

## Supreme Court Rejects Good-Faith Belief of Invalidity Defense to Claims of Inducement of Patent Infringement

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### The Decision in *Commil USA, LLC v. Cisco Systems, Inc.*

On Tuesday, the United States Supreme Court ruled that a party's good-faith belief in the invalidity of a patent is not a defense to a claim that the party has induced infringement of the patent. Inducement claims arise in a variety of situations, often where a patent contains method claims. For example, the owner of a patent claiming a method may accuse a company of inducing an end user to infringe the patent by performing the claimed method. Commil had won a jury verdict that Cisco had induced Cisco's customers to infringe Commil's patent, which claimed a method of implementing wireless networks.

The ruling was good news for owners of patents—especially patents with method claims—who feared that a decision establishing a “good-faith belief of invalidity” defense would significantly hinder their ability to enforce their patents. But companies that frequently are accused by non-practicing entities of inducing infringement of patent claims of dubious validity will be disappointed by the decision.

Under the Patent Act, “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). While the statute does not address the intent of an inducer, the Supreme Court had previously ruled that “at least some intent is required.” Just four years ago, in *Global-Tech Appliances, Inc. v. SEB S.A.*, the Supreme Court held that an inducer must have “knowledge that the induced acts constitute patent infringement.”

At the Supreme Court, Cisco argued that it lacked the requisite intent because it believed in good faith that the asserted patent was invalid. Cisco had persuaded the Federal Circuit in 2013 that “evidence of an accused inducer's good-faith belief of invalidity may negate the requisite intent for induced infringement.”

In a 6-2 opinion by Justice Kennedy, the Supreme Court reversed. The Court held that the intent necessary to find inducement liability is an intent to infringe; thus, a defendant's belief that it is not causing its customer to infringe is relevant to show the lack of requisite intent. But a defendant's belief about the validity or invalidity of the patent is not relevant to that intent. The Court noted that invalidity is an affirmative defense to a claim of patent infringement and that a defendant who prevails on that defense will not be liable for patent infringement. “That is because invalidity is not a defense to infringement, it is a defense to liability. And because of that fact, a belief as to invalidity cannot negate the scienter required for induced infringement.” The Court also reasoned that a “good-faith belief of invalidity” defense would undermine the presumption that patents are valid.

The Court enumerated several practical reasons to reject a “good-faith belief of invalidity” defense. The Court pointed out that accused inducers who believe that an asserted patent is invalid can attempt to invalidate the patent through a declaratory judgment action, *inter partes* review before the Patent Trial and Appeal Board, reexamination at the Patent Office, or as a defense to a patent infringement suit. The Court also stated that a “good-faith belief of invalidity” defense would make patent litigation more burdensome and costly.

In response to arguments made by both Commil (the patent owner) and the Solicitor General about the proper interpretation of *Global-Tech*, the Supreme Court reaffirmed that an inducement claim “requires proof the defendant knew the acts were infringing,” not merely proof that the defendant knew of the asserted patent.

The Court closed its opinion by acknowledging the problem of frivolous patent suits brought to obtain a nuisance value settlement, and it urged lower courts to dissuade such conduct by imposing sanctions under Rule 11 and awarding attorneys' fees under 35 U.S.C. § 285

when appropriate. “These safeguards,” the majority wrote, “combined with the avenues that accused inducers have to obtain rulings on the validity of patents, militate in favor of maintaining the separation expressed throughout the Patent Act between infringement and validity. This dichotomy means that belief in invalidity is no defense to a claim of induced infringement.”

Justice Breyer did not participate in the case; Justice Scalia dissented, joined by Chief Justice Roberts. Justice Thomas did not join in all aspects of the majority decision.

## Implications for Patent Litigation

The *Commil* decision has important implications for patent litigation. First, the decision reaffirms that parties may assert a “good-faith belief of non-infringement” defense to inducement claims. Accordingly, a party that is (or could be) accused of inducing infringement should carefully analyze whether the induced acts actually infringe. If they do not, the accused inducer should develop admissible evidence of its belief of non-infringement, such as an opinion of counsel, and of its good faith reliance on that belief.

Second, because parties will not be able to assert a “good-faith belief of invalidity defense” to inducement allegations, owners of patents drawn to method claims do not need to contend with yet another obstacle to establishing inducement liability. As noted above, the Court in *Global-Tech* held that a party could be liable for inducement only if it knew that it was inducing acts that infringed. And as the Federal Circuit recently reiterated in its decision following remand from the Supreme Court in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, a party cannot establish infringement of a method claim without showing that all steps of the claim were performed by or attributable to a single entity. The *Commil* Court’s refusal to give accused inducers another defense will benefit companies that have valuable method patents, such as patents directed to methods of diagnosing and treating medical conditions. But it may also benefit non-practicing entities seeking to assert claims of questionable validity, because the accused inducer will not be able to defend based on a good-faith belief of invalidity.

Finally, as Cisco pointed out, a party evaluating a patent may conclude that it would not infringe if the claims are construed narrowly, and that the claims would be invalid if they are construed broadly. An opinion of counsel that addresses non-infringement only based on a narrow claim construction could be used by the patent owner to argue in favor of a narrow claim construction at the Markman hearing, in order to avoid a finding of invalidity. Accordingly, parties are well advised to obtain opinions that address both non-infringement and invalidity under different potential claim constructions even though the invalidity opinion would not serve as a defense to inducement liability.

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