

In The  
Supreme Court of the United States

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COMMIL USA, LLC,  
*Petitioner,*

v.

CISCO SYSTEMS, INC.,  
*Respondent.*

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

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BRIEF OF PETITIONER

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MARK S. WERBNER  
*Counsel of Record*  
RICHARD A. SAYLES  
MARK D. STRACHAN  
DARREN P. NICHOLSON  
SAYLES | WERBNER P.C.  
4400 Renaissance Tower  
1201 Elm Street  
Dallas, TX 75270  
(214) 939-8700  
mwerbner@swtriallaw.com

*Counsel for Petitioner*  
*Commil USA, LLC*

LESLIE V. PAYNE  
NATHAN J. DAVIS  
MIRANDA Y. JONES  
HEIM, PAYNE &  
CHORUSH, LLP  
JP Morgan Chase Tower  
600 Travis, Suite 6710  
Houston, TX 77002  
(713) 221-2000

*Counsel for Petitioner*  
*Commil USA, LLC*

PETITION FOR CERTIORARI FILED JANUARY 23, 2014  
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## **QUESTION PRESENTED**

Under 35 U.S.C. § 271(b), “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” The question presented is:

1. Whether a good-faith belief that a patent is invalid is a defense to inducement liability under Section § 271(b).

## **PARTIES TO THE PROCEEDING**

The petitioner here, and plaintiff-appellee in the Federal Circuit, is Commil USA, LLC (“Commil”). The respondent here, and the defendant-appellant in the Federal Circuit, is Cisco Systems, Inc. (“Cisco”).

## **RULE 29.6 STATEMENT**

Pursuant to Rule 29.6 of the Rules of this Court, petitioner Commil USA, LLC states that it has no parent corporation and no publicly held company owns 10 percent or more its stock.

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## OPINIONS BELOW

The Federal Circuit panel opinions, including a majority opinion and two opinions concurring-in-part and dissenting-in-part, are reported at 720 F.3d 1361. Pet. App. 1a-39a<sup>1</sup>. The Federal Circuit order denying Commil’s petition for rehearing *en banc*, including opinions dissenting from the denial joined by five of the eleven participating Federal Circuit judges, is reported at 737 F.3d 699. Pet. App. 50a-63a. The Memorandum Opinion and Order of the district court granting petitioner’s motion for a new trial is not reported. Pet. App. 40a-44a. The Order of the district court granting petitioner’s motion *in limine* is not reported. Pet. App. 45a-47a. The Amended Final Judgment of the district court that is the subject of this appeal is not reported. Pet. App. 48a-49a.

## JURISDICTION

The Federal Circuit entered its judgment on June 25, 2013, and denied Commil’s petition for rehearing *en banc* by an order entered on October 25, 2013. This Court has jurisdiction under 28 U.S.C. § 1254(1).

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<sup>1</sup> References to “Pet App. \_\_a” are to the appendix bound together with Commil’s Petition; references to “J.A.\_\_a” are to the Joint Appendix. References to “Fed. Cir. App. A\_\_\_\_” are to the appendix filed in the Federal Circuit.

## STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 271(b) provides:

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

35 U.S.C. § 282(a) provides:

(a) In General. — A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

## INTRODUCTION

Under newly-penned Federal Circuit law, an alleged good-faith belief in invalidity can immunize an inducer of patent infringement from liability despite a defendant's admission that (1) the defendant knows of the patent; (2) the defendant openly encourages and facilitates conduct it reasonably and subjectively knows is within the scope of the patent's claims; (3) third parties infringe the patent at the defendant's direction; (4) the defendant's alleged good-faith belief is ultimately proved unfounded; and (5) the patent's validity is

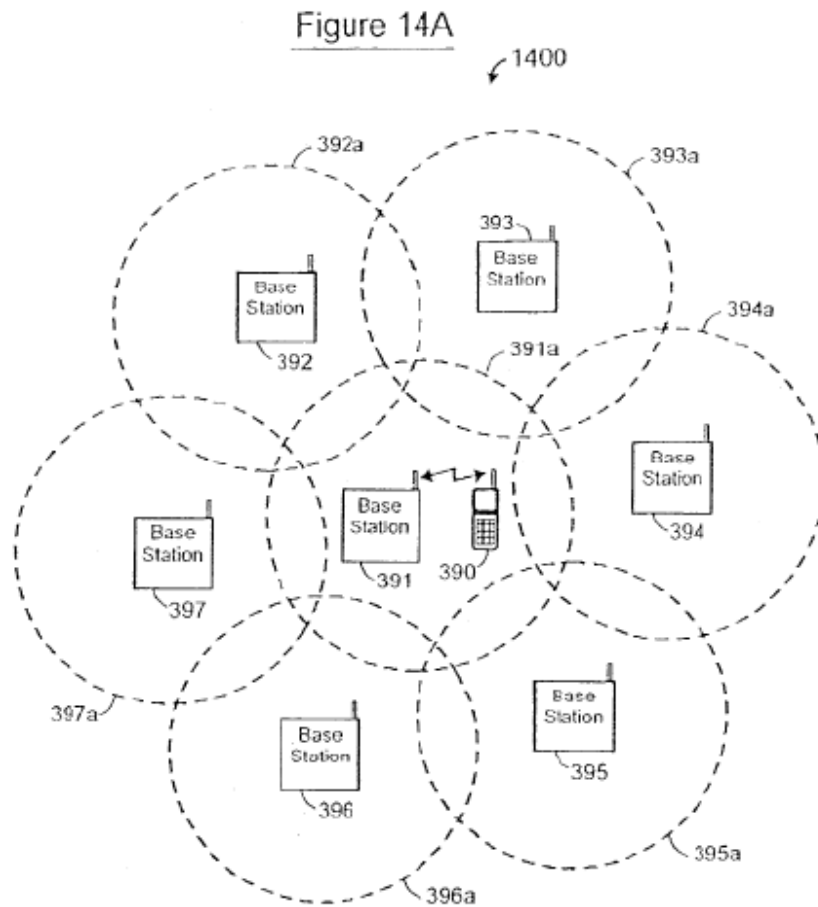
upheld. Such a rule not only conflicts with this Court’s jurisprudence and the text and policies underlying the Patent Act, but is also contrary to common sense. It encourages defendants to seek self-serving opinions of counsel in hopes of fabricating a defense to infringement. Furthermore, it undermines judicial economy by encouraging patentees to file multiple litigations against directly infringing customers—potentially in a multiplicity of jurisdictions—rather than focusing on the mastermind who induces the infringement. The application of this Court’s precedent, the patent statute and its policies, and common sense leads to two simple conclusions. First, when an inducer knows of the patent and of the potential relevance of the patent to its activities (*e.g.*, through discussions with, or a notice letter from, the patentee), the inducer’s “good-faith beliefs”—whether they relate to infringement, validity, or enforceability—are not relevant to the inducement analysis. Second, even if “good-faith beliefs” were relevant to the analysis, validity is distinct from infringement, and hence beliefs about validity are irrelevant to whether the defendant induced infringement.

## STATEMENT OF THE CASE

### A. Commil’s Patent

Commil owns U.S. Patent No. 6,430,395 (“the ’395 Patent”), which claims an improved way to implement a short-range wireless network. Pet. App. 77a-202a. Wireless networks enable computers and other electronic devices to communicate with each other without physical cables. A common

implementation of such technology is a wireless local area network (“WLAN”) in which access points (also known as “base stations”) are installed in an office. These networks are familiar to the public as “WiFi.” When in range, laptops and other mobile devices can connect to the base stations and access the local network and, in many cases, the Internet. However, WiFi connections between base stations and mobile devices are short-range and require the user to stay relatively close to a base station. Network coverage of large areas requires multiple base stations, as shown in Figure 14A of the ’395 Patent:



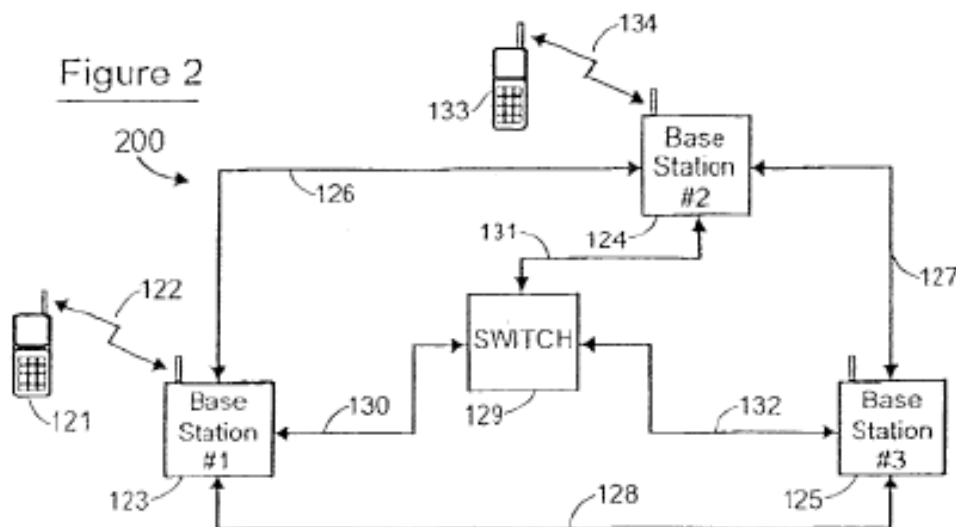
Pet. App. 94a.

