

**Keywords:** inducement of infringement; 35 U.S.C. §271(b); contributory infringement; 35 U.S.C. §271(c); willful blindness

**General:** A party who “actively induces infringement of a patent” under 35 U.S.C. §271(b) must know that the induced acts constitute patent infringement. Knowledge of inducement may be proven under the doctrine of willful blindness if the defendant subjectively believes that there is a high probability that infringement exists and if the defendant takes deliberate actions to avoid learning of it.

*Global-Tech Appliances, Inc. v. SEB*

No. 10-6 (May 31, 2011)

563 U.S. \_\_ (2011)

## I. Facts

SEB invented a “cool-touch” deep fryer, which was a deep fryer for home use with external surfaces that remain cool during the frying process. The cool-touch deep fryer included a metal frying pot suspended in a plastic outer housing in a manner that created an insulating air space between the two components. SEB obtained a US patent for this design in 1991 and, thereafter, began selling the deep fryer in the United States where it became a commercial success. In 1997, Sunbeam asked Pentalpha to supply it with deep fryers meeting certain specifications. Pentalpha is a Hong Kong maker of home appliances and a wholly owned subsidiary of Global-Tech. To develop a deep fryer for Sunbeam, Pentalpha purchased an SEB fryer in Hong Kong and copied all but its cosmetic features. Because the SEB fryer was made for sale in a foreign market, it bore no US patent markings. After copying SEB’s design, Pentalpha retained an attorney to conduct a right-to-use study, but Pentalpha did not tell the attorney that its design was copied directly from the SEB fryer. The attorney failed to locate SEB’s patent and issued an opinion letter stating that the Pentalpha deep fryer did not infringe any of the patents that he found. Thereafter, Pentalpha started selling its deep fryers to Sunbeam, which resold them in the United States. SEB sued Sunbeam, alleging that Sunbeam’s sales infringed SEB’s patent. Sunbeam notified Pentalpha of the lawsuit, yet Pentalpha went on to sell deep fryers to other companies which also resold them in the United States. After SEB settled its suit with Sunbeam, SEB sued Pentalpha for direct infringement under 35 U.S.C. §271(a) and for inducement of infringement under 35 U.S.C. §271(b). At trial, the jury found for SEB on both theories. In a post-trial motion, Pentalpha argued that there was insufficient evidence to support the jury’s finding of inducement under §271(b) because Pentalpha did not actually know of SEB’s patent until it received the notice of the Sunbeam lawsuit. Both the District Court and the Federal Circuit rejected Pentalpha’s argument. The Federal Circuit stated that inducement of infringement under §271(b) requires plaintiff to show that “the alleged infringer knew or should have known that his actions would induce actual infringements” and that this showing includes proof that the alleged infringer knew of the patent. Although the record contained no direct evidence that Pentalpha knew of SEB’s patent before it was informed of the Sunbeam lawsuit, the Federal Circuit found adequate evidence to support the finding that Pentalpha “deliberately disregarded a known risk that SEB had a protective patent” and that such disregard “is not different from actual knowledge, but is form of actual knowledge.”

## II. Issues

- A. Does an infringer have to have actual knowledge of the patent and its infringement to actively induce infringement under §271(b)?
- B. Can a defendant escape this actual knowledge requirement by willfully blinding itself with respect to critical facts that indicate a high probability of infringement?

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### III. Discussion

- A. Yes. Section 271(b) states: “Whoever actively induces infringement of a patent shall be liable as an infringer.” Although this section makes no mention of intent, the Court inferred that at least some intent is required because “induce” means “to influence” and because “actively” suggests that the inducement must involve the taking of affirmative steps to bring about the desired result. Nevertheless, the Court initially found §271(b) to be ambiguous in that the provision may require merely that the inducer lead another to engage in conduct that happens to amount to an infringement, or the provision may mean that the inducer must persuade another to engage in conduct that the inducer knows is infringement. Since the statute is ambiguous on its face, the Court looked to the legislative history and found that §271(b) was designed to codify principles of contributory infringement that had been a part of our law for about eighty years prior to the Patent Act of 1952. Hence, the Court looked at relevant pre-1952 cases for guidance. Unfortunately, these cases were not only not particularly clear on this issue, but they also lumped inducement of infringement into the general category of contributory infringement. Interestingly, the Court latched on to this latter nuance to address the ambiguities in both the case law and the statute. Specifically, it noted that its decision in *Aro II* resolves the question in this case, since a majority in *Aro II* held that a violator of §271(c) must know that the combination for which his component was especially designed was both patented and infringing. This conclusion compels the same knowledge for liability under §271(b). In its review of *Aro II*, the Court noted that §271(c) contains the same ambiguity regarding the knowledge requirement as §271(b). Although the Court in *Aro II* was closely divided on this issue, a majority concluded that knowledge of the patent was needed for infringement under §271(c). Moreover, the Court noted that (1) the holding in *Aro II* has become a fixture in the law of contributory infringement under §271(c); (2) Congress has not seen fit to alter §271(c)’s intent requirement in the nearly half a century since *Aro II* was decided; and (3) the doctrine of *stare decisis* compels a similar outcome. Indeed, the Court stated that since the two statutory provisions have a common origin in the pre-1952 understanding of contributory infringement, and since the language of each of the provisions is similarly ambiguous, it would be strange to hold that knowledge of the relevant patent is needed under §271(c) but not under §271(b).
- B. No. The Court found that deliberate indifference to a known risk that a patent exists is not the appropriate standard under §271(b), but nevertheless affirmed the judgment of the Federal Circuit because evidence in the case was plainly sufficient to support a finding of Pentalpha’s knowledge under of the doctrine of willful blindness. The doctrine of willful blindness holds that defendants cannot escape the reach of statutes that require proof that a defendant acted knowingly or willfully by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances. Hence, a person who knows enough to blind themselves to direct proof of critical facts in effect has actual knowledge of those facts. The doctrine of willful blindness has 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. The Court noted that the test applied by the Federal Circuit in this case departs from the proper willful blindness standard in two important respects. First, it permits a finding of knowledge when there is merely a “known risk” that the induced acts are infringing. Second, in demanding only “deliberate indifference” to that risk, the Federal Circuit’s test does not require active efforts by an inducer to avoid knowing about the infringing nature of the activities. In spite of these flaws, the Court found that the jury could have easily found that Pentalpha willfully blinded itself to the infringing nature of the sales it encouraged Sunbeam to make. Specifically, it found that

Pentalpha's CEO testified that Pentalpha had performed market research and gathered as much information as possible in developing its fryer. Pentalpha knew that the product it was designing was for the US market and that SEB's cool-touch deep fryer was a superior product in the US. Furthermore, because Pentalpha's CEO was a named inventor on numerous US patents, he was well aware that products made for overseas markets usually do not bear US patent markings. Even more telling was his decision not to inform the attorney hired to prepare the right-to-use opinion that the product to be evaluated was simply a knock-off of SEB's deep fryer. Taken together, the Court found that this evidence to be more than sufficient for a jury to find that Pentalpha subjectively believed there was a high probability that SEB's deep fryer was patented, that Pentalpha took deliberate steps to avoid knowing that fact, and that it therefore willfully blinded itself to the infringing nature of Sunbeam's sales.