

Commil v. Cisco: The Future of Induced Infringement in Patent Law

ANGÉLIQUE MCCALL*

I. INTRODUCTION

On May 26, 2015 the Supreme Court decided *Commil USA, LLC v. Cisco Systems, Inc.* Commil USA, LLC, owned a patent, number 6,430,395, for a method of implementing short-range wireless networks.¹ The invention is used, for example, in a wireless system like a mobile device such as a phone and laptop computers.² The device communicates with fixed “base stations” according to standardized procedures that govern how data exchanged between devices is formatted, ordered, maintained, and transmitted in a procedure referred to as “protocols.”³ Effective wireless communication requires that both the transmitting and receiving devices follow the same protocol.⁴ The court describes the relationship between the wireless communication and the patent as:

The '395 patent relates to a method of providing faster and more reliable handoffs of mobile devices from one base station to another as a mobile device moves throughout a network area. The '395 patent teaches that the communication protocol is divided based on time sensitivity. The portions of the protocol requiring accurate time synchronization—“real-time capabilities”—are performed at the base station. This part of the protocol is called the “low-level protocol.” Other parts of the protocol that are not time-sensitive comprise the “high-level protocol,” which is performed on another device called a switch. The base station and switch cooperate to handle a connection with a mobile unit. To implement the full communications protocol, the base station runs an instance of the low-level protocol for the connection and the switch

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1. *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1364 (Fed. Cir. 2013) *vacated by* 135 S. Ct. 1920 (2015).

2. *Id.* at 1364.

3. *Id.*

4. *Id.*

runs a corresponding instance of the high-level protocol.⁵

Commil claimed that Cisco Systems, Inc., a business that makes and sell wireless networking equipment, directly infringed Commil's patent with its networking equipment. In addition, they claimed Cisco induced others to infringe the patent by selling the infringing equipment for the other's use.

The issues of direct and indirect infringement are discussed with an emphasis here on the indirect (induced) infringement and using good-faith as a defense to it. The court held that Cisco did directly infringe and therefore the question becomes if Commil's cause of action involves induced infringement, can Cisco argue that it believed in good faith that the patent was invalid as a defense? The Supreme Court held that a defendant's belief regarding patent validity is not a defense to an induced infringement claim. Justice Scalia wrote a dissenting opinion, with whom Chief Justice Roberts joined.

II. BRIEF EXPLANATION OF PATENT LAW AND INDUCED INFRINGEMENT

This case is about induced infringement and good faith in patent law and whether a defendant's belief regarding patent validity is a defense to a claim of induced infringement. To understand patent infringement, one must understand the rights behind a patent.

Patent protection grants the inventor the right to exclude others from making, using, selling, offering to sell, and importing the invention.⁶ It is important to note that a patent does not grant the right to practice the invention.⁷ If an invention is an improvement on a patented invention, the inventor cannot make, use, sell, offer to sell, or import the invention without the permission of the patent owner.⁸ For example, the inventor of the eraser attached to the already patented basic pencil cannot make, use, sell, offer to sell, or import the pencil with the attached eraser without permission (e.g., license) from the pencil's patent owner and vice versa.⁹

5. *Id.* at 1364-65.

6. Lisa Dolak, Technology Transfer Presentation, Technology IP: An Overview (Sept. 10, 2015).

7. *Id.*

8. *Id.*

9. *Id.*

A person “infringes” a patent if they practice each element of a patent claim with respect to one of these acts.¹⁰ Additionally, infringement and liability can arise if one actively encourages others to infringe a patent, or supplies or imports components of a patented invention.¹¹ There are two main types of patent infringement relevant to this case, direct and indirect.¹²

Direct infringement is the act of making, using, selling, or offering to sell a patented invention, or importing into the United States a product covered by a claim of a patent without the permission of the patent owner.¹³ A patent may also be considered infringed if items are imported into the United States that are made by a patented method, unless the item is materially changed by subsequent processes or becomes a trivial and nonessential component of another product.¹⁴ In direct infringement, the accused infringer practices each element of the patent owner’s patent claim.¹⁵

Indirect patent infringement includes contributory infringement or inducement to infringe a patent.¹⁶ The patent law states that “whoever actively induces infringement of a patent shall be liable as an infringer” (35 U.S.C. § 271(b)).¹⁷ Therefore, a company does not have to directly infringe a patent to be sued for patent infringement.¹⁸ Contributory infringement is when one offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the

10. About Patent Infringement?, UNITED STATES PATENT AND TRADEMARK OFFICE, <http://www.uspto.gov/patents-maintaining-patent/patent-litigation/about-patent-infringement> (last visited February 10, 2016).

