

Global-Tech Appliances, Inc. v. SEB S.A.: Invoking the Doctrine of Willful Blindness To Bring Those Who Lack Knowledge of Induced Infringement Within § 271(b)'s Prohibition

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I. OVERVIEW

SEB, a French maker of home appliances, invented a “cool-touch” deep fryer for home use with external surfaces that remained cool during the frying process in the late 1980s, and obtained a U.S. patent for the fryer in 1991.¹ Six years later, Sunbeam Products, Inc., a U.S. competitor of SEB, engaged Hong Kong based makers of home appliances Global-Tech Appliances Inc. and Pentalpha Enterprises, Ltd., a wholly owned subsidiary (together “Pentalpha”), to develop a deep fryer with certain specifications.² Pentalpha copied an overseas model of SEB’s fryer, aware that it would not bear U.S. patent markings, and copied all of the fryer’s design but for cosmetic features.³ Pentalpha also refrained from informing its retained attorney, who conducted a right-to-use study, that the design was copied directly from SEB’s.⁴ After SEB’s customers started defecting to Sunbeam, SEB sued Sunbeam in 1998 alleging infringement of SEB’s patent.⁵ Although “Sunbeam notified Pentalpha of the lawsuit the following month,” Pentalpha went on to sell deep fryers to other U.S. competitors.⁶ SEB settled the lawsuit with Sunbeam and subsequently sued Pentalpha in the United States District Court for the Southern District of New York, asserting two theories of recovery.⁷ First, SEB claimed that Pentalpha directly infringed its patent in violation of 35 U.S.C. § 271(a), and second, that Pentalpha had contravened 35 U.S.C.

1. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2063-64 (2011).
2. *Id.*
3. *Id.* at 2071.
4. *Id.*
5. *Id.* at 2064.
6. *Id.*
7. *Id.*

§ 271(b) by actively inducing SEB’s competition to sell its deep fryers in violation of SEB’s patent rights.⁸

At trial, the jury found in favor of SEB on both theories and found that Pentalpha’s infringement had been willful.⁹ The district court denied Pentalpha’s motion for judgment as a matter of law and its motion for a new trial, rejecting its claim of insufficient evidence to support infringement under the second claim of § 271(b). This provision suggested that they did not actually know of SEB’s patent until it received notice of the Sunbeam lawsuit in April 1998.¹⁰ On appeal, the United States Court of Appeals for the Federal Circuit affirmed.¹¹ The Supreme Court of the United States granted certiorari and *held* that although deliberate indifference to a known risk that a patent exists is not the appropriate standard under § 271(b), SEB maintained a successful claim of induced infringement against Pentalpha because there was sufficient evidence to support a finding of Pentalpha’s knowledge under the doctrine of willful blindness. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2072 (2011).

II. BACKGROUND

“It is a fundamental principle of patent law that no one infringes a patent unless he practices the complete invention.”¹² Nevertheless, courts have recognized secondary liability rights in patent owners in cases of induced infringement and contributory infringement where the actual infringer is either not the truly responsible party or is impractical to sue.¹³ Before 1952, courts did not treat induced and contributory infringement as separate theories of secondary liability.¹⁴ Instead, courts viewed induced infringement as evidence of “contributory infringement” when addressing the aiding and abetting of a direct infringement by another party.¹⁵ The Patent Act of 1952 first codified this prohibition against active inducement of patent infringements in 35 U.S.C. § 271(b) and contributory infringement in § 271(c).¹⁶ The basic distinction drawn in the Act between these two types of inducements is between (1) the sale of

8. *Id.*

9. *Id.*

10. *Id.*

11. *Id.*

12. Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 226 (2005).

13. See *id.* at 226-28.

14. *Global-Tech*, 131 S. Ct. at 2067.

