44 (1875); *Dunbar v. Myers*, 94 U.S. 187, 200 (1876); *Permutit Co. v. Graver Corp.*, 284 U.S. 52, 58 (1931). Accordingly, where an allegedly infringing product “was not the subject of a valid patent, it follows that the defendants cannot be held as infringers.” *Morgan Envelope Co. v. Albany Perforated Wrapping Paper*

Co., 152 U.S. 425, 435 (1894); *accord Actavis*, 133 S. Ct. at 2231.²⁴

As Justice Black explained over seventy years ago without contradiction, “[t]here can be no infringement of a void patent.” *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 137 (1942) (dissenting opinion). That was an uncontroversial description of pre-1952 case law. *See, e.g., Miehle Printing Press & Mfg. Co. v. Publication Corp.*, 166 F.2d 615, 617 (7th Cir. 1948) (“[O]bviously, there can be no infringement of an invalid patent.”); *Crowell v. Baker Oil Tools, Inc.*, 153 F.2d 972, 982 (9th Cir. 1946) (“[W]e sustain the findings and conclusion of invalidity; which means that there are no patents to infringe.”); *Patent Specialties Corp. v. Price*, 54 F.2d 737, 738 (10th Cir. 1931) (“If plaintiff has no patent to infringe, there can be no infringement.”); *Linde Air Prods. Co. v. Morse Dry Dock & Repair Co.*, 246 F. 834, 837 (2d Cir. 1917) (“[T]here can be no such thing as infringement of an invalid patent.”).

The understanding that infringement presupposes a valid patent continued under the 1952 Patent Act. *See, e.g., Ohio Citizens Trust Co. v. Lear Jet Corp.*, 403 F.2d 956, 959 (10th Cir. 1968); *Greening Nursery Co. v. J & R Tool & Mfg. Co.*, 376 F.2d 738, 742 (8th Cir. 1967); *Toro Mfg. Corp. v. Jacobsen Mfg. Co.*, 357 F.2d 901, 904 (7th Cir. 1966); *Johnson Fare Box Co. v. Na-*

²⁴ *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993) (cited at U.S. Br. 23-24), is not to the contrary. There, the Court merely held that a judgment of non-infringement does not moot validity issues on appeal if the defendant has counterclaimed for a declaratory judgment of invalidity. *Id.* at 98. That is sensible because the counterclaim confers appellate jurisdiction and the public has a strong interest in the eradication of invalid patents. *Id.* at 99-101. The decision does not address whether infringement presupposes the existence of a valid patent.

tional Rejectors, Inc., 269 F.2d 348, 353 (8th Cir. 1959); *Hoover Co. v. Mitchell Mfg. Co.*, 269 F.2d 795, 805 (7th Cir. 1959).

Consistent with this precedent, the Federal Circuit has repeatedly found that “[t]here can be no infringement of claims deemed to be invalid.” *Marrin v. Griffin*, 599 F.3d 1290, 1295 (Fed. Cir. 2010); *accord Prima Tek II, LLC v. Polypap, S.A.R.L.*, 412 F.3d 1284, 1291 (Fed. Cir. 2005) (“[T]here can be no contributory or induced infringement of invalid patent claims.”); *Specialty Rental Tools & Supply, Inc. v. Boyd’s Bit Serv., Inc.*, 84 F. App’x 90, 96 (Fed. Cir. 2003) (“We affirm the jury’s finding of no infringement because invalid claims cannot be infringed.”); *Richdel, Inc. v. Sunspool Corp.*, 714 F.2d 1573, 1580 (Fed. Cir. 1983) (“The claim being invalid there is nothing to be infringed.”).

In response, the government suggests that the Federal Circuit has “occasionally concluded that a particular patent was infringed but invalid.” U.S. Br. 24 (citing *SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331 (2005)). But such outcomes at most recognize the practical reality that resolving a case on multiple grounds fosters efficiency. Hence, “in appropriate cases,” the Federal Circuit “may address infringement after a conclusion of invalidity for the same reason that a district court may elect to do so—to aid appellate review and avoid a remand.” *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1336 (Fed. Cir. 1998). The same explanation disposes of the cases cited by the government (Br. 24) in which *juries* have found patents “infringed but invalid.” Neither example undermines

the common sense notion that patent infringement presupposes patent validity.²⁵

Finally, Commil and the government cherry-pick Federal Circuit cases suggesting—in the course of resolving procedural questions—that infringement and invalidity are “separate … issues.” Pet. Br. 47 (quoting *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003)); *see also* U.S. Br. 24-25 (similar). But these cases simply show that an infringement claim can be resolved against the plaintiff either because the accused infringer did not practice all the steps of the claimed invention or because the claimed invention was invalid (or both). It is similarly true that a defendant can prevail in a breach of contract action either because the contractual obligation was not breached or because there was no valid contract in the first place. *See, e.g., Central Tel. Co. of Va. v. Sprint Commc’ns Co. of Va.*, 715 F.3d 501, 517 (4th Cir. 2013) (elements of breach of contract); *Smith Flooring, Inc. v. Pennsylvania Lumbermens Mut. Ins. Co.*, 713 F.3d 933, 941 (8th Cir. 2013) (same). Yet no one would doubt that the breach of a contractual duty presupposes the existence of a valid contract.

