

“WILLFUL BLINDNESS” FOR INDUCED INFRINGEMENT-IMPACTS OF THE U.S. SUPREME COURT’S *GLOBAL-TECH* CASE ON TAIWANESE COMPANIES

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ABSTRACT

For Taiwanese companies doing business in the United States, patent infringement lawsuit has been one of the biggest headaches. Under U.S. patent laws, activities outside of U.S. could also be punished for “induced infringement” under 35 U.S.C. § 271(b). Last year, for the first time, the Supreme Court decided to clarify the scope of knowledge and intent requirement for inducement liability under 35 U.S.C. § 271(b). In *Global-Tech Appliances, Inc. v. SEB, S.A.*, the Supreme Court held that induced infringement under § 271(b) does require knowledge that the induced acts constitute patent infringement. The Supreme Court also ruled that “deliberate indifference” to a known risk that a patent exists does not satisfy the knowledge required by § 271(b). However, the Supreme Court concluded that when the defendant has no actual knowledge, the knowledge requirement could still be inferred by using a “willful blindness” legal standard. Therefore, to avoid induced infringement under this case, whenever a foreign company learns that the features of its own product, or the product features of its non-U.S. customers, may fall within the claims of a specific U.S. patent, they should advise their customers that this product should not be sold, used or imported into the United States. Without an affirmative step to encourage its customer’s infringement activities in the U.S., the foreign company can significantly reduce its risk for induced infringement.

Keywords: American patent law, induced infringement, indirect infringement, inducement, willful blindness

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I. Introduction

For Taiwanese companies doing business in the United States, patent infringement lawsuit has been one of the biggest headaches. Under U.S. patent laws, not only use, manufacture, sale or importation of a patented invention within U.S. could constitute “direct” patent infringement (*see* 35 U.S.C. § 271(a)), activities outside of U.S. could also be punished for “indirect” patent infringement, which includes “induced infringement” under 35 U.S.C. § 271(b)-“whoever actively induces infringement of a patent shall be liable as an infringer.”

As 35 U.S.C. § 271(b) doesn’t require the inducing act to occur within U.S., a foreign company can still indirectly infringe an U.S. patent if it induces another to sell or import infringing products into the United States. As such, many Taiwan business executives are surprised to know that the company has been exposed to the risk of induced infringement claim simply by shipping the accused components/products to a non-U.S. destination for companies who might eventually import these products into U.S.

The key issue, though, is what constitutes “induced infringement” under 35 U.S.C. § 271(b). Unlike direct infringement under 35 U.S.C. § 271(a), which is a strict liability offense where the direct infringer’s knowledge or intent is not required (i.e., the unauthorized use of a patented invention is sufficient for liability), indirect infringement under 35 U.S.C. § 271(b) does require certain level of knowledge and intent. To prevail in a 35 U.S.C. § 271(b) indirect infringement claim, a plaintiff must provide the following evidence: (1) evidence of direct infringement by the direct infringer¹; (2) evidence of the alleged infringer’s “active steps ... taken to encourage direct infringement”²; (3) evidence that proves the alleged infringer knowingly induced direct infringement and possessed specific intent to encourage another’s direct infringement.³ The third element-“knowledge” and “intent”, however, are unclear as to whether inducement merely requires that the alleged inducer intends to induce another to perform an act which turns out to infringe a patent (i.e., the inducer might not be aware of a specific patent that has been infringed), or whether the alleged inducer must also intend to

¹ *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) (“It is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement.”) (emphasis in original).

² *MGM Studios Inc. v. Grokster, Ltd.* 545 U.S. 913, 936 (2005).

³ Inducement requires “that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.” *See Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008) (quoting *DSU Med. Corp. v. JMS, Co.*, 471 F.3d 1293, 1306); *also see MEMC Elec. Materials Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 (Fed. Cir. 2005) (quoting *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1304-05 (Fed. Cir. 2002)).



persuade another to perform an act that the inducer knows would infringe a specific patent. Two different decisions rendered by the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) in the same year caused this confusion.

In *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, a panel of Federal Circuit held that a defendant could be liable as long as the plaintiff could prove that the defendant intended to cause the acts that ultimately turned out to constitute patent infringements (i.e., regardless of whether the defendant knew that his actions would induce patent infringement).⁴ Nevertheless, another panel of Federal Circuit held in *Manville Sales Corp. v. Paramount Sys., Inc.* that “[i]t must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.”⁵

An en banc Federal Circuit attempted to reconcile these two conflicting opinions in *DSU Med. Corp. v. JSM Co.*,⁶ a case decided in 2006, holding that to be liable under § 271(b), “a defendant must have an affirmative intent to cause direct infringement.”⁷ The Federal Circuit chose to adopt *Manville* standard and ruled that “intent to induce” requires that the defendant “knew or should have known that his actions would induce actual infringements.”⁸

Last year, for the first time, the United States Supreme Court decided to clarify the scope of knowledge and intent requirement for inducement liability under 35 U.S.C. § 271(b). In *Global-Tech Appliances, Inc. v. SEB, S.A.*,⁹ the Supreme Court held that induced infringement under § 271(b) does require knowledge that the induced acts constitute patent infringements.¹⁰ However, the Supreme Court rejected the Federal Circuit’s “deliberate indifference” standard for knowledge requirement, ruling that “deliberate indifference” to a known risk that a patent exists does not satisfy the knowledge required by § 271(b).¹¹ Instead, the Supreme Court concluded that in the absence of defendant’s actual knowledge, this knowledge requirement could be satisfied by evidence of “willful

⁴ See *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

⁵ *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990).

⁶ *DSU Med. Corp. v. JSM Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc).

⁷ *Id.* at 1306.

⁸ *Id.*

⁹ *Global-Tech Appliances, Inc. v. SEB, S.A.*, 131 S. Ct. 2060 (2011).

¹⁰ *Id.* at 2060.

¹¹ *Id.* at 2062



blindness.”¹² In other words, for an alleged infringer to be liable under induced infringement theory, a plaintiff must prove that the alleged infringer either possess actual knowledge of the asserted patent or be willfully blind to the existence of the asserted patent.

II. Factual Background of *Global-Tech Appliances, Inc. v. SEB, S.A.*

SEB is a French company that manufactures home-cooking appliances, which obtained a U.S. Patent (Patent No. 4,995,312) in 1991 for its design of innovative “cool-touch” deep-fat fryer that incorporated a plastic outer shell surrounding a metal frying pot so that the exterior was cool for the user to touch. SEB then began selling the fryer in the U.S. under its T-Fal brand and enjoyed commercial success with the product. A U.S. company, Sunbeam Products (a competitor of SEB), requested that Pentalpha Enterprise, a Hong Kong-based corporation wholly owned by Global-Tech Appliances, develop and supply Sunbeam Products with deep-fat fryer that Sunbeam Products planned to sell in the United States. Instead of designing its own fryer, Pentalpha Enterprise nevertheless purchased a SEB fryer in Hong Kong and copied its “cool - touch” design, changing only aesthetic features of the SEB fryer. Because the SEB fryer Pentalpha purchased was made for sale in Hong Kong, it did not bear any U.S. patent marking. Before selling the fryer to Sunbeam Products, Pentalpha also hired a U.S. patent attorney to conduct “right to use” analysis on its deep fryer; Pentalpha did not, however, notify the attorney that it had copied the “cool-touch” design from SEB fryer. The patent attorney failed to find SEB’s U.S. patent in the course of investigation and ended up issuing an opinion which concluded that Pentalpha’s deep - fat fryer did not infringe any U.S. patent he has found. Pentalpha then sold the fryers to Sunbeam Products, which in turn sold it in the U.S. market at a lower price than SEB. In 1998, SEB sued Sunbeam Products first, alleging that its sales of the Pentalpha fryer infringe SEB’s patent. SEB subsequently brought an action in the U.S. District Court for the Southern District of New York against Pentalpha and its parent company, Global-Tech, for intentionally inducing Sunbeam Product's patent infringement under 35 U.S.C. § 271(b). In the district court level, the jury found that Global-Tech's subsidiary Pentalpha had indeed induced patent infringement and the court thus entered judgment for SEB. Pentalpha appealed to the Federal Circuit.