15. Lemley, *supra* note 12, at 227-29.

16. *Id.* at 227.

a component or other product that can be used to infringe a patent, which is covered by § 271(c) and (2) “other acts” that direct, facilitate, or abet infringement under § 271(b).¹⁷

The straightforward language of the statute masks a number of important issues regarding its scope.¹⁸ More specifically, courts have been forced to determine what level of knowledge or intent is required for culpability.¹⁹ In attempting to resolve the question of required intent and knowledge, courts first turned to the statutory text of § 271 and pre-1952 case law.²⁰ However, both the statutory language and relevant case law were overly susceptible to conflicting interpretations of the requirements of intent and knowledge.²¹

On one end of the spectrum, Judge Taft suggested in a decision from 1897 that there was sufficient showing of intent “if the seller of the component part intended that the part be used in an invention that happened to infringe a patent.”²² On the other end of the spectrum, in 1912 the Supreme Court suggested that a lower standard of knowledge was necessary “if the defendants [who were accused of contributory infringement] knew of the patent and that [the direct infringer] had unlawfully made the patented article . . . they would assist in her infringing use.”²³ In 2005, the Supreme Court attempted to reconcile these conflicting precedents in a common case regarding contributory copyright infringement.²⁴ In the dicta of *Metro-Goldwin-Mayer Studios, Inc. v. Grokster, Ltd.*, the court suggested that the standard of knowledge promulgated in the 1923 case, *Henry v. A.B. Dick Co.*, is the more appropriate rule because it “premises liability on purposeful, culpable expression and conduct.”²⁵

In response to this conflicting language of § 271 and pre-1952 case law, the Court in *Aro Manufacturing Co. v. Convertible Top Replacement Co.* finally resolved this question in a fractured decision.²⁶ In that case, the majority held that a violator of contributory infringement under § 271(c) must know “that the combination for which his component was

17. See 35 U.S.C. § 271 (2006).

18. Lemley, *supra* note 12, at 228.

19. *Id.*

20. Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 2060, 2066 (2011).

21. *Id.*

22. *Id.* (citing Thomson-Houston Elec. Co. v. Ohio Brass Co., 80 F. 712, 721 (6th Cir. 1897)).

23. *Henry v. A.B. Dick Co.*, 224 U.S. 1, 33 (1912).

24. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928 (2005).

25. *Id.* at 937.

26. 377 U.S. 476, 488 (1964).

especially designed was both patented and infringing.”²⁷ Because the holding in *Aro* first laid out the specific intent constraints, Congress has not altered § 271(c)’s intent requirement and the Court has held that specific intent “requires knowledge of the existence of the patent that is infringed.”²⁸ In the noted case, the Supreme Court applied the same intent standard of § 271(c) to induced infringement under § 271(b).²⁹ The Court reasoned that when Congress enacted § 271, and separated what had previously been regarded as contributory infringement into two categories that used the same language, they must have the same intent standards.³⁰ As a result, the Court held that induced infringement under § 271(b) also requires knowledge that the induced acts constitute patent infringement.³¹

The Supreme Court in *Global-Tech*, however, did not stop at defining the required intent under induced infringement, but further expanded the required knowledge element to include the doctrine of willful blindness.³² The doctrine of willful blindness is well established in criminal law. It holds defendants liable when they “deliberately shield themselves from clear evidence of critical facts that are strongly suggested by the circumstances.”³³ The traditional rationale for the doctrine was to hold defendants liable who behave in a manner which is as culpable as those whom have actual knowledge of the crime.³⁴ The Supreme Court first endorsed this doctrine in *Spurr v. United States*.³⁵ The Court, however, did not use the term “willful blindness” in that case, which involved a criminal statute prohibiting a bank officer from willfully certifying a check drawn against insufficient funds.³⁶ The Court reasoned that a willful violation would occur “if the officer purposely keeps himself in ignorance of whether the drawer has money in the bank.”³⁷ Since *Spurr*, every court of appeals, with the possible exception of the United States Court of Appeals for the District of Columbia

27. *Id.*

28. Global-Tech Appliances, Inc. v. SEB. S.A., 131 S. Ct. 2060, 2068 (2011).

29. *Id.*

30. *See id.*

31. *Id.*

32. *Id.* at 2068-69.

33. *Id.*

34. *Id.* at 2069 (citing J.L.J. Edwards, *The Criminal Degrees of Knowledge*, 17 MOD. L. REV. 294, 302 (1954)).

35. 174 U.S. 728, 728 (1899).

36. *Id.*

37. *Id.* at 736.

Circuit, “has fully embraced willful blindness, applying the doctrine to a wide range of criminal statutes.”³⁸

Although each court of appeals defines willful blindness in slightly different terms to apply to criminal statutes, all appear to agree on two basic requirements: “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.”³⁹ In *Global-Tech*, the Court departed from this standard test in two important ways when applying willful blindness to induced infringement cases.⁴⁰ First, a finding of knowledge can be achieved when “there is merely a ‘known risk’ that the induced acts are infringing.”⁴¹ Second, “the Federal Circuit’s test does not require active efforts by an inducer to avoid knowing about the infringing nature of the activities.”⁴²

III. THE COURT’S DECISION

In the noted case, the Supreme Court properly defined the required intent under § 271(b) in accord with its holding in *Aro*, and expanded the culpable state of mind for induced infringement to include the doctrine of willful blindness.⁴³ First, the Court held that induced infringement under § 271(b) requires knowledge that the induced act constitutes patent infringement.⁴⁴ Additionally, the Court expanded the scope of the doctrine of willful blindness to include criminal suits as well as civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).⁴⁵ In defining the required mental state for induced infringement, the Court upheld the lower courts’ decisions, and concluded that a jury could have found that “before April 1998 Pentalpha willfully blinded itself to the infringing nature of the sales it encouraged Sunbeam to make.”⁴⁶

In assessing Pentalpha’s argument that active inducement under § 271(b) requires “more than deliberate indifference to a known risk” that the induced acts may violate an existing patent, the Court first considered the text of § 271(b). Section 271(b) states, “Whoever actively induces infringement of a patent shall be liable as an infringer.”⁴⁷

38. *Global-Tech*, 131 S. Ct. at 2069.

39. *Id.* at 2070.

40. *Id.* at 2071.

41. *Id.*

42. *Id.*

43. *Id.* at 2068-71.

44. *Id.* at 2068.

45. *Id.* at 2069.

46. *Id.* at 2071.

47. 35 U.S.C. § 271(b) (2010).

Although the text makes no specific mention of intent, the Court inferred intent because of the plain meaning of the word “induce” and “[t]he addition of the adverb ‘actively’ suggest[ing] that the inducement must involve the taking of affirmative steps to bring about the desired result.”⁴⁸ The Court, however, could not find a definitive answer in the statutory text as to what type of intent was required.⁴⁹

Next, the Court turned to case law that predated the 1952 enactment of § 271 to determine the required intent for induced infringement.⁵⁰ However, the pre-1952 case law provided conflicting signals regarding the intent needed in such cases.⁵¹ Despite conflicting interpretations available from the language of § 271(b) and pre-1952 case law, the Court in *Aro* held that a violator of § 271(c) for contributory infringement must know “that the combination for which his component was especially designed was both patented and infringing.”⁵² In the noted case, the Court held that the same standard for contributory infringement must be applied to induced infringement under § 271(b), which requires knowledge that the induced acts constitute patent infringement.⁵³ The Court reasoned that the same standard was required because induced infringement was treated as evidence of contributory infringement in pre-1952 case law and when Congress separated them into § 271(b) and § 271(c), it used the same language in both parts of the statute.⁵⁴

In applying this standard of intent for induced infringement, the Court agreed with Pentalpha’s principal challenge that deliberate indifference to a known risk is not the appropriate standard under § 271(b). Nevertheless, the Court affirmed the court of appeals’ decision because Pentalpha’s actions were sufficient to satisfy the requirements for knowledge under the doctrine of willful blindness.⁵⁵ Traditionally, the doctrine of willful blindness was applied to criminal law in order to find defendants guilty who knew enough but chose to blind themselves from direct proof of critical facts, because in effect they *had* actual knowledge of those facts.⁵⁶ The Court reasoned that because every court of appeals, with the possible exception of the D.C. Circuit, applies this doctrine, they

48. *Global-Tech*, 131 S. Ct. at 2065 (citing WEBSTER’S NEW INTERNATIONAL DICTIONARY 1269 (2d ed. 1945)).

49. *Id.*

50. *Id.*

51. *Id.* at 2066.

52. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964).

53. *Global-Tech*, 131 S. Ct. at 2068.

54. *Id.* at 2067.

55. *Id.* at 2068.

