

Litigation Alert

En Banc Federal Circuit Adopts Specific Intent Standard for Inducement

DECEMBER 15, 2006

On Wednesday, December 13, 2006, the Federal Circuit resolved a split in authority over the standard for proving inducement of patent infringement. Previously, competing panels of the Federal Circuit had issued contrary opinions: in one case, the Federal Circuit held that intent to infringe was required to prove inducement, while, in another, the Federal Circuit held that only intent to cause the acts constituting infringement was required. Compare *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990) with *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464 (Fed. Cir. 1990). In *DSU Medical Corp. v. JMS Co., Ltd.*, Case No. 04-1620, the Federal Circuit adopting the stricter standard, holding that intent to infringe, *i.e.*, “specific intent,” is the proper benchmark. This portion of the opinion was designated *en banc*, while the remainder was issued by the original three-judge panel.

Under section 271(b), “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). While a party is traditionally liable for so-called direct patent infringement only when it makes, uses, sells, offers for sale or imports an infringing product into the United States, or supplies substantial components of that product for export from the United States, section 271(b) extends the reach of U.S. patent laws, imposing liability for the direct infringement of others. Inducement is a particularly important theory in markets where product development and sales involve a combination of U.S. and international activities. Patent plaintiffs have used inducement doctrines to reach a variety of international activities.

Under the standard adopted in *DSU*, plaintiffs will have to adduce evidence of culpable conduct, directed to encouraging another’s direct infringement, not merely that the inducer had knowledge of the direct infringer’s activities. This means that the alleged inducer must have knowledge of the patent and must also believe that the induced activities are infringing. This highlights the utility of opinion letters, which may assist in negating the specific intent element of inducement. Indeed,

in *DSU*, the panel found that there was sufficient evidence to support the jury’s verdict of no inducement where there was evidence that the defendant had obtained opinion letters advising it that the accused product did not infringe.

The opinion in *DSU* also provides further protection for corporate officers at an accused company. As a pressure tactic, patent plaintiffs may bring claims of inducement against such officers personally for approving sales of the accused activities. Under *DSU*, plaintiffs must show specific intent by any officer-defendant to induce infringement, making such claims more difficult to prove.

For further information, please contact:

Charlene M. Morrow, Patent Litigation Partner
cmorrow@fenwick.com, 650-335-7155

Heather N. Mewes, Patent Litigation Associate
hmewes@fenwick.com, 415-875-2302

David M. Lacy Kusters, Patent Litigation Associate
dlacykusters@fenwick.com, 415-875-2373

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