Commil's invention is directed to wireless networks in areas that are too large to be covered by a single base station (*e.g.*, universities and large corporate buildings). The problem solved by the invention is how to manage "hand-offs" between different base stations that together provide wireless coverage over a large area. The claimed technique for managing handoffs enables the implementation of a wireless network that minimizes interference with the user's activities as the user moves throughout the network coverage area. As a result, users may roam seamlessly from one base station to another within the WLAN without disruptions.

The communication of data over a WLAN's wireless communication channel requires that transmitters and receivers employ a wireless communication protocol. Prior to Commil's invention, each base station independently handled the entire wireless communication protocol. A mobile device's transition from one base station to another (the "hand off") in such systems resulted in disruptions to the communications that could negatively affect the user's experience.

The '395 Patent inventors devised a novel way to implement short-range wireless networks to provide coordination between base stations and improve the speed and reliability of handoffs. *Pet. App.* 104a, 109a-10a, 123a-24a. Rather than using the old base stations that handle the entire communication protocol, the '395 invention provides a novel architecture that includes a new hardware device called a "switch" (also known as a "controller"), which is connected to and supports

multiple base stations, as shown in Figure 2 of the '395 Patent:



Pet. App. 80a (Figure 2). In this new architecture, the wireless communication protocol is divided into two parts, with certain protocol functionality (including functionality that is time-sensitive) performed at the base station and other functionality (including functionality that is not time-sensitive) performed at the switch. Pet. App. 138a-39a.

## B. Cisco's Infringing Products

Cisco sells and assists customers with the installation of wireless networks. The Cisco products that are at issue in this case are access points and switches (collectively, the "Accused Products") that are used in a type of wireless network infrastructure that Cisco describes as "Split-MAC WLAN systems." J.A. 102a, 116a, 118a. Cisco originally acquired this line of Accused Products from a company called Airespace, which introduced its "split-MAC" concept

in 2002 (J.A. 156a), more than a year after the priority date of the '395 Patent (Pet. App. 77a). Airespace described the Accused Products using language that is strikingly similar to the language used in Commil's earlier-filed patent:

Split-MAC WLAN systems ... split[] the processing of the 802.11 [WiFi] data and management protocols, as well as the AP [access point, a/k/a base station] functionality, between the AP and the WLAN switch or controller ... In the split-MAC approach, the AP handles the portions of the protocol that have realtime requirements ... All other functionality is handled in the WLAN switch/appliance, where time-sensitivity is not a concern ...

J.A. 118a-21a.

The asserted claims of the '395 Patent are method claims, which are directly infringed by Cisco's customers when the Accused Products are used. When operated, Cisco's Accused Products will necessarily infringe Commil's patent in their ordinary, "out-of-the-box" use. *See, e.g.*, J.A. 61a, 64a-66a, 69a-70a, 76a-79a. To implement a wireless network, Cisco's customers connect multiple base stations to a single controller. *Id.* A mobile device can connect to any one of the base stations. For each connection, the 802.11 wireless communication protocol will then be divided between the base stations, which "handle[] the portions of the protocol that have real time requirements" (J.A. 118a), and

the controllers, which perform other 802.11 functions “where time-sensitivity is not a concern” (J.A. 106a, 121a).

Shortly after acquiring Airespace, Cisco implemented a “migration plan” to move all customers from the older and non-infringing base stations to the infringing Accused Products. J.A. 62a-65a; Pet. App. 233a-35a; *see also* Fed. Cir. App. A15239. Cisco’s sales team literature outlined a strategy for convincing customers to switch to the infringing lightweight technology. J.A. 62a; *see also* Fed. Cir. App. A15267. Indeed, Cisco’s sales team was instructed to encourage future migration to the Accused Products even when customers resisted. *See* Fed. Cir. App. A15262, A15244-49. The Accused Products succeeded because of the infringing split-MAC architecture that Cisco overtly and intentionally influenced its customers to use. J.A.169a-70a.

### **C. Cisco’s Knowledge of Commil’s Patent**

Commil Ltd, Commil USA’s predecessor, spoke with a Cisco mergers and acquisitions manager several times in late 2004 or early 2005. J.A. 83a-86a. During these discussions, Commil Ltd’s CEO told Cisco about Commil’s technology and patents and explained that they “line[d] the core” of the Accused Products, which Cisco was at that time in the process of acquiring from Airespace. J.A. 87a-89a. At trial, one of the founders of Airespace (who joined Cisco after the acquisition) admitted that



Cisco knew about Commil's '395 Patent. Pet. App. 233a-234a.

#### **D. Procedural History**

##### *i. Proceedings at the District Court*

Commil filed the present lawsuit against Cisco in 2007. The district court had jurisdiction under 28 U.S.C. §§ 1331 and 1338(a). Because the claims of the '395 Patent recite a method that will be performed when the Accused Products are used, Commil asserted in the first trial that Cisco directly infringed the asserted claims under 35 U.S.C. § 271(a) when it used the Accused Products itself and induced its customers' infringement under 35 U.S.C. § 271(b) by selling the Accused Products and encouraging their use (which, as explained, necessarily results in direct infringement of the claimed method).

A first trial was held in May 2010. With respect to validity, Cisco's only invalidity defenses were based on an alleged failure to satisfy the written description and enablement requirements of 35 U.S.C. § 112; Cisco did not argue to the jury that the asserted claims were anticipated under 35 U.S.C. § 102 or obvious under 35 U.S.C. § 103. The jury returned a verdict that (1) Commil's patent was valid, (2) Cisco directly infringed through its own use of the Accused Products, (3) Cisco was not liable for inducement, and (4) Commil's damages were \$3,726,207 (the exact amount presented by Cisco's damages expert). Pet. App. 4a-5a.

Throughout this trial, however, Cisco's counsel used religious references and played on stereotypes about Commil's owner and inventors, who are Jewish and reside in Israel. Pet. App. 13a-17a. Commil moved for a new trial on inducement and damages, which the district court granted. It found that Cisco's conduct "impliedly align[ed] Cisco's counsel's religious preference with that of the jurors and employ[ed] an 'us v. them' mentality—*i.e.*, 'we are Christian and they are Jewish.'" Pet. App. 43a. It also concluded that the verdict was "inconsistent with substantial justice." Pet. App. 44a.

During the second trial, Commil again demonstrated Cisco's customers directly infringe claims 1, 4, and 6 whenever the Accused Products were used in a customer's wireless network. J.A. 76a-77a, 64a-66a, 69a-70a. (The allegation of direct infringement against Cisco was not asserted in the second trial.) J.A. 14a-15a. Although the validity of the '395 Patent had been resolved in Commil's favor in the first trial and was no longer at issue, Cisco sought to introduce evidence challenging validity in the second trial under the theory that it allegedly showed Cisco's "good-faith belief" in the invalidity of the '395 Patent. Cisco argued that this alleged belief prevented it from having the intent required for inducing infringement. Commil filed a motion *in limine* to exclude this evidence as irrelevant to inducement under Federal Rule of Evidence 401 and, even if relevant, insufficiently probative and unfairly prejudicial under Federal Rule of Evidence 403. The district court granted Commil's motion. Pet. App. 46a, 206a.

At the close of the second trial, which occurred seven weeks prior to the issuance of this Court's opinion in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) ("*Global-Tech*"), the jury was given instructions on inducement that were based on those approved by the *en banc* Federal Circuit in *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006). The jury returned a verdict that Cisco was liable for inducing the direct infringement of its customers and awarded damages of \$63,791,153. Pet. App. 48a.

