

## High Court Addresses the Effect of Opinions on Charges of Inducement of Infringement

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On May 26, 2015, the Supreme Court held that an ultimately incorrect, but good faith belief in invalidity of a patent is not a defense to a claim for induced infringement in *Commil USA, LLC v. Cisco Systems, Inc.*<sup>2</sup> However, in cases where the asserted claims are held invalid, an invalidity holding still operates as a defense because where a patent “is shown to be invalid, there is no patent to be infringed.”<sup>3</sup> This article explores the practical impact of *Commil* on opinion practice.

In the underlying case, Commil sued Cisco for direct infringement and induced infringement of Commil's patent for implementing short-range wireless networks. After two jury trials, the United States Court of Appeals for the Federal Circuit stated that a good faith belief that the asserted patent was invalid would serve to negate the intent requirement that the alleged infringer acted with intent to induce the infringement.<sup>4</sup> The Supreme Court disagreed.

Referencing the statute,<sup>5</sup> the Court emphasized the dichotomy between invalidity and infringement and held that “because infringement and invalidity are separate issues under the statute,<sup>6</sup> a belief regarding invalidity cannot negate the scienter required under §271(b),” the portion of the statute that governs induced infringement.<sup>7</sup> The Court, however, agreed with the dissent that an invalid patent cannot be infringed:

To be sure, if at the end of the day, an act that would have been an infringement or an inducement to infringe pertains to a patent that is shown to be invalid, there is no patent to be infringed.<sup>8</sup>

Despite this interplay between invalidity and infringement, the Court explained that these were “distinct issues, bearing different burdens, different presumptions, and different evidence,” and that “the allocation of burden to persuade on these questions, and the timing for the presentations of the relevant arguments, are concerns of central relevance to the orderly administration of the patent system.”<sup>9</sup> The Court further explained that an accused infringer “may prevail either by successfully attacking the validity of the patent or by successfully defending the charge of infringement.”<sup>10</sup>

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<sup>2</sup> 575 U.S. \_\_\_\_ (2015).

<sup>3</sup> *Id.* at \_\_\_\_ (slip op., at 11).

<sup>4</sup> *Commil USA LLC v. Cisco Sys. Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013).

<sup>5</sup> 35 U.S.C. §282(a).

<sup>6</sup> “Part III of the Act deals with ‘Patents and Protection of Patent Rights,’ including the right to be free from infringement. §§ 251-329. Part II, entitled ‘Patentability of Inventions and Grants of Patents,’ defines what constitutes a valid patent. §§101-212.” *Commil*, 575 U.S. at \_\_\_\_ (slip op., at 10).

<sup>7</sup> 35 U.S.C. §271 (b) provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.”

<sup>8</sup> *Commil*, 575 U.S. at \_\_\_\_ (slip op., at 11).

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at \_\_\_\_ (slip op., at 10).

## Application of *Commil*

It is common practice for a company to seek opinion letters regarding the issues of non-infringement and invalidity of patents. After arming itself with an opinion, some feel free to practice the invention at issue. *Commil*, however, notes some distinctions between the two types of opinions and indicates that each has its own strengths and weaknesses.

As the Supreme Court noted, inducement requires both that the defendant in a patent suit knew of the patent and that it knew the induced acts would constitute infringement, *i.e.*, “active inducement” is required by the statute.<sup>11</sup> In other words, the earlier *Global-Tech* requirement of knowledge that the acts are inducing required scienter and, more specifically, required a showing that the “defendant knew the acts were infringing.”<sup>12</sup> Under this standard, a person who has a reliable non-infringement opinion prior to institution of the activities in suit would have a good faith belief that the acts were not infringing and would thus lack the scienter required for the statute. Such a defense would rely on a good faith belief, however, such a belief may be tested or changed over time.

In contrast, the Supreme Court drew a distinction as to why a good faith belief of non-infringement would insulate an alleged infringer from induced infringement while a good faith belief of invalidity would not. In sum, the Court stated that a good faith belief of invalidity does not operate to imply that a patent is not infringed; rather, the alleged inducer would believe that, because the patent is invalid, liability would not exist, and infringement would thus be irrelevant. Or, stated another way, “invalidity is not a defense to infringement; it is a defense to liability.”<sup>13</sup>

So what does this mean for companies attempting to determine whether they are free to operate amidst a variety of patents that others might assert? The Court essentially indicated that as long as a good faith belief of indirect infringement is held by the company accused of infringement by inducement, the company lacks the knowledge required for inducement. Thus, a patent clearance and a reasonable, although ultimately incorrect, opinion addressing non-infringement of process or method patent claims may insulate the alleged infringer from liability for induced infringement, as long as the good faith belief is held. The quality of the non-infringement opinion in this instance is significant and must be viewed as credible even though it was ultimately opposite the finding of infringement.

What then is the place for invalidity opinions with regard to process and methods patents, *i.e.*, the patents most likely to lead to inducement of infringement claims? Those opinions have the same stature as before the Federal Circuit’s *Commil* opinion. While merely having a good faith belief in the invalidity of a patent will not insulate an alleged infringer from liability for inducement, an ultimate finding of invalidity, whether through prior or concurrent clearance *via* a Patent Trial and Appeals Board challenge or a declaratory judgment or other patent litigation, will also lead to a finding of non-liability. A reliable invalidity opinion or analysis is often the first step a company can take to determine the likelihood of invalidity, and is a basis for making appropriate business decisions and can function as a map to a successful PTAB challenge or district court litigation.

Ultimately, while companies running freedom-to-operate analyses would surely appreciate the additional defense denied them by the Supreme Court in *Commil*, the Court’s holding underscores the continued importance of obtaining invalidity and non-infringement opinions. Of significance is that the opinions are of high quality, provide the company the support it needs to make decisions, and is ultimately found by a court or the United States Patent and Trademark Office to be correct, *i.e.*, the patent in question is invalid or not infringed.

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<sup>11</sup> *Id.* at \_\_\_ (slip op., at 5) (citing to *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011)).

<sup>12</sup> *Id.* at \_\_\_ (slip op., at 9).

<sup>13</sup> *Id.* at \_\_\_ (slip op., at 11).