III. Federal Circuit’s Decision

Following *DSU Med. Corp.*, the Federal Circuit has been using the “knew or should have known” test to decide the requisite mental state of an

¹² *Id.* at 2063.



alleged infringer under § 271(b), which permitted a finding of alleged inducer's knowledge when there is merely a "known risk" that the induced acts will infringe a U.S. patent, even if the alleged inducer doesn't take any affirmative action to shield itself from knowing the infringing activities.¹³ Under this rule, a plaintiff can prevail in its induced infringement claim as long as it proves that the alleged infringer "actually knew" or "should have known" that his actions would induce actual infringements.¹⁴ Accordingly, "a claim for inducement is viable even where the patentee has not produced direct evidence that the accused infringer actually knew of the patents-in-suit." Specifically, the Federal Circuit further ruled that evidence showing defendant's "deliberate indifference" of a known risk that a patent infringement might occur is sufficient to establish constructive knowledge of the patent. In other words, evidence showing defendant's "deliberate indifference" to a known risk that a patent exists is sufficient to prove that the alleged infringer "should have known" his action would induce direct infringement.

IV. Supreme Court's "Willful Blindness" Standard for Induced Infringement

Pentalpha appealed to the U.S. Supreme Court, contending that liability for inducing infringement under 35 U.S.C. § 271(b) requires actual knowledge of the patent, not just a disregard of a known risk.

The Supreme Court rejected the concept that "deliberate indifference" to a known risk that a patent exists satisfies the knowledge requirement, holding that the word "actively" in § 271(b) requires an inducer to take affirmative steps to bring about a known, infringing result. Turning to its prior decision in *Aro Mfg. Co. v. Convertible Top Replacement, Co.*¹⁵ (*Aro II*), the Supreme Court concluded that induced infringement under § 271(b) requires knowledge that the induced act constitutes patent infringement, and, when the defendant has no actual knowledge, the knowledge requirement could still be inferred by using a "willful blindness" legal standard.

The Supreme Court went further and explained that "willful blindness" standard requires that "(1) the defendant must subjectively believe that there is a high probability that a fact exists; and (2) the defendant must take deliberate actions to avoid learning of that fact."¹⁶ "[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

¹³ See *DSU Med. Corp.*, 471 F.3d at 1306.

¹⁴ See *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1375-76 (Fed. Cir. 2010) (citing *DSU Med. Corp.*, 471 F.3d at 1304).

¹⁵ *Aro Mfg. Co. v. Convertible Top Replacement, Co.*, 377 U.S. 476 (1964).

¹⁶ *Global-Tech Appliances, Inc.*, 131 S. Ct. at 2070.



known the critical facts.”¹⁷

The Supreme Court indicated that “willful blindness” requires more than just “reckless” or “negligent.” The Court also emphasized that this standard materially differs from the “deliberate indifference” test used by Federal Circuit, which permitted a finding of knowledge where there is merely a “known risk” that the induced acts are infringing, and even where the inducer takes no affirmative action to prevent itself from knowing the infringing nature of the activities.¹⁸

V. Conclusion and Legal Implications

Under the Federal Circuit’s “deliberate indifference” test, a plaintiff only needs to show that the defendant acts with indifference to a “risk” that a patent exists. Now the standard is much stricter, and thus it’s harder for a plaintiff to prove induced infringement. A plaintiff now must show that the defendant subjectively believed there was a high probability not only that a patent exists, but also that the conduct encouraged/induced by defendant constitutes infringement of that patent. Then a plaintiff must further demonstrate that the defendant took affirmative steps to avoid receiving actual notice of the infringement. Although willful blindness may be proved by circumstantial evidence (as it was in *Global-Tech* itself), the requirement that the defendant has knowledge of the infringement may essentially encourage patentees to provide actual notice to the alleged inducer before the patentees assert induced infringement under § 271(b). Since the standard now is higher, by sending a warning letter, it’s easier for a patentee can to establish evidence for actual notice without the need to find evidence for defendant’s willful blindness.

With this new test, inducement liability will not be found unless the defendant is found to have knowledge (at least “willful blindness”) of both the asserted scope of the claims of the patented invention, and the fact that the acts it induced/encouraged fall within the scope of those claims.

Therefore, to avoid induced infringement under this case, whenever a foreign company learns that the features of its own product, or the product features of its non-U.S. customers, may fall within the claims of a specific U.S. patent, they should advise their customers that this product should not be sold, used or imported into the United States. Without an affirmative step to encourage its customer’s infringement activities in the U.S., the foreign company can significantly reduce its risk for induced infringement.

Cited as:

¹⁷ *Id.* at 2070-71.

¹⁸ *Id.* at 2071.



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