3. Commil’s and the government’s remaining arguments fail

Commil and its amici contend that a finding of invalidity is merely a defense to liability (Pet. Br. 48-50;

²⁵ The government cites (Br. 24) *Fromson v. Advance Offset Plate, Inc.*, but in that case the Federal Circuit held the patent *valid*. 755 F.2d 1549, 1551 (Fed. Cir. 1985). And references to Judge Rich’s dicta in a dissent (Pet. Br. 47; U.S. Br. 24) cannot outweigh a century’s worth of consistent precedent from this Court and lower courts. *See supra* pp.41-43.

U.S. Br. 24; PhRMA Br. 5), but that view is unduly narrow. While a finding of invalidity is sufficient to defeat liability, it also has a broader effect: “[I]nvalidity operates as a complete defense to infringement for any product, forever.” *Weatherchem*, 163 F.3d at 1335; *see also Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 349-350 (1971). This is so because invalidity renders the claim void and incapable of being infringed by anyone. *See supra* pp.41-43.

Commil notes (Br. 44-45) that infringement and invalidity are codified in different sections of the Patent Act (§271 and §282, respectively). The government similarly observes (Br. 22) that the defenses of “[n]oninfringement” and “invalidity”—which are available “in any action involving the validity or infringement of a patent,” 35 U.S.C. §282(b)—are set forth in separate subsections of §282(b). But these observations merely confirm that a patentee can *lose* because the defendant did not practice the patent’s claims or because the patent is invalid (or both). They do not support the inference that infringement can exist in a vacuum absent a valid patent or—as specifically relevant here—that one who reasonably believes in good faith that a patent is invalid engages in “wrongdoing” by encouraging another to perform the claimed steps. *See supra* pp.37-38.

Finally, there is no basis to Commil’s contention (Br. 50-52) that the Federal Circuit’s decision undermines the presumption of patent validity. The presumption of patent validity is not a presumption of liability. Rather, as this Court has explained, the presumption of validity exists to allocate the “burden of proof” of showing invalidity to the challenger and impose “a heightened standard of proof” to carry that

burden. *i4i*, 131 S. Ct. at 2246; *see also id.* at 2243. Nothing in the ruling below changes that.

B. Section 298 And Willful Infringement Precedent Confirm That Evidence Of A Good-Faith Belief Of Invalidity Is Relevant To The §271(b) Scienter Inquiry

Section 298, which Congress enacted as part of the AIA in 2011, provides additional evidence that a good-faith, reasonable belief of invalidity is relevant evidence in defending against a charge of indirect infringement. As explained above (*supra* pp.27-28), the premise of §298 is that opinions of counsel are relevant evidence of a defendant’s “inten[t] to induce infringement.” Further, the AIA’s sponsors envisioned that §298 would address opinions of counsel on *validity* issues, not just opinions on whether a proposed process practices a patent. 157 Cong. Rec. S1374 (Mar. 8, 2011) (Sen. Kyl) (reflecting understanding that opinions of counsel can conclude that patents are “*invalid* or not infringed” (emphasis added)). Congress thus viewed opinions of counsel on patent validity as logically relevant to the scienter requirement for induced infringement—which makes sense only if a good-faith, reasonable belief of invalidity is relevant to the §271(b) scienter requirement.

Well-established precedent on willful infringement is also instructive. “[T]o establish willful infringement, a patentee must show ... that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a *valid* patent.” *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (emphasis added); *see also Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008) (“[A] competent opinion of counsel concluding ... that [the patent] was invalid would provide a sufficient basis

... to proceed without engaging in objectively reckless behavior with respect to the ... patent.”). But willful infringement requires only recklessness, *Seagate*, 497 F.3d at 1371, which is less demanding than the scienter for inducement—*i.e.*, actual knowledge or willful blindness, *Global-Tech*, 131 S. Ct. at 2068. It would be incongruous if evidence of a good-faith, reasonable belief of invalidity were relevant to the former but not the latter. The fact that willful infringement and induced infringement are treated *in pari materia* in §298, *see supra* p.27, confirms that Congress shared this view.