*ii. Proceedings at the United States Patent & Trademark Office ("USPTO")*

A month before the second trial began and after failing to prove invalidity in the first trial, Cisco requested that the USPTO reexamine the validity of Commil's '395 Patent in an *ex parte* reexamination proceeding. The USPTO granted Cisco's request and, after careful review of the prior art references which Cisco selected and argued to be invalidating, reconfirmed the validity of the asserted claims of the '395 Patent on November 29, 2011. J.A. 159a, 162a.

*iii. Proceedings at the Federal Circuit*

On appeal to the Federal Circuit (which had jurisdiction under 28 U.S.C. § 1295(a)(1)), Cisco challenged (among other issues) the district court's decision to prevent Cisco from presenting evidence that allegedly demonstrated the invalidity of the '395

Patent in order to argue, as a defense to inducement, that it had a good-faith belief that the patent was invalid.

Over a dissent by Judge Newman, the Federal Circuit panel concluded that the district court erred in the second trial by excluding Cisco's evidence concerning its alleged good-faith belief in the invalidity of Commil's patent. The panel majority acknowledged that its holding that "a good-faith belief of invalidity may negate the requisite intent for induced infringement" was new substantive law. Pet. App. 10a. The majority explained that it "s[aw] no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent." Pet. App. 11a. This was so, according to the majority, because "[i]t is axiomatic that one cannot infringe an invalid patent." *Id.* The panel also concluded that the jury instructions on inducement were erroneous because they were inconsistent with *Global-Tech*. Pet. App. 7a-8a. The panel further explained that to the extent the instructions would have been proper under pre-*Global-Tech* Federal Circuit law (such as *DSU*), such law was no longer good law. *Id.* The panel vacated the jury's infringement and damages determinations, affirmed the validity determinations, and remanded for a new trial on inducement and damages.

Commil filed a petition for rehearing *en banc*, which was denied over the dissent of five of the eleven participating judges. Pet. App. 50a-63a. Two dissenting opinions accompanied the denial—the

first authored by Judge Reyna (joined by Chief Judge Rader, Judge Newman, Judge Lourie, and Judge Wallach) and the second written by Judge Newman (joined by Chief Judge Rader, Judge Reyna, and Judge Wallach). These dissenting opinions explained that neither the Patent Statute, nor Federal Circuit precedent, nor *Global-Tech* provided a foundation for the majority's new means of absolving inducers of liability for their infringement of valid patents. Pet. App. 54a, 61a-62a.

### SUMMARY OF THE ARGUMENT

A patentee is entitled to pursue a remedy against those who “actively induce[] infringement of a patent.” 35 U.S.C. § 271(b). This case presents the question of whether a defendant may know about a patent, know that the patent is potentially relevant to its commercial activities, intentionally cause its customers to act in a manner that directly infringes the patent, and then avoid all liability because it subjectively—*but incorrectly*—believed that the patent was invalid. Cases in which the defendant's belief of invalidity was correct, of course, will never implicate this question, as in those cases the patent will be invalidated and a finding of invalidity moots the infringement question.

Resolving this dispute requires consideration of certain language from this Court's recent opinion in *Global-Tech*, which some defendants and courts have misinterpreted to mean that a patentee cannot prove the intent necessary to support an inducement finding without proving that the defendant analyzed

the patent and subjectively concluded that its conduct would lead to liability for patent infringement. Starting from this framework, Cisco and the Federal Circuit reasoned that if a defendant's subjective analysis resulted in a belief that the patent was invalid, it could not have had the necessary intent for inducement.

A careful reading of *Global-Tech* and the cases upon which it relied, however, establishes that the subjective beliefs of the defendants about the merits of the patentee's infringement claim are irrelevant. These cases show that for indirect infringement, the patentee must only prove that the defendant knew of the patent, knew of the patent's potential applicability to its conduct (*e.g.*, through a notice letter), and intended that their customers engage in the activity at issue.

This intent standard promotes the purpose of the statutory provision of liability for indirect infringement—namely, providing patentees with meaningful and practical recourse when the party most responsible for the infringement cannot practically be sued for direct infringement. Requiring patentees to prove the contents of the defendant's mind in order to succeed on an indirect infringement claim, as Cisco proposes, is a daunting prospect that risks effectively reading Section 271(b) out of the Patent Act. The complexity of patent litigation and the ease with which a defendant can acquire a self-serving opinion of counsel will make it difficult for patentees to prove that subjective beliefs about defenses were not held in good faith.

The particular defense that was allegedly held in good faith in this case was invalidity. Patents are entitled to a statutory presumption of validity and the challenger bears the burden to prove invalidity by clear and convincing evidence. Yet Cisco's proposed new defense would permit inducers to entirely disregard this presumption and attendant burden in favor of their own subjective belief, and by doing so avoid all liability for their inducement.

The new "good-faith belief" defense argued by Cisco and adopted by the Federal Circuit should be rejected because it conflicts with this Court's precedent, undermines the purpose and policies that led to the enactment of Section 271(b), and circumvents the statutory presumption of validity. Commil respectfully requests that this Court reverse the Federal Circuit's judgment on this issue.

## ARGUMENT

### **I. Overview of the Intent Requirement for Inducement and the Nature of the Dispute Presented**

Section 271(b) of Title 35 states "[w]hoever actively induces infringement of a patent shall be liable as an infringer." While "the text of § 271(b) makes no mention of intent," this Court held in *Global-Tech* that "at least some intent is required." *Global-Tech*, 131 S. Ct. at 2065, 2068.

The parties agree that the intent requirement for inducement requires proof that (1) the defendant had knowledge of the asserted patent, and (2) the

defendant intended to cause the third party acts that directly infringe that patent. The dispute in this case focuses on what, if anything, beyond those two points must be proved. According to Cisco, a patentee must also establish that the inducer possessed subjective “knowledge that the allegedly induced acts will give rise to *liability* for infringement of a *valid* patent,” Cisco Fed. Cir. Reply Br. at 8, Fed. Cir. Docket Entry 40, June 1, 2012 (emphasis added). In other words, Cisco’s position is that the patentee must delve into the mind of the defendant and present evidence that the defendant subjectively believed *not only* that its conduct was inducing infringement *but also* that no viable defense to liability (*e.g.*, invalidity or unenforceability) exists. The defense at issue here is invalidity, and Cisco asserts that a defendant that subjectively believes that the asserted patent is invalid lacks the intent necessary to be liable for inducement.

Commil disagrees with Cisco’s interpretation of the intent requirement and contends that once the inducer has knowledge of the patent and its potential relevance to its conduct vis-à-vis infringement (*e.g.*, through discussion with the patent owner, a notice letter from a patentee, reading public materials, or internal review), the intent requirement is satisfied. Under this approach, the inducer’s subjective beliefs regarding potential defenses are irrelevant. This includes any subjective beliefs about whether the patent may be invalid.

The proper interpretation of this Court’s opinion in *Global-Tech* is at the forefront of this



dispute. That case presented the question of whether Section 271(b) requires knowledge of the patent-in-suit. *See* 131 S. Ct. at 2065 (“Pentalpha argues that active inducement liability under § 271(b) requires more than deliberate indifference to a known risk that the induced acts may violate an existing patent. Instead, Pentalpha maintains, actual knowledge of the patent is needed.”). In answering that question, the Court explained:

It would thus be strange to hold that *knowledge of the relevant patent* is needed under § 271(c) [for contributory infringement] but not under § 271(b). Accordingly, we now hold that induced infringement under § 271(b) requires *knowledge that the induced acts constitute patent infringement*.

*Id.* at 2068 (emphases added).<sup>2</sup> The second sentence, however, does not necessarily follow from the first sentence, as “knowledge of the relevant patent” and “knowledge that the induced acts constitute patent infringement” are not synonymous. For example, an individual might know of the patent but subjectively believe (rightly or wrongly) that its conduct is outside the patent’s scope. The present dispute is fundamentally predicated on conflicting interpretations of what *Global-Tech*’s reference to “knowledge that the induced acts constitute patent infringement” means. *Id.* at 2068. A clear

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<sup>2</sup> Compare “knowledge of *the existence of the patent* that is infringed,” *Global-Tech*, 131 S. Ct. at 2068, with “knowledge that the induced acts *constitute patent infringement*,” *id.*

understanding of Section 271(b)'s knowledge requirement is necessary to determine which subjective beliefs—if any—can negate that knowledge.

