

## **The Supreme Court Issues a Pro-Patentee Decision --Still Manages to Overturn the Federal Circuit**

In what is likely to be a boon for patentees in court, the Supreme Court recently ruled that a good faith belief in the invalidity of a patent is not a defense against an allegation of inducement of infringement. The decision in *Commil USA, LLC v. Cisco Systems* continues the trend of the Supreme Court in overturning the Federal Circuit on seemingly fundamental issues of patent law.<sup>1</sup>

### **I. Procedural History**

In 2007, Commil brought suit against Cisco, which markets wireless networking equipment, for the alleged infringement of U.S. Patent No. 6,430,395 B2 (the '395 patent). Unsurprisingly, the case was brought in the U.S. District Court for the Eastern District of Texas. The '395 patent contains claims generally directed toward methods of communication between wireless base stations. Commil prevailed in a first trial in the District Court, as a jury found Cisco to be liable for over \$3 million in damages due to direct infringement of the asserted claims. However, the jury did not find Cisco liable for inducement of infringement. Commil sought a retrial on the issue of inducement of infringement due to some prejudicial comments made by Cisco's counsel and later successfully obtained a jury award of over \$63 million in damages due to inducement of infringement. A key issue during the second trial was the trial judge's exclusion of evidence offered by Cisco of a good faith belief in the invalidity of the asserted patent claims.

In between the first and second trials, Commil prevailed in *Ex parte* reexamination proceedings before the U.S. Patent Office when the validity of all claims of the '395 patent was confirmed.

In deciding Cisco's appeal from the District Court, the Federal Circuit vacated the finding of inducement of infringement, holding that evidence of a good-faith belief of invalidity may negate the requisite intent for induced infringement.<sup>2</sup> Commil filed a petition for an *en banc* rehearing of its appeal, and upon the denial of the petition, filed its writ of certiorari with the Supreme Court.

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<sup>1</sup> *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U. S. \_\_\_\_ (May 26, 2015) Available at: [http://www.supremecourt.gov/opinions/14pdf/13-896\\_l53m.pdf](http://www.supremecourt.gov/opinions/14pdf/13-896_l53m.pdf).

<sup>2</sup> *Commil USA, LLC v. Cisco Systems, Inc.*, 720 F.3d 1361 (Fed. Cir. 2013).

## II. The Majority Opinion

The majority opinion, written by Justice Kennedy, initially revisits the Supreme Court's 2011 case of *Global-Tech*<sup>3</sup> to reaffirm that mere knowledge of a patent is not sufficient for a finding of inducement, and that an inducer must know that the actions induced constitute infringement. This knowledge requirement is similar to that required for contributory infringement of a patent.

Regarding an accused infringer's belief of invalidity as a defense to inducement, the majority opinion begins with the observation that courts have long held patent validity and infringement to be distinct legal issues with different burdens of proof. In the Patent Act, patent validity and patent infringement appear in two separate sections, and invalidity and non-infringement are separate defenses to an allegation of infringement. The Court analogized patent law to other legal fields, such as contract law and criminal law, where a mistaken belief in the legality of an act does not negate the mental state of the actor, and held that a good faith belief in the invalidity of a patent is not a defense against an allegation of inducement of infringement.

The Court considered the practical impact of its ruling from the standpoint of both parties. It reasoned that if it allowed Cisco's requested defense to inducement, then the assumption of validity of a patent would be greatly diminished. Alternatively, the Court noted that to deny such a defense to inducement could potentially aid abusive litigants that assert questionable allegations of infringement. In the end, the Court believed that Rule 11 sanctions combined with the inherent power of the trial court to award attorneys' fees for "exceptional cases" would be sufficient to police against the abuse of certain patent assertion entities.

## III. The Dissent

The dissenting opinion, written by Justice Scalia and joined by Justice Thomas, argues that a party who believes that a patent is invalid invariably also believes that the patent's claims cannot be infringed--that such claims are not entitled to any monopoly right. Thus, Justice Scalia argues, because an invalid patent cannot ever be infringed, a party cannot possess the mental state required under *Global-Tech* by encouraging the actions of another to perform the claimed steps of the invalid method patent.

## IV. Impact of the Ruling

The practical result of the ruling in *Commil* will be an increased emphasis on non-infringement opinions when inducement liability is a possibility. Wood Phillips offers a full range of intellectual property services, including the preparation of non-infringement legal opinions.

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<sup>3</sup> *Global-Tech Appliances, Inc. v. SEB S. A.*, 131 S.Ct. 2060 (2011).