56. *Id.* at 2069 (citing *United States v. Jewell*, 532 F.2d 697, 700 (9th Cir. 1976)).

would expand it to apply to civil lawsuits for induced patent infringement under § 271(b).⁵⁷

In this case, the Court turned to three key facts to find that Pentalpha willfully blinded itself.⁵⁸ First, the Court found it significant that Pentalpha copied all but the cosmetic features of SEB's fryer.⁵⁹ Second, the Court noted that Pentalpha's decision to copy an overseas model was suspicious because they were well aware that products made for overseas markets usually do not bear U.S. patent markings.⁶⁰ Third, the Court found sufficient knowledge from testimony given by Pentalpha's CEO that he did not inform Pentalpha's attorney, whom they sought a right-to-use opinion from, that the product was a knockoff of SEB's deep fryer.⁶¹

In Justice Kennedy's dissenting opinion, he argued that utilitarian concerns for patent infringement require a stricter standard for knowledge under § 271(b) and that willful blindness will not suffice.⁶² Relying upon *United States v. Jewell*, the dissent argued that willful blindness should not constitute knowledge in inducement cases, and the majority "judges should not broaden a legislative proscription by analogy."⁶³ First, the dissent argued that willful blindness should not bring those who lack knowledge within § 271(b)'s prohibition because it is a question of morality and policy, which is best left to the political branches, to determine a person's reason for remaining blind to a fact.⁶⁴ Second, the dissent suggested that although most courts of appeals have embraced the doctrine, "counting courts in a circuit split is not this Court's usual method for deciding important questions of law" and it should be left up to the legislature to include willful blindness in the intent language.⁶⁵

IV. ANALYSIS

The Supreme Court correctly applied the standard of intent under the contributory negligence theory of § 271(c) to the intent standard required for induced infringement under § 271(b). However, in further expanding that standard to include a lesser burden of willful blindness,

57. *Id.*

58. *Id.* at 2071.

59. *Id.*

60. *Id.*

61. *Id.*

62. *Id.* at 2072-73.

63. *Id.* at 2072.

64. *Id.* at 2072-73.

65. *Id.* at 2073.

the Court claims to have reduced the required knowledge, but briefly notes that Pentalpha's knowledge far exceeded this requirement. Here, the Court's interpretation of willful blindness under § 271(b) may have been outside of their prescribed judicial realm because, as the Court noted, “[t]here is no need to invoke the doctrine Pentalpha was indisputably aware that its customers were selling its product in this country.”⁶⁶ Although this expansion can be seen as inconsistent with the requirement in prior jurisprudence of a higher threshold of knowledge for induced infringement cases, it is a further expansion of the fundamental rights of a patent where “no one infringes a patent unless he practices the complete invention.”⁶⁷

The Supreme Court, however, may have successfully advanced an important policy goal of protecting patent holders rights from induced infringement by finding that the doctrine of willful blindness should apply in civil lawsuits under § 271(b). In adopting the willful blindness doctrine, the Court made it clear that it will not protect parties who actively encourage others to violate patent rights. Individuals who knowingly take steps to remain ignorant of another's patent rights, despite a high probability that the rights were protected and are being infringed, will no longer find protection under the law. Instead, overseas buyers will appropriately be held liable, like in Pentalpha's case, where they were indisputably aware that its customers were selling its products in the United States and their fryer was a clear infringement of SEB's design.

Although Justice Kennedy's dissent makes a persuasive argument regarding the expansive policy implications of modifying the knowledge standards for induced infringement, the legislature's inaction following the *Aro* holding diminishes the strength of this argument.⁶⁸ Additionally, the dissent's dissatisfaction with the majority's finding—that “knew or should have known” is close enough to willful blindness—is unfounded.⁶⁹ Here, the dissent suggests that the case should have been remanded in the first instance to the Court of Appeals to determine if the two standards were close enough. However, the dissent clearly overlooks the three key facts that the majority emphasized in finding Pentalpha's knowledge. Instead, the dissent may have been better suited focusing on

66. *Id.* at 2070.

67. Lemley, *supra* note 12, at 226.

68. *Global-Tech*, 131 S. Ct. at 2073.

69. *Id.*

the expansive nature and different venues that Pentalpha utilized in learning of SEB's patent as sufficient to meet both standards.

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