11. *Id.*

12. Different Types of Patent Infringement, GENERAL PATENT CORPORATION, <http://www.generalpatent.com/different-types-patent-infringement-0> (last visited February 10, 2016).

13. *Id.*

14. About Patent Infringement, *supra* note 10.

15. Michael Kasdan, *Practical Law Company-Patent Infringement Claims and Defenses*, PRACTICAL LAW COMPANY, http://www.arelaw.com/downloads/ARElaw_PracticeNote101511.pdf.

16. Types of Patents, *supra* note 12.

17. *Id.*

18. *Id.*

invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article of commerce suitable for substantial non-infringing use (35 U.S.C. § 271(c)).¹⁹

To win a case against a contributory infringer the plaintiff must prove three things: (1) the defendant sold, offered to sell, or imported a component of a patent apparatus, or a material or apparatus for use in practicing a patented process; (2) the defendant had knowledge of the patent; and (3) the component in question has no substantial non-infringing use and constitutes a significant part of the patented invention.²⁰

Induced infringement enables the direct infringer to practice the patented invention.²¹ One example of how this can occur is when the indirect infringer helps the direct infringer to assemble the patented product, provides instructions that explain how to make the patented invention, prepares instructions for consumer use, or licenses plans or a process which enable the licensee to produce the patented product or process.²²

An accused indirect infringer does not practice each element of the patent claim but induces another party to engage in direct infringement.²³ However, the infringer can only be liable for indirect infringement if another party is a direct infringer.²⁴ For a patent owner to win an inducement suit they must establish two prongs. First, that the alleged infringer both engaged in the conduct of inducing or encouraging a third party to take infringing action and second, that they had knowledge that the induced acts comprise patent infringement.²⁵ (This requirement from *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011) was reaffirmed by the decision in *Commil*.) As to the second prong, the Commil Court rejected the defense of a good-faith belief in the invalidity of an asserted patent.²⁶

19. *Id.*

20. Types of Patents, *supra* note 12.

21. *Id.*

22. *Id.*

23. Kasdan, *supra* note 15.

24. *Id.*

25. *Global-Tech.*, 131 S.Ct. at 1365.

26. *Commil USA, LLC*, 720 F.3d at 1364.

III. PREVIOUS CASES & DISTRICT COURT PROCEEDINGS

Commil sued Cisco in the United States District Court for the Eastern District of Texas in 2007.²⁷ In that suit, Commil alleged that Cisco had infringed Commil's patent by making and using Commil's networking equipment and that Cisco had induced others to infringe the patent by selling the infringing equipment for them to use, violating Commil's exclusive patent rights.²⁸

The jury returned a verdict that Commil's patent was valid and that Cisco had directly infringed (direct infringement) when it copied Commil's patented technology. As a result, Commil was awarded \$3.7 million in damages.²⁹ For the claim of induced infringement, the jury found Cisco not liable when it sold the copied technology to others. With this verdict, Commil moved for a new trial on the induced infringement and damages. The District Court granted the motion because Cisco made some improper statements about religious preferences that prejudiced the jury during this first trial.³⁰ The multiple comments made by counsel for Cisco referenced one of Commil's co-owners Jewish heritage which the Judge thought employed an "us v. them" mentality of "we are Christians and they are Jewish."³¹

Cisco requested a re-examination of the validity of its patent from the United States Patent and Trademark Office (USPTO) about a month before the second trial.³² The Office confirmed the validity of Commil's patent.³³

In the second trial in the District Court on April 5, 2011 for the induced infringement (indirect infringement), Cisco argued that it had a good-faith belief that Commil's patent was invalid and tried to introduce evidence to support that belief as a defense to the claim of inducement.³⁴ The District Court ruled this evidence of good-faith belief in the invalidity

27. *Id.*

28. *Id.*

29. *Id.*

30. *Commil*, 720 F.3d at 1364.; Ben James, *Cisco Atty's Religion Remarks Win Commil A New Trial*, LAW360, <http://www.law360.com/articles/218683/cisco-atty-s-religion-remarks-win-commil-a-new-trial> (last visited March 15, 2016).

31. *Id.*

32. *Commil*, 720 F.3d at 1364.

33. *Commil USA, LLC v. Cisco Systems* 135 S.Ct. 1920, 1924 (2015).