In the present case, the Federal Circuit based its determination of the relevance of a good-faith belief of invalidity on an interpretation of “knowledge that induced acts constitute patent infringement” that focuses on the defendant’s subjective views about the merits of the patentee’s infringement claim. Pet. App. 12a (“[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.”). A hint of this approach—in which even an irrational and unreasonable subjective belief can immunize an inducer from liability for infringement—first surfaced in the Federal Circuit’s opinion in *DSU*, which held:

Thus, on this record, the jury was well within the law to conclude that ITL did not induce JMS to infringe by purposefully and culpably encouraging JMS’s infringement. *To the contrary, the record contains evidence that ITL did not believe its Platypus infringed. Therefore, it had no intent to infringe.* Accordingly, the record supports the jury’s verdict based on the evidence showing a lack of the necessary specific intent.

471 F.3d at 1307 (emphasis added). Unsurprisingly, *DSU* quickly spawned cases in which inducers asserted that they could not have formed the requisite intent because they held a good-faith belief of non-infringement. *See, e.g., Ecolab, Inc. v. FMC Corp.*, 569 F.3d 1335, 1351 (Fed. Cir. 2009); *Kinetic Concepts, Inc. v. Blue Sky Med. Group, Inc.*, 554 F.3d 1010, 1024-1025 (Fed. Cir. 2009).

The Federal Circuit's focus on the defendant's subjective beliefs about the merits, however, is inconsistent with a century of this Court's precedent including, most significantly, this Court's landmark opinion in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) ("*Aro II*"). In that case, the Court treated receipt of a notice letter conveying the *patentee's* opinion that the defendant's conduct was contributing to infringement as conclusively establishing that the intent requirement was satisfied. 377 U.S. at 489-90. Nothing in *Aro II* attributed any significance to the defendant's subjective belief as to whether the patentee's opinion was correct. In *Global-Tech*, this Court held that "*Aro II* resolves the question in this case" and that it "compels the same knowledge for liability under § 271(b)." 131 S. Ct. at 2067.

Cisco will presumably argue that when this Court wrote in *Global-Tech* that "knowledge that the induced acts constitute patent infringement" was required, it held that the inducer must have subjective knowledge that liability for infringement would result. 131 S. Ct. at 2068. But that interpretation cannot be reconciled with *Aro II*, which similarly stated that contributory

infringement liability required knowledge that the third party's combination "was both patented and infringing" but then proceeded to hold that receipt of a notice letter from the patentee left no room for an intent-based defense. 377 U.S. at 488-90. As explained in additional detail below, *Aro II*, *Global-Tech*, and the earlier cases upon which they relied have consistently tied the intent requirement for indirect infringement to knowledge of the patent and its potential applicability to the conduct at issue—not to whether a defendant might subjectively believe in its ability to ultimately prevail on a defense to escape liability.

This Court's historical approach is the correct one, and the Federal Circuit's rejection of that approach in favor of an analysis tied to defendants' alleged subjective beliefs—including beliefs about topics unrelated to infringement, such as validity—is in error. Requiring patentees to disprove a defendant's alleged subjective views about the merits in order to prevail on an inducement claim is antithetical to the clearly expressed purpose of and policies underlying Section 271(b). Where, as here, the alleged "good-faith belief" relates to invalidity as opposed to infringement, it is also inconsistent with the statutory text, disregards the long-standing distinction between infringement and validity analyses, and offends the separate statutory presumption of validity. Commil respectfully requests that the Court reverse the Federal Circuit's holding that a good-faith belief in the invalidity of a patent can negate the intent requirement for inducement.

## **II. “Good-faith Belief” Defenses Are Irrelevant to the Intent Requirement for Inducement Under Section 271(b)**

### **A. Supreme Court Precedent Correctly Establishes That “Good-faith Beliefs” Are Irrelevant to the Intent Requirement for Indirect Infringement**

*Global-Tech* and the preceding cases upon which it relied uniformly held that the defendant’s knowledge of the patent and knowledge of the patent’s potential applicability to the defendant’s activities was sufficient to satisfy the intent requirement. These cases do not support Cisco’s view that a defendant’s subjective-but-mistaken views about how liability might ultimately be avoided (*e.g.*, a belief regarding invalidity) could entirely defeat a patentee’s otherwise meritorious indirect infringement claim.

This Court first addressed the intent requirement for 35 U.S.C. § 271(c) in *Aro II*. Section 271(c) covers the type of indirect infringement known as contributory infringement. The majority opinion concluded that Section 271(c) required “a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.” 377 U.S. at 488. Four justices dissented, expressing the view that “the knowledge Congress meant to require was simply knowledge that the component was especially designed for use in a combination and was not a staple article suitable for

substantial other use, and not knowledge that the combination was either patented or infringing.” *Id.* at 488-89 n.8.

While the majority in *Aro II* held that the knowledge requirement extended beyond mere knowledge of the third party acts that happened to directly infringe, it expressly rejected the possibility that the intent requirement might serve to release an indirect infringer with knowledge of both the patent and the patentee’s allegation of infringement. In that case, the patentee had sent a letter to the defendant on January 2, 1954 informing it of the patents and communicating the patentee’s view that “anyone selling ready-made replacement fabrics for [certain] automobiles would be guilty of contributory infringement of said patents.” 377 U.S. at 489-90. The *Aro II* Court held that “the Court’s interpretation of the knowledge requirement affords [the defendant] *no defense* with respect to replacement-fabric sales made after January 2, 1954.” *Id.* at 490-91 (emphasis added); *see also id.* at 514 (White, J., concurring) (“After the notice date, the knowledge requirement of § 271(c) was satisfied ...”). The Court’s holding that *no* intent-based defenses were available to the defendant after notice was given necessarily establishes that whatever views about invalidity (or non-

infringement for that matter) the defendant may have had were irrelevant.<sup>3</sup>

*Aro II* was the primary support relied upon in the Court's *Global-Tech* opinion, where the Court expressly held that the "same knowledge" was required for both Sections 271(b) and (c). 131 S. Ct. at 2067-68. Like *Aro II*, the facts in *Global-Tech* and the Court's disposition are inconsistent with the notion that an inducer who possesses knowledge of a patent and its potential applicability to its activities can nevertheless raise a "good-faith belief" defense to inducement, whether premised on non-infringement or invalidity.

In *Global-Tech*, this Court affirmed the jury's finding of inducement liability where the defendant indisputably lacked actual knowledge of the asserted patent but willfully blinded itself to the patent's existence. 131 S. Ct. at 2072. The Court did so because the defendant copied an overseas model of the patentee's product and then declined to inform its patent attorney of that critical fact when it commissioned a right-to-use opinion. *Id.* at 2071. The Court found it unnecessary to consider potential defenses that the defendant may have raised in good

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<sup>3</sup> Any suggestion that the Court may not have contemplated the possibility of invalidity or that the defendant may have thought the patent was invalid does not withstand scrutiny. Validity was challenged at the district and appellate courts in *Aro I* and, although ultimately affirmed, Justice Black noted in his dissenting opinion in *Aro II* that he had discussed "the doubtful validity of this combination patent" in *Aro I*. *See id.* at 523 n.6; *see also Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 338 (1961) ("*Aro I*").

faith, such as the state of deep fryer art and the extent to which the features of the patentee's fryer were sufficiently novel and non-obvious over that art to support patentability. Instead, the Court held that the defendant's willful blindness to the *existence* of a relevant patent "was plainly sufficient to support a finding of [the requisite knowledge]." *Id.* at 2068.<sup>4</sup>

Early cases from this Court also support the proposition that subjective beliefs about defenses cannot negate the intent required for indirect infringement. In *Henry v. A.B. Dick Co.*, which was also relied upon by *Global-Tech*, the defendant was alleged to have committed contributory infringement by selling a can of ink for use in a patented mimeograph with knowledge that the purchaser's license to use the mimeograph was limited to use only with ink purchased from the patentee. 224 U.S. 1, 11-12 (1912). As in *Aro II* and *Global-Tech*, the Court's intent analysis focused on the defendant's knowledge of the existence of the patent and its potential applicability to the conduct alleged to give rise to the infringement, rather than on the

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<sup>4</sup> Crediting Cisco's "good-faith belief in invalidity" defense would lead to the odd result of making it *easier* to satisfy the intent requirement for inducement where the defendant lacks actual knowledge of the patent (like *Global-Tech*). In those situations, the defendant could not possibly have subjective beliefs about invalidity because it would by definition never have examined the patent and its claims to devise such a defense. In contrast, a patentee that put the alleged inducer on notice (as Commil did, *supra* at 8-9) would as a result be required to prove that the inducer's defenses were not held in good faith, making it significantly *more difficult* to satisfy the intent requirement.



defendant's subjective view of the strength of its defenses.

In *Henry*, the Court addressed at length two issues raised by the defendants that would have eliminated the defendants' liability for contributory patent infringement: (1) whether the plaintiff's remedy was limited to breach of contract against the customer (as opposed to patent infringement), which would have eliminated the cause of action against the defendant for contributory infringement and deprived the federal courts of jurisdiction for lack of a federal question (224 U.S. at 12-16); and (2) whether the patentee's restriction limiting the patent license to use with the patentee's ink was valid and, if violated, resulted in direct infringement by the customer (*id.* at 17-47). After rejecting the defendants' position on both points (over the dissent of three justices), and without mentioning the question of patent validity, the Court held that the defendants were liable for contributory infringement because they "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, in connection with the licensed machine, without infringement of the monopoly of the patent." *Id.* at 49; *see also id.* at 33 ("But if 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 infringing article by means of the ink supplied by them*, they would assist in her infringing use." (emphases added)).

The *Henry* Court thereby concluded that the intent requirement for contributory infringement was satisfied even though the defendants allegedly subjectively believed that (1) the customer's use was at most a violation of a contractual agreement, not patent infringement; and (2) that the contractual agreement was unlawful and therefore without effect. The "reasonableness" or "good faith" of the defendants' position on the second point is essentially beyond question, as three justices dissented at the time and the portion of the *Henry* opinion giving effect to the contractual agreement was overruled just six years later. See *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 518 (1917). *Henry*, like *Aro II* and *Global-Tech*, further supports the proposition that subjective beliefs about potentially successful defenses are irrelevant if the alleged indirect infringer has knowledge of the patent and its potential applicability to the defendant's conduct.

This Court's opinion in *Cortelyou v. Charles Eneu Johnson & Co.* (also cited by *Global-Tech*) is contrary to Cisco's proposed new defense as well. In that case, the Circuit Court reversed a finding of indirect infringement premised on the defendant selling ink to customers who then used the ink in patented Neostyle duplicating machines that were sold subject to a license requiring use only with supplies purchased from Neostyle. 207 U.S. 196, 198-99 (1907). The basis of the Circuit Court's decision was that "the evidence was not sufficient to show that the defendant had notice that the machines for which the ink was ordered had been sold under any restrictions ...." *Id.* at 199. This

Court affirmed because there was no evidence that “[the defendant] ever solicited an order for ink to be so used, that it was ever notified by the plaintiffs of the rights which they claimed, or that anything which it did was considered by them an infringement upon those rights.” *Id.* at 200. Again, the focus of the intent requirement as it pertained to knowledge of infringement was on whether there was notice of the patent and the allegation of infringement, not on whether the defendant may have subjectively believed it had defenses to liability.

These cases directly undercut Cisco’s argument that a good-faith belief in invalidity (or other means by which to escape liability) can defeat an inducement charge. If a defendant’s subjective belief that it has a successful defense to liability were sufficient to negate the intent requirement for indirect infringement, the prior defendants in *Aro II* and *Henry* should not have been liable because both presumably subjectively believed in their defenses. After all, they pressed them at the trial court, on appeal, and then to this Court, where the defenses were deemed sufficiently interesting to warrant granting *certiorari*.

As these cases show, the knowledge required for indirect infringement is satisfied where the defendant has knowledge of the patent’s existence and its potential applicability to the conduct at issue. As explained below, this knowledge requirement properly balances the policy interests underlying 35 U.S.C. §§ 271(b) and (c). The defendant’s alleged subjective beliefs about the invalidity of the patent are simply irrelevant.

In the present case, the evidence credited by the jury established that Commil Ltd's CEO communicated to Cisco that Commil had patents that "line[d] the core" of the Accused Products, and Cisco's witness admitted Cisco knew of Commil's patent. *Supra* at 8-9. With such knowledge, Cisco's subjective belief about invalidity "affords ... no defense." *Aro II*, 377 U.S. at 490.

**B. "Good-faith Belief" Defenses Are Contrary to the Purpose and Policies Underlying 35 U.S.C. §§ 271(b) and (c)**

Principles of indirect infringement were developed in the common law and codified as part of the 1952 Patent Act. The purpose of the doctrine is to provide patent holders with a remedy against the party responsible for causing the infringement where the direct infringers themselves are undesirable parties to litigation. One common scenario is where the direct infringers are too numerous and diffuse for practical litigation. Another is where the direct infringers are simply using a purchased product for its intended purpose but lack sufficient understanding of its operation to be reasonably called to account for the infringement.

In light of concerns about imposing liability upon suppliers merely for providing unpatented items that customers might use to infringe, a scienter requirement has been adopted. By limiting liability where the supplier is unaware of the patent or has no intent or expectation as to how its customers may use its products, the intent

requirement helps ensure that suppliers will not remove beneficial products with substantial non-infringing uses from the market simply for fear of indirect infringement liability.

Under prevailing law, there are two components of the inducement intent test that are undisputed in this case: (1) the inducer must have knowledge of the patent; and (2) the inducer must intend to cause the third party acts that directly infringe. These two parts of the test amply protect innocent suppliers from unexpected indirect infringement liability. Requiring the patentee to *also* establish that the inducer subjectively believed that it had no defenses to an indirect infringement claim, as Cisco requests, will impose a burden of proof so onerous that it will effectively deprive patentees of the avenue for relief provided by Section 271(b). At the same time, “good-faith belief” defenses will not promote any of the recognized policies underlying the scienter requirement. Because Cisco’s proposed new defense undermines the purpose of indirect infringement without providing any countervailing policy benefits, it should be rejected.

- i. *Congress Enacted 35 U.S.C. §§ 271(b) and (c) to Provide Patent Owners With A Remedy For Infringement Where Enforcement Against Direct Infringers is Impracticable*

The House and Senate committee reports explained that the purpose of the indirect

infringement provisions of 35 U.S.C. § 271 was to codify “the doctrine of contributory infringement,” which “ha[d] been part of our law for about 80 years.” H.R. Rep. No. 1923 on H.R. 7794, 82d Cong., 2d Sess., at 9; *see also* Senate Rep. No. 82-1979 on H.R. 7794. The reports further elaborated upon the purpose of the indirect infringement provisions:

[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. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man’s patented invention, has been characterized as “an expression of both law and morals.”

*Id.*

The importance of providing patent owners with a meaningful remedy against those who induce third parties to directly infringe, rather than requiring the patent owner to file suit against the direct infringers themselves, has long been recognized by both courts and commentators. In *Aro II*, this Court explained that the purpose of 35 U.S.C.

§ 271(c) was “to provide for the protection of patent rights where enforcement against direct infringers is impracticable.” 377 U.S. at 511 (quoting H.R. 5988, 80<sup>th</sup> Cong., 2d Sess.; H.R. 3866, 81<sup>st</sup> Cong., 1<sup>st</sup> Sess.); *see also, e.g.*, 5-17 Chisum on Patents § 17.04[4][f] (“A patent owner’s ability to prevent active inducement by advertising and instruction or other activity is often critical to obtaining effective protection for a patented invention consisting of a new method of use of a known, staple product ....”).

This purpose was also articulated during the drafting and consideration of the 1952 Patent Act. Mr. Giles Rich<sup>5</sup> explained:

[w]here a patent is being infringed by a large number of scattered individuals all of whom have been caused to infringe by the same person, the practical way to stop the infringement is to sue the man who caused the infringement, rather than the multitude of persons who are infringing.

*Contributory Infringement in Patents—Definition of Invention: Hearings on H.R. 5988 before the*

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<sup>5</sup> Giles Rich was “one of the main drafters” of the 1952 Patent Act. *Bilski v. Kappos*, 130 S. Ct. 3218, 3247-48 (2010). In 1956, he was appointed as judge of the Court of Customs and Patent Appeals (which later became the Court of Appeals for the Federal Circuit), where he served as an active judge until his death at age 95. Richard A. Oppel, Jr., *Giles S. Rich, Oldest Active Federal Judge, Dies at 95*, N.Y. Times, June 12, 1999, available at <http://www.nytimes.com/1999/06/12/business/giles-rich-oldest-active-federal-judge-dies-at-95.html>.

*Subcomm. on Patents, Trademarks, & Copyrights of the H. Comm. on the Judiciary*, 80th Cong., 2nd Sess., ser. 21, at 3 (1948) (statement of Giles S. Rich).

Mr. Rich also explained how common it was for indirect infringement to serve as the preferred remedy:

[R]emember this: there may be twenty or thirty percent of all the patents that are granted that cannot practically be enforced against direct infringers because of the nature of the invention and the way it is claimed in the patent.

Like this dental compound,<sup>6</sup> it is simply not feasible to go around the country suing every dentist who buys a package of this stuff, and the practical way to give the patentee some way to enforce this patent right that he has been given is to let him go after the brains of the enterprise, the person who is really

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<sup>6</sup> Mr. Rich was referring to an example of a claim directed to a compound used for making dental impressions that comprised a combination of various chemicals with water. Statement of Giles Rich, Hearings before Subcommittee No. 3 of House Judiciary Committee on H.R. 3760, 82d Cong., 1<sup>st</sup> Sess., at 154-155. In this example, individual dentists committed the direct infringement by purchasing prepackaged dry chemicals from a dental supply company (which would not directly infringe because the claims required water) and then combining them with water.



responsible and not the innocent end user.

Statement of Giles Rich, Hearings before Subcommittee No. 3 of House Judiciary Committee on H.R. 3760, 82d Cong., 1st Sess., at 160; *see also Aro II*, 377 U.S. at 511 n.23 (citing additional authority). Section 271(b) was thus enacted to “hold liable the mastermind who plans the whole infringement.” Giles S. Rich, Address Before the N.Y. Pat. Law Ass’n (Nov. 6, 1952), *reprinted in* 3 J. FED. CIR. HIST. SOC’Y 103, 113 (2009).

Providing a remedy for indirect infringement also serves a related purpose of avoiding multiple lawsuits against customers who exist in large numbers in different forums but merely use a device they purchased without any real understanding of how it works. Cisco itself has recognized this and has been highly critical of a patentee that filed infringement suits against Cisco’s customers based on their use of Cisco WiFi products. *See In re Innovatio IP Ventures, LLC, Patent Litigation*, No. 1:11-cv-9308, Dkt. No. 233 (N.D. Ill. May 16, 2012). As Cisco explained, a suit against the manufacturer is preferable to a series of suits against customers that simply use the manufacturer’s product for its ordinary use because (1) the manufacturers “are the real parties in interest” (*id.* at 3); (2) end-users may “have no real knowledge of the accused products” and therefore will be “the least capable of understanding and defending the accused technologies” (*id.*); (3) the manufacturers are “in the best position to defend the technology at issue” (*id.* at 4); and (4) resolution of an indirect infringement

claim against the manufacturer can globally resolve the infringement question for all customers' use of the products rather than requiring piecemeal and individualized trials against each customer (*id.* at 19).

Accordingly, providing a remedy for indirect infringement in Sections 271(b) and (c) serves two important purposes: (1) it provides patent owners with a reasonable means of enforcing their patents where it would be inefficient and impractical to sue a large number of direct infringers; and (2) it allows patent owners to seek their remedy from the real party in interest rather than dragging a large number of customers who simply use the defendant's products into patent litigation.

*ii. The Purposes of the Knowledge/Intent Requirement for Indirect Infringement*

The case law explains that the scienter requirement for inducement flows from two primary considerations.

First, there has been a reluctance to permit the owner of a patent on a particular device to control the market for unpatented staple items of commerce. For example, it would be undesirable to permit a patentee with a patent on a printer to also control the market for unpatented ink simply because some customers might use the ink in an unlicensed printer. *See, e.g., Cortelyou*, 207 U.S. at 198-200. The same principle was recognized in *Individual Drinking Cup Co. v. Errett*, 297 F. 733,

739 (2d Cir. 1924), which addressed an indirect infringement claim based on the sale of paper cups that might be used in an infringing dispenser, a non-infringing dispenser, or no dispenser at all.

Second, courts have expressed an unwillingness to impose liability on the seller of a product that is equally capable of infringing or non-infringing use where the seller has not encouraged or promoted the infringing use. *See, e.g., Henry*, 224 U.S. at 48 (“Undoubtedly a bare supposition that by a sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer.”); *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 932-33 (2005) (“[T]he doctrine absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one’s products will be misused.”). In these cases, the concern is that imposing liability on the seller of a product with substantial non-infringing uses simply because some customers will “misuse” those products to infringe will result in the seller ceasing all sales, and thereby depriving the public of the opportunity to benefit from the non-infringing uses. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 440-42 (1984).

iii. *“Good-Faith Belief” Defenses Undermine the Purposes and Policies Underlying 35 U.S.C. §§ 271(b) and (c)*

Creating a new good-faith belief in invalidity defense to inducement will dramatically weaken patent owners’ ability to pursue their statutory rights against indirect infringement without advancing any of the aforementioned policies underlying the enactment of Sections 271(b) and (c) or the judicially recognized knowledge and intent requirement.

a. **“Good-faith belief” defenses would deprive patentees of their statutory remedy for infringement of valid patents**

“Good-faith belief” defenses such as a good faith belief in invalidity will *only* affect the ultimate outcome when the alleged belief was *wrong* and the patent is in fact held valid and directly infringed, and the defendant also knew of the patent and intended to cause the direct infringers’ infringing acts. In other words, if the defendant is correct in its belief about a defense such as invalidity, there will be no liability because a finding of invalidity is a complete defense. *See, e.g.*, 35 U.S.C. §§ 282(b)(2)-(3). The only legal effect will be to deprive owners of valid and infringed patents of a remedy under 35 U.S.C. § 271(b). This would be inconsistent with the well-recognized purpose of indirect infringement.

**b. “Good-faith belief” defenses will inject tremendous uncertainty into the merits of inducement claims and dramatically weaken patentees’ rights under 35 U.S.C. § 271(b)**

Requiring the patentee to prove that a defendant’s alleged good-faith belief in a defense was not actually held in good faith is an extraordinarily onerous requirement. A patentee will rarely, if ever, have access to direct and candid evidence of a defendant’s subjective knowledge about the weakness of its defenses because even if written down (an unlikely event in the first instance), such views would generally be protected by attorney-client privilege or the work product doctrine.

Even in cases in which the defendant elects to waive privilege, Cisco’s proposed rule would encourage defendants to solicit self-serving opinions of counsel—even facially unreasonable ones—and discourage them from seeking unbiased opinions on the merits of their defenses. *Cf. Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich, L.P.A.*, 559 U.S. 573, 577, 602 (2010) (criticizing a legal standard that would enable violators to “obtain blanket immunity for mistaken interpretations of the [Fair Debt Collection Practices Act] simply by seeking the advice of legal counsel”). Indeed, cases since *Global-Tech* have suggested that summary judgment of no inducement may be appropriate based solely on the defendant’s reliance on an opinion of counsel

expressing the view that the asserted patent was invalid. *Bose Corp. v. SDI Techs., Inc.*, 558 Fed. Appx. 1012, 1024 (Fed. Cir. 2014) (non-precedential) (holding that “an invalidity opinion of counsel” coupled with “unquestionable proof of good-faith reliance” would “support a summary judgment of no indirect infringement”); *Oplus Techs., Ltd. v. Sears Holdings Corp.*, No. 2:12-cv-05707, 2013 U.S. Dist. LEXIS 145917, at \*22 (C.D. Cal. Oct. 2, 2013) (granting summary judgment of no inducement based in part on the defendant’s subjective belief that the asserted patents were invalid).

The burden of uncertainty placed on patentees seeking a remedy for inducement is exacerbated by the lack of clarity in the Federal Circuit’s opinion about how evidence of a good-faith belief in invalidity should even factor into the jury’s consideration of the intent requirement. The majority opinion first writes: “We now hold that evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.” Pet. App. 12a-13a. In a footnote accompanying this sentence, the majority then says that it “certainly do[es] not hold ‘that if the inducer of infringement believes in good faith that the patent is invalid, there can be no liability for induced infringement.’” Pet. App. 13a. These two statements are in tension with one another: if “an accused inducer’s good-faith belief of invalidity may negate the requisite intent for inducement,” it is unclear how a patentee could ever succeed in establishing liability for induced infringement where “the inducer of infringement believes in good faith that the patent is invalid.” *See id.*

If the Federal Circuit opinion stands, every accused inducer will argue to the jury that even if the patent is valid, it cannot be found liable because it thought the patent was invalid. One need not look further than the facts of the present case to appreciate how aggressively this defense will be asserted by inducers to diminish the rights of patent holders. In this case, Cisco's invalidity defenses (limited to lack of enablement and written description support) were presented to the jury in the first trial. The jury rejected them and found the '395 Patent valid, and the Federal Circuit affirmed that conclusion. *Supra* at 9, 12. In parallel with the district court litigation, Cisco also requested *ex parte* reexamination of the '395 Patent, where the USPTO again confirmed the validity of Commil's patent. *Supra* at 11. Yet after this extensive consideration of the validity of the '395 Patent, Cisco seeks the opportunity to avoid *all liability* for inducing infringement by showing that, notwithstanding all of this, its mistaken belief that the '395 Patent is invalid was held in good faith.

