

Federal Circuit Holds that A Good-Faith Belief in Patent Invalidity Is a Defense to Claims of Inducing Patent Infringement

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This week, the Federal Circuit issued an important decision for device manufacturers, developers, service providers, and any other company that might be targeted as an “indirect” patent infringer based on customers’ use of their products or services. In *Commil USA v. Cisco Systems*, a panel of the Federal Circuit held for the first time that an accused indirect infringer may avoid liability altogether if it had a good-faith belief that the asserted patent was invalid. The holding expands the value of pre-suit invalidity opinions by creating an opinion-based defense to liability for induced infringement, in addition to their existing value as a defense against a willfulness charge. At the same time, by creating a new defense, the decision will add uncertainty for patent holders seeking to enforce method patents when the methods are practiced only by customers of the accused infringer.

Over the past two years, the Federal Circuit and the Supreme Court have struggled with the question of what constitutes an act of inducing a third-party to infringe a patent. The relevant statute, 35 U.S.C. § 271(b), provides that an entity may be liable for “actively” inducing another entity, such as a customer, to infringe. A common factual scenario is where a company markets a commercial product that is used by its customers to perform a patented method.

In 2011, the Supreme Court held that the statutory reference to “active” inducement requires a showing that the accused inducer (i.e., the manufacturer or developer) **intended** for its customers to infringe a patent. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2067 (2011). This “specific intent” requirement demands a showing both that the accused inducer knew of the patent, and knew that its customers’ acts would “constitute patent infringement.” Under *Global-Tech*, a company having a good faith belief that its product (or service) does not utilize the product or method claimed in the patent may avoid liability for inducing infringement, even if its belief later proves incorrect.

The open question, which the Federal Circuit decided this week, was whether a good-faith belief that a patent is **invalid** can also defeat a claim for induced infringement. Federal district courts have been divided on whether the intent necessary for induced infringement is satisfied merely by an intent to encourage the acts covered by the patent, or whether the claim demands a showing of specific intent that the customer infringe a valid patent.

The panel majority of Judges Prost and O’Malley held that a good-faith belief in invalidity **can** negate indirect liability. The Court explained that a belief in the patent’s invalidity is inconsistent with purposeful, culpable intent to induce infringement:

[O]ne could be aware of a patent and induce another to perform the steps of the patent claim, but have a good-faith belief that the patent is not valid. Under those circumstances, it can hardly be said that the alleged inducer intended to induce infringement.

Slip Op. at 10. On this basis, the Court ruled that “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.*

In dissent, Judge Newman argued that a good-faith belief as to the invalidity of a patent should not negate indirect infringement if the patent is held not invalid, analogizing to an intentional trespass on property which “can be committed despite the actor’s mistaken belief that she has a legal right to enter the property.” Slip Op. (Newman, J., concurring in part, dissenting in part) at 3.

This majority’s reasoning that a good-faith belief as to patent invalidity is a defense to induced infringement applies equally to contributory infringement. Although not specifically at issue in *Commil*, contributory infringement under 35 U.S.C. § 271(c) requires the

sale of “a component of a patented machine, manufacture, combination, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use.” In the 2011 *Global-Tech* case, the Supreme Court held that the same “specific intent” requirement applies both to inducement and to contributory infringement.

After *Commil*, companies that sell kits, machines, or software to perform a patented method, or sell components for use in a patented method, have added incentive to obtain a pre-launch invalidity opinion in order to avoid liability for inducement and contributory infringement. However, the majority opinion’s careful phrasing of its holding—that a good-faith belief in invalidity “**may** negate the specific intent”— provides a note of caution. An opinion of counsel should not be considered a “get out of jail free” card. Care should be taken in the procurement of an opinion of counsel. Consistent with current standards in willfulness law, an opinion of counsel should be rendered by an experienced patent attorney having an appropriate understanding of the technology at issue. Other best practices include that an opinion should construe relevant claim terms and analyze the relevant file history. The analysis should be performed on a claim-by-claim basis with respect to each invalidity defense.

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