The government contends that the standards for willful infringement, being “judicially created,” do not inform the construction of §271(b). U.S. Br. 28. But Congress specifically referenced the “willful[] infringe[ment]” standard in the text of §298. Given the extensive attention that willful infringement received in the years leading up to the enactment of the AIA,²⁶ Congress’s incorporation of those standards in §298 without otherwise altering them is compelling proof of acquiescence.²⁷

²⁶ See, e.g., H.R. Rep. No. 112-98, at 39 & n.9 (citing *Seagate*); S. Rep. No. 111-18, at 10-13 (2009) (discussing codification of willfulness); S. 515, 111th Cong. §4(a) (Apr. 2, 2009); 155 Cong. Rec. S2715 (Mar. 3, 2009) (Sen. Hatch) (noting “considerable discussion with stakeholders in the patent community” about *Seagate* and sponsors’ attempt to “incorporate correlating language into” proposed bill); S. 1145, 110th Cong. §4(a) (Jan. 24, 2008); S. Rep. No. 110-259, at 15-16 & n.66 (2008).

²⁷ There is no merit to the government’s contention (Br. 28) that the scienter for willfulness should be “more culpable” than for inducement because the purpose of enhanced damages is “to punish those defendants whose conduct is egregious in a way that run-of-the-mine infringement is not.” Induced infringement, unlike direct infringement, is not “run-of-the-mine infringement” (*id.*),

C. The Federal Circuit's Ruling Fosters Innovation Without Endangering Patent Rights

Under Commil's proposed rule, businesses like Cisco that sell commercially successful products will face an impossible dilemma after receiving a demand letter alleging that their products induce infringement. Even if a thorough investigation reveals that the patent (which is not directly infringed by the business) is likely invalid, the sender of such a letter will hold all the power. The recipient's options will be to take its products off the market, pay the patentee for a license, or face the prospect of costly and risky litigation without a meaningful opportunity to mount a scienter defense. If the recipient is a small business or early-stage company, there may be no choice at all. *See Chien, Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 472-478 (2014) (analyzing impacts of infringement allegations on startup technology companies).

The risk that innovative, lawful products will be withheld or subject to significant royalty demands is particularly severe in high-technology industries. Successful modern products are often covered by a broad swath of issued patents. For example, estimates suggest that smartphones are covered by as many as 250,000 patent claims. Waters, *Tech Patent Arms War Reaches New Level of Intensity*, Financial Times, Mar. 31, 2011, at 16; Lohr, *A Bull Market in Tech Patents*, N.Y. Times, Aug. 17, 2011, at B1; *see also Jaffé v. Samsung Elecs. Co.*, 737 F.3d 14, 17 (4th Cir. 2013) (describing "the 'patent thicket' resulting from the overlapping rights of some 420,000 patents in the semiconductor industry"). Patent assertion entities are able to wait un-

but rather exceptional liability that is "premise[d] ... on purposeful, culpable expression and conduct." *Grokster*, 545 U.S. at 937.

til products become commercially successful and entrenched in the market, at which point it is more difficult and costly for a manufacturer to develop alternative designs; they then demand that the innovator pay royalties or face suit for infringement.

Yet a staggering percentage of issued patents are invalid. A recent study of Federal Circuit cases deciding the validity of patents between 2003 and 2009 found that only 40% of the patents were found valid—notwithstanding the statutory presumption of validity. Mann & Underweiser, *A New Look at Patent Quality*, 9 J. Empirical Legal Stud. 1, 7 (2012); see also Allison & Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205 (1998) (finding that 46% of patents were invalidated in litigation). For many of these patents, the claims are so broad that there is often no question that use of the accused product can practice the steps set forth in those claims, yet the claims are almost certainly invalid. Moreover, the law of patentability shifts periodically; this Court's recent decisions in *Alice Corp. Pty. v. CLS Bank International*, 134 S. Ct. 2347 (2014), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), rendered a significant number of method patents vulnerable to challenge, even though the accused conduct almost certainly practiced the asserted claims. Providing patentees with the power that Comil requests will reduce beneficial challenges to patent validity, and will give undue power to those who hold broadly worded (and improvidently issued) patents. *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014) (“[T]he ‘public’ also has a ‘paramount interest in seeing that patent monopolies ... are kept within their legitimate scope.’”).

Distinguishing between a belief of non-infringement and a belief of invalidity would also give rise to inexplicable results. An accused inducer may conclude, reasonably and in good faith, that a patent's claims do not cover its product if construed narrowly, and that if they were construed broadly enough to cover its product, the claims would be so broad as to be invalid. That often occurs when construing the patent's claims broadly would also cause the claims to sweep beyond the disclosed invention or to cover the prior art. *E.g., Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1378-1383 (Fed. Cir. 2007) (broad construction of patent claims urged by patentee rendered claims anticipated and not enabled); *MagSil Corp. v. Hitachi Global Storage Techs., Inc.*, 687 F.3d 1377, 1380-1385 (Fed. Cir. 2012) (same). In such a situation, there is no reason to treat the defendant's reasonable good-faith belief of non-infringement under a narrow claim construction any differently from a reasonable good-faith belief of invalidity under a broad claim construction; both are based on the fact that the defendant lacked specific, culpable intent to induce wrongdoing. Indeed, that is the very situation that arose in this case: Cisco was allowed to present its reasonable belief that Commil's claims should have been construed narrowly such that they would not cover WiFi products, yet was not allowed to offer evidence of its belief that, if the claims were construed more broadly, they would render the patent invalid.

In response, Commil and the government assert theoretical arguments speculating that the Federal Circuit's ruling will weaken patent rights in various ways. None of those contentions is persuasive.

The government remarkably ventures that "there is no indication that inducement liability has swept too

broadly.” U.S. Br. 29. But a recent study shows that a record 5,411 patent infringement cases were filed in 2013, with the number of suits brought by non-practicing entities growing by almost 20% over the previous year. RPX Corporation, *2013 NPE Litigation Report* 10-11 (2014); *see also* PricewaterhouseCoopers, *2014 Patent Litigation Study* 2 (2014). It is unrealistic to believe that inducement suits are not part of this problem and would not dramatically multiply if Commil obtains the change in law it seeks.

Next, despite acknowledging the “public interest” in denying holders of invalid patents “monopoly privileges” (U.S. Br. 29), the government argues that this interest is not implicated here because evidence of a good-faith belief is only “outcome-determinative” when the patent is found valid. But that is true of any intent-based defense, which is only “outcome-determinative” when the required conduct elements are satisfied. Yet intent-based defenses serve a critical purpose: They limit liability to culpable conduct. That is especially important in inducement cases like this one, where Cisco risks being saddled with liability for the use by third parties of products that Commil *conceded* have substantial non-infringing uses. A6004; A6119.

In any event, contrary to the government’s contentions, allowing evidence of a defendant’s good-faith, reasonable belief of invalidity serves critical pro-competitive interests. It renders economically viable invalidity challenges that are reasonable, genuine, and often ultimately successful but that would never be brought (or litigated to judgment) under Commil’s and the government’s rule because the risks and costs of litigation would warrant changing the underlying product, succumbing to licensing demands, or exiting the market altogether. *See White House Report* 10 (de-

scribing non-litigation responses forced by PAEs' tactics); *id.* at 9 (noting "substantial litigation costs" and estimating median cost of \$650,000 for smaller cases and over \$5 million for cases exceeding \$25 million in controversy). If one is serious about ensuring against "grant[ing] monopoly privileges to the holders of invalid patents," *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 101 (1993), good-faith, reasonable challenges are precisely the ones that should be incentivized.

The government also suggests (Br. 30-32) that a good-faith belief of invalidity will be raised too often and involve issues that are too complicated, to the detriment of patent rights and at the risk of increasing the burdens of litigation. *See also* Pet. Br. 37-39. But as Commil recognizes (Br. 41), invalidity defenses are already common features of infringement litigation. Allowing a defendant to offer evidence of his reasonable good-faith belief of invalidity at the time of the alleged inducement does not meaningfully complicate the adjudication of these issues. It merely allows the defendant to present evidence that he already had a good-faith basis to believe in the same grounds for invalidity at a prior point in time.

Nor does the Federal Circuit's rule force a patentee to "disprove the inducer's *alleged* subjective belief that the patent was invalid." Pet. Br. 52 (emphasis added). To the contrary, the defendant must offer *evidence* of a reasonable, good-faith belief of invalidity; if he does not, then, consistently with *Global-Tech* and *Aro II*, the patentee can establish the required knowledge of infringement of a (presumptively) valid patent by proving that the defendant knew of (or was willfully blind to) the patent's existence and potential applicability. *See supra* pp. 17-19.

There is also no merit to Commil’s and the government’s fear that a defendant’s good-faith showing will stand or fall based on his ability to offer opinion-of-counsel evidence. Pet. Br. 37; U.S. Br. 30-31. Such opinions are neither required nor *per se* sufficient. The good faith and reasonableness of a defendant’s belief of invalidity depends on all relevant evidence. In any event, Congress specifically considered the use of opinions of counsel in both inducement and willfulness cases and addressed any perceived problem with a calibrated provision in the AIA. 35 U.S.C. §298; *supra* pp.27-29, 36.²⁸

Commil’s amici also assert that the Federal Circuit’s rule might disadvantage brand-name drug manufacturers in litigation under the Hatch-Waxman Act. PhRMA Br. 7-11; AbbVie Br. 13-21; Gilead Br. 16-23; BIO Br. 18-20. These concerns are speculative and overblown. First, if a drug subject to an abbreviated new drug application (“ANDA”) is covered by a composition patent claiming the drug’s compound or by a method practiced by the manufacturer, inducement is irrelevant; a generic manufacturer selling the drug or practicing the method would be a *direct* infringer. *See,*

²⁸ Commil also fears that inducement defendants will “leverage” PTO findings that reexamination or *inter partes* review of a patent is appropriate. Pet. Br. 39-40. But the Federal Circuit has reserved judgment on the relevance of such evidence to “establish a good faith belief of invalidity.” *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1324 (Fed. Cir. 2014). In any event, the Federal Circuit has proven very capable of addressing any potential prejudice caused by such evidence. *See, e.g., id.* at 1324-1325; *SSL Servs., LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1092-1093 (Fed. Cir. 2014) (“[T]his court’s precedent has often warned of the limited value of actions by the PTO’ to establish a good faith belief of invalidity.”).

e.g., Sanofi-Synthelabo v. Apotex, Inc., 550 F.3d 1075, 1077 (Fed. Cir. 2008).

Second, the main goal of Hatch-Waxman litigation is to obtain *prospective* relief preventing the launch of the generic drug following the initial thirty-month stay of FDA approval. 21 U.S.C. §355(j)(5)(B)(iii) (FDA approval of the ANDA automatically stayed for at least thirty months after filing of infringement action). Good-faith beliefs of invalidity are irrelevant to prospective relief; once the litigation is concluded in the patentee's favor, there is no longer any good-faith belief of invalidity or non-infringement to be held. *See* Gilead Br. 19-20; *supra* p.34. The issue in this case will therefore only arise in Hatch-Waxman litigation if a generic company launches its drug "at risk" before the litigation is resolved—a scenario that is exceedingly rare. Carrier, *Payment After Actavis*, 100 Iowa L. Rev. 7, 27 (2014) (average of only four at-risk launches per year between 2003 and 2009). Even then, the patentee can seek a preliminary injunction against the launch. *Eli Lilly & Co. v. Teva Pharm. USA, Inc.*, 609 F. Supp. 2d 786, 791 (S.D. Ind. 2009) (granting preliminary injunction). Tellingly, amici have not identified a single generic launch for which the question presented here would have been outcome-determinative.

Finally, there is no merit to Commil's and the government's generalized alarm about under-enforcement of patent rights. Pet. Br. 36; U.S. Br. 32-33. As the government recognizes (Br. 32), the Federal Circuit's ruling imposes no limitation on the relief patentees can obtain against those who practice their inventions. Nor does it limit patentees' ability to stop defendants from inducing others to practice those inventions through injunctive relief, if and when the defendant's non-infringement and invalidity defenses are rejected. *See*

supra p.34. The only limitation imposed on patentees is that they will not be able to extract exorbitant damage awards from parties who neither practice a patent's claims nor know that their actions will induce *others* to practice the claims of a valid patent.²⁹

In contrast, the rule proposed by Commil would leave innovative companies with no good option in responding to the abusive demands of patent assertion entities. The result would be doubly harmful. Commercially successful companies would be discouraged from challenging questionable patents, perpetuating the monopoly privileges enjoyed by holders of invalid patents. And resources that would otherwise be invested in innovation would be diverted to servicing those monopoly privileges in the form of license fees. Nothing in the Patent Act or this Court's jurisprudence warrants that result.

²⁹ The government also contends that the Federal Circuit's reasoning, if "taken to its logical conclusion," would permit a "plethora" of good-faith defenses beyond invalidity. U.S. Br. 32; *see also* Pet. Br. 41. But only a defendant's good-faith and reasonable belief that the patent's claims are invalid or unenforceable (for example, because of inequitable conduct) can negate the defendant's knowledge of "wrongdoing." *Global-Tech*, 131 S. Ct. at 2070; *see supra* pp.37-38. Ordinary defenses to liability that arise after the alleged inducement has occurred or in the course of litigation are irrelevant to the defendant's scienter under §271(b).

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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