A "good-faith belief in invalidity" defense is particularly problematic for patent holders because it potentially enables inducers to leverage the mere *institution* of USPTO post-grant proceedings into a complete bar on liability *even where the USPTO confirms the validity of the patent in question after review*. By statute, the USPTO will institute reexamination if it finds that the petition has raised a "substantial new question of patentability." 35 U.S.C. § 304. For *inter partes* review, the standard for institution is whether "there is a reasonable

likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a).

Defendants have already argued that a USPTO post-grant institution decision alone provides a complete defense to inducement because it conclusively establishes the reasonableness and good-faith nature of their subjective beliefs about the invalidity arguments raised in the post-grant review petition regardless of whether the patent is ultimately found patentable. *See, e.g., Ultratec, Inc. v. Sorenson Communs., Inc.*, No. 13-cv-346, 2014 U.S. Dist. LEXIS 120134, at \*112 (W.D. Wis. Aug. 28, 2014) (“Pointing again to the board’s grant of *inter partes* review, defendants argue that their invalidity defenses are objectively reasonable and preclude a finding of induced infringement . . .”). Cisco will presumably take this position at the next trial if it is successful in establishing this new defense. It will be challenging for a patentee to overcome such an argument in front of a jury. *Id.* at \*113 (“As for the period after the [USPTO] board issued its decisions, it is difficult to argue that defendants did not hold a good-faith belief that the patents for which the board granted review would be found invalid.”). And again, the only patentees harmed by this will be those like Commil with patents that are actually valid and survive the USPTO’s post-issuance review.

Finally, while this case is focused on an alleged good-faith belief in the defense of invalidity, the starting point of Cisco’s argument is that a defendant lacks the requisite intent under 35 U.S.C.



§ 271(b) unless it has knowledge of and intends to “give rise to *liability* for infringement of a *valid* patent.” Cisco Fed. Cir. Reply Br. at 8, Fed. Cir. Docket Entry 40, June 1, 2012 (emphasis added). As explained, permitting a defendant to avoid liability if it can merely convince a jury that it had a subjective belief that the patent was invalid would make the patentee’s burden to obtain a remedy for infringement of a valid patent under Section 271(b) far too onerous in many cases. If a good-faith belief in *any* defense to liability would suffice, the subsection would be effectively removed from the Patent Act.

In essentially every patent case, the defendant asserts a slew of defenses including non-infringement, multiple grounds of invalidity (*e.g.*, anticipation, obviousness, indefiniteness, lack of enablement, lack of written description), and various equitable defenses (*e.g.*, laches, equitable estoppel). In fact, Cisco raised *all* of the defenses identified in the preceding sentence in its answer in this case. See *Commil USA, LLC v. Cisco Sys., Inc.*, No. 2:07-cv-341, Dkt. No. 42, at 10, (E.D. Tex. Nov. 30, 2007). Compliance with Federal Rule of Civil Procedure 11(b) required that Cisco’s attorneys subjectively believed in good faith that all of these defenses were “warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law”—*i.e.*, a good-faith belief that the defense might be meritorious. Needless to say, if formation of a Rule 11 basis to raise a defense is sufficient to negate the intent requirement for inducement, claims under Section 271(b) will not be viable.

- c. “Good-faith belief” defenses will discourage lawsuits against manufacturers and encourage inefficient and undesirable lawsuits against their individual customers**

One of the express purposes of providing a remedy for indirect infringement is to give patentees an alternative to pursuing the direct infringers in circumstances where such suits are viewed as undesirable, such as where customers are simply using a manufacturer’s product for its intended use and lack technical understanding and legal sophistication, or where the judicial system would be burdened by scores of separate lawsuits against a manufacturer’s customers. *Supra* at 29-34. The extreme difficulties for patentees presented by a “good-faith belief in invalidity” defense (*supra* at 37-41), however, will create a powerful incentive for patentees to sue the direct infringers under Section 271(a) instead of the inducing manufacturer under Section 271(b).

This case provides a salient example. As noted previously, Cisco has itself explained that it—and not one of its customers—is the better patent infringement defendant where the infringement is based on use of its equipment because Cisco is more technically and legally sophisticated, and a case against Cisco can resolve the patent issues as to the entire product line in a single case. *Supra* at 33-34. In the present case, Commil pursued its remedy

against Cisco rather than a large number of Cisco's customers because the Accused Products will necessarily infringe the asserted method claims when put into ordinary operation. *Supra* at 7-8. Yet if Cisco succeeds in establishing this new defense, Commil faces the very real possibility that Cisco will be completely released from liability at a third trial based on its alleged and thrice-rejected subjective belief that the '395 Patent was invalid. *Supra* at 9, 11-12.

This possibility will loom large for all patentees considering whether to pursue their remedy for infringement against the manufacturer under Section 271(b) or a larger number of customers under Section 271(a).

**d. "Good-faith belief" defenses will not advance the policy in favor of protecting the public's right to non-infringing uses of technology**

As noted above, the intent requirement has been used to balance the public's access to non-infringing uses of products against the patent owner's right to a remedy when the use is infringing. *Supra* at 34-35. Creating a good-faith belief in invalidity defense does nothing to further this policy. Again, Cisco's proposed new defense applies only when the validity of the patent is ultimately upheld and the patent has been found to have been directly infringed by customers. *Supra* at 36. The separate

and complete defense of invalidity protects the public's right to use technologies that are unpatentable. 35 U.S.C. §§ 282(b)(2)-(3). And the separate and complete defense of no direct infringement by customers protects the public's right to use unpatented technologies.

### **III. Even if a “Good-faith Belief” in Non-Infringement Were Relevant to Section 271(b), a “Good-faith Belief” in Invalidity is Not**

Section 271(b) provides that “[w]hoever actively induces *infringement* of a patent shall be liable as an infringer.” (emphasis added.) The statutory text, organization of Title 35, and long-standing precedent establish that infringement and validity are separate and distinct legal issues that are to be determined independently. There is no basis for importing consideration of *validity* into the Section 271(b) analysis of “induc[ing] *infringement*.”

#### **A. The Patent Act Treats Infringement and Validity as Separate Issues**

The Patent Act demonstrates that infringement and validity are distinct concepts. Title 35 of the United States Code is divided into several parts. Part III of Title 35 relates to the “protection of patent rights,” and is divided into two distinct chapters. First, Chapter 28 is entitled “Infringement of Patents,” and includes Section 271, entitled “Infringement of patent.” In this section, Congress defined what it means to “infringe” a patent.

Second, Chapter 29 is entitled “Remedies for Infringement of a Patent, and other Actions,” and encompasses the sections that provide defenses to liability for infringement. Section 282 of Chapter 29 pertains to “defenses,” and specifically enumerates the invalidity-based defenses:

(2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.

(3) Invalidity of the patent or any claim in suit for failure to comply with—

(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

(B) any requirement of section 251.

35 U.S.C. §§ 282(b)(2)-(3).

By separately defining infringement, invalidity, and the statutory requirements for both, Congress indicated that the two are separate issues. If a patentee establishes infringement under Section 271(b), the infringer can raise an invalidity defense and thereby avoid liability.

## B. Case Law Recognizes Infringement and Validity as Separate Issues

Precedent has long recognized that the legal test for infringement and that for invalidity are separate, and the issue of infringement is “capable of determination without regard to its validity.” *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1582-83 (Fed. Cir. 1983). To determine infringement, the asserted patent claims (as construed by the court) are compared to the accused products to determine whether “the patent claim ‘covers the alleged infringer’s product or process.’” *Markman v. Westview Instruments*, 517 U.S. 370, 374 (1996). Validity, on the other hand, is governed by different legal tests that are individually defined for the various invalidity theories available under Sections 101, 102, 103, or 112. *See, e.g., Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (Section 112 requires “a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.”); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1297-98 (2012) (Section 101 requires consideration of the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application).

Long before the present case, Judge Giles Rich<sup>7</sup> explained that infringement and validity are

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<sup>7</sup> *Supra* at 31 n.5.

separate issues that should be separately determined:

Validity and infringement are unrelated questions. Invalid claims can perfectly well be infringed, which is simply a matter of construing the words of the claim and then determining whether they can be read on the accused structure. Courts constantly hold claims infringed but invalid. Validity *vel non* should have no effect on how the infringement issue is decided.

*Unique Concepts, Inc. v. Brown*, 939 F.2d 1558, 1565 (Fed. Cir. 1991) (Rich, J., dissenting). This reasoning is found in Federal Circuit opinions throughout its existence, because that court

has long recognized that patent infringement and invalidity are separate and distinct issues. “Though an invalid claim cannot give rise to liability for infringement, whether it is infringed is an entirely separate question capable of determination without regard to its validity.”

*Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003) (quoting *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1383 (Fed. Cir. 1983)); *see also Lazare Kaplan Int’l, Inc. v. Photocscribe Techs., Inc.*, 714 F.3d 1289, 1295 (Fed. Cir. 2013) (“Indeed, no accused products can be found liable for infringement of an invalid claim.”);

*Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1320 (Fed. Cir. 2009) (“[B]ecause ‘invalid claim[s] cannot give rise to liability for infringement,’ SAAT cannot be liable for infringement of this patent.”); *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1535 (Fed. Cir. 1987) (describing the statement that “invalid claims cannot be infringed” as “a nonsense statement”); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1550 (Fed. Cir. 1983) (“Acting in the interest of judicial economy, the trial court proceeded to decide, correctly, the infringement issue, while fully recognizing that infringement of an invalid patent can create no legal liability.”). In accordance with this framework, juries have routinely found claims infringed, but invalid, thereby precluding liability for patent infringement. *See, e.g., CEATS, Inc. v. Cont’l Airlines, Inc.*, 755 F.3d 1356, 1357-58 (Fed. Cir. 2014) (“[T]he case went to trial where a jury found that CEATS’s patents were infringed, but invalid.”).

Contrary to this precedent, the Federal Circuit majority opinion in *Commil* stated that “[i]t is axiomatic that one cannot infringe an invalid patent,” citing *Richdel, Inc. v. Sunspool Corp.*, 714 F.2d 1573, 1580 (Fed. Cir. 1983) and *Prima Tek II, L.L.C. v. Polypap S.A.R.L.*, 412 F.3d 1284, 1291 (Fed. Cir. 2005). In *Richdel*, the Federal Circuit affirmed the trial court’s finding that the patent was invalid as obvious and then stated without explanation: “[t]he claim being invalid there is nothing to be infringed.” 714 F.2d at 1580. In *Prima Tek*, the Federal Circuit wrote, “there can be no ... induced infringement of invalid patent claims.” 412 F.3d at 1291.



The dicta in these two cases provide inadequate support for a brand new and powerful “good-faith belief in invalidity” defense to inducement. To begin with, the author of *Richdel*, Judge Rich, later called the statement that “invalid claims cannot be infringed” “a nonsense statement.” *Spectra-Physics*, 827 F.2d at 1535. On closer examination, it is apparent that the statements in *Richdel* and *Prima Tek* are merely noting that affirming an invalidity finding moots the need for appellate review of infringement issues because there can be no *liability* for infringement of an invalid patent.<sup>8</sup> This was explained in *Sandt Tech., Ltd. v. Resco Metal & Plastics Corp.*:

Because the district court determined that those claims were invalid, it held that it need not decide infringement. In *Cardinal Chemical Co. v. Morton Intern., Inc.*, 508 U.S. 83, 96, 124 L. Ed. 2d 1, 113 S. Ct. 1967 (1993), the Supreme Court held that the issue of validity is not mooted when a finding of noninfringement is made or affirmed. This case is the exact opposite. Here, the district court determined that the claims (claims 1, 3, and 19) asserted to be infringing were invalid; thus it was not necessary for it to determine

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<sup>8</sup> Indeed, after finding the claims invalid, the Court in *Prima Tek* dismissed the cross-appeal on inducement and contributory infringement as moot. 412 F.3d at 1291. If the Court concluded that validity controlled the inducement analysis, it could have simply affirmed the judgment of no inducement or contributory infringement on the merits. *See id.*

whether Resco infringed those claims; even if it did infringe, the claims were not valid so no judgment of liability could be entered. *See B.F. Goodrich Co. v. Aircraft Braking Sys., Corp.*, 72 F.3d 1577, 1583, 37 U.S.P.Q.2d 1314, 1319 (Fed. Cir. 1996) (“Because we hold that [the] claims . . . are invalid as . . . obvious . . . we need not reach the issues relating to . . . infringement.”).

264 F.3d 1344, 1356 (Fed. Cir. 2001); *see also Dow Chemical Co. v. Halliburton Oil Well Cementing Co.*, 324 U.S. 320, 331 (1945) (“Since we conclude that the Grebe-Sanford patent is invalid for want of invention, we need not consider respondent’s cross-petition raising questions as to whether respondent’s process infringed the patent.”). Two cases that used loose language when explaining that questions of infringement presented on appeal had been mooted by invalidity cannot supplant decades of cases recognizing that the two issues are independent and must be addressed separately.

**C. Releasing Inducers from Liability Based on A Mistaken Belief that the Patent is Invalid is Contrary to the Statutory Presumption of Validity**

In 35 U.S.C. § 282, Congress created a statutory presumption that issued patent claims are valid:

A patent shall be presumed valid. Each claim of a patent (whether in

independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

This Court recently confirmed the effect and importance of the statutory presumption of validity in *Microsoft Corp. v. i4i Ltd. Partnership*:

[Section] 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence.

131 S. Ct. 2238, 2243 (2011) (*quoting American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984)). The statutory presumption is based upon “the basic proposition that a government agency such as the [PTO] was presumed to do its job.” *Id.* (*quoting American Hoist*, 725 F.2d at 1359).

Allowing a good-faith belief of invalidity to negate the requisite intent for induced infringement, and consequently allowing an inducer to evade liability for infringement, would severely undermine

the statutory presumption of validity.<sup>9</sup> This presumption of validity requires that invalidity defenses be proved by clear and convincing evidence. *i4i*, 131 S. Ct. at 2245-46. But under Cisco's new test, inducers unable to muster clear and convincing evidence of invalidity will nevertheless escape liability based on nothing more than a wrongly-held subjective belief of invalidity.

Moreover, the burden of proving infringement—which, under Cisco's approach would include the burden of proving the defendant's subjective beliefs—lies on the patentee by a preponderance of the evidence. Therefore, under Cisco's approach, inducers could escape all liability for their infringement merely because the *patentee* failed to *disprove* the inducer's alleged subjective belief that the patent was invalid, however tenuous and however wrong that belief was.

Cisco's proposed test flips both the burden and the standard of proof on their heads. This burden shifting deprives the patentee of the full benefit of the presumption of validity provided to patentees as part of the "carefully crafted bargain" designed by Congress. *See Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 150-51 (1989).

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<sup>9</sup> The Federal Circuit judges who dissented from the denial of Commil's petition for rehearing *en banc* explained that a good-faith belief of invalidity defense "fundamentally changes the operating landscape" and "strikes at the very heart of the presumption of validity by eroding patent rights that have been duly granted by the PTO based solely on an erroneous—albeit good-faith—belief that the PTO erred in granting the patent." Pet. App. 58a-60a.

It is particularly troubling that this end-around of the presumption of validity will *only* come into play when an inducer's alleged good-faith belief is *wrong* and the patent is in fact valid, for inducers who are correct in their beliefs about invalidity will avoid all liability in the traditional way—by invalidating the patent. The present case exemplifies the inequity. Cisco has challenged the validity of Commil's patent at the USPTO in a reexamination proceeding, at the district court both before the jury and judge, and at the Federal Circuit, and Commil prevailed on each occasion. Yet now Cisco seeks to bar Commil from obtaining a remedy for Cisco's infringement unless Commil can prove to the jury that Cisco's subjective beliefs about invalidity were not held in good faith. In cases such as the one at hand where there is no clear and convincing evidence of invalidity, an inducer should not be permitted to circumvent the statutory presumption of validity by claiming a good-faith belief that the patent was invalid.

## CONCLUSION

The judgment of the court of appeals should be reversed with respect to inducement, and the case should be remanded with instructions to address the inducement issues under the correct understanding that a defendant's subjective beliefs about defenses are irrelevant to the inducement analysis.

Respectfully submitted,

MARK S. WERBNER  
*Counsel of Record*  
RICHARD A. SAYLES  
MARK D. STRACHAN  
DARREN P. NICHOLSON  
SAYLES | WERBNER P.C.  
4400 Renaissance Tower  
1201 Elm Street  
Dallas, TX 75270  
(214) 939-8700  
mwerbner@swtriallaw.com

LESLIE V. PAYNE  
NATHAN J. DAVIS  
MIRANDA Y. JONES  
HEIM, PAYNE & CHORUSH, LLP  
JP Morgan Chase Tower  
600 Travis, Suite 6710  
Houston, TX 77002  
(713) 221-2000

*Counsel for Petitioner*  
*Commil USA, LLC*

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