34. *Id.*

as inadmissible. Although the reasoning is not entirely clear for why the District Court ruled this way since it did not provide an opinion, it appeared to base its decision on the fact that Supreme Court precedent suggests that this kind of evidence is relevant when it relates to good-faith belief of non-infringement, but has said nothing with respect to invalidity.³⁵

The District Court instructed the jury that it could find inducement if “Cisco actually intended to cause the acts that constitute direct infringement and that Cisco knew or should have known that its actions would induce actual infringement.”³⁶ After hearing these instructions, the jury returned a verdict for Commil on induced infringement and awarded \$63.7 million in damages.³⁷

After the verdict and before judgment of the second District Court trial in 2011, the Supreme Court issued its decision in *Global-Tech Appliances, Inc. v. SEB S. A.*, where it held that, in an action for induced infringement, it is necessary for the plaintiff to show that the alleged inducer knew of the patent in question and knew the induced acts were infringing.³⁸ Using the decision in *Global-Tech*, Cisco tried again to persuade the Court that the jury instruction was incorrect because it did not state knowledge as the governing standard for inducement liability.³⁹ The District Court denied Cisco’s motion and entered judgment in Commil’s favor.⁴⁰

Cisco next appealed to the United States Court of Appeals for the Federal Circuit.⁴¹ The Court of Appeals affirmed in part, vacated in part, and remanded for further proceedings.⁴² The court concluded it was an error for the District Court to have instructed the jury that Cisco could be liable for

35. *Commil*, 720 F.3d at 1369.; The Supreme Court acknowledged that it had not previously addressed the issue of whether a good-faith belief of invalidity may negate the requisite intent for induced infringement but with this case, the Supreme Court held that an induced infringement may not be negated by a good faith belief of invalidity.

36. *Id.* at 1366.

37. *Id.*

38. 131 S. Ct. 2060, 2062 (2011).

39. *Commil*, 720 F.3d at 1367.

40. *Id.*

41. *Id.*

42. *Id.*

induced infringement if it “knew or should have known” that its customers infringed.⁴³ The panel held that “induced infringement ‘requires knowledge that the induced acts constitute patent infringement.’”⁴⁴ By stating that Cisco could be found liable if it “knew or should have known that its actions would induce actual infringement,” the Court of Appeals explained, the District Court had allowed “the jury to find [Cisco] liable based on mere negligence where knowledge is required.”⁴⁵

IV. ISSUE FOR THE SUPREME COURT

The issue for the Supreme Court was the second holding of the Court of Appeals, namely Cisco’s contention that the trial court committed further error in excluding Cisco’s evidence that it had a good-faith belief that Commil’s patent was invalid.⁴⁶ In the Court of Appeals opinion, it said that it is “axiomatic that one cannot infringe an invalid patent,” and then reasoned that “evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”⁴⁷ The court saw “no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent.” Both parties filed petitions for rehearing en banc, which were denied.

a.) Supreme Court Majority Opinion on Induced Infringement Claim

In the Court’s opinion, there were four arguments for deciding whether defendant’s good-faith belief in invalidity can serve as a defense to induced infringement.⁴⁸ However, before discussing its opinion, the court reaffirmed the holding of *Global-Tech* that induced infringement requires that the defendant both knew of the patent and knew that “the induced acts constitute patent infringement.”⁴⁹ This reaffirmation ended Commil’s argument that *Global-Tech* only required knowledge of the

43. *Id.*

44. *Global-Tech*, 563 U.S. at 2068.

45. *Commil*, 720 F.3d at 1366.

46. *Id.*

47. *Id.*

48. *Id.*

49. *Global-Tech*, 563 U.S. at 2068.

patent for purposes of the “knowledge” requirement for induced infringement.⁵⁰

Based on the four arguments, the Court rejected a defense of good-faith against induced infringement.⁵¹ These arguments were (1) infringement and validity are distinct issues; (2) permitting such a defense would undermine the statutory presumption of patent validity; (3) invalidity is not a defense to infringement, it is instead a defense to liability for infringement; and (4) practical reasons support not creating this particular defense.⁵²

The Court based the first argument that invalidity and infringement are distinct on the fact that two issues are discussed in separate sections of the Patent Act.⁵³ Non-infringement and invalidity are listed as two separate defenses which the defendant is free to raise either one or both of them.⁵⁴ The court said that if it were to permit a defense in a belief of invalidity “it would conflate the issues of infringement and invalidity.”⁵⁵

The second argument rests on the Patent Act’s assumption that a patent is “presumed valid” which takes away any need for a plaintiff to prove his patent is valid to bring a claim.⁵⁶ The court held that if the belief of invalidity was allowed as a defense, the presumption would be drastically lessened since a defendant could win if he proved that he reasonably believed the patent was invalid, and that is not what Congress intended when it set the high bar of this presumption.⁵⁷

In the third point, the Court reiterated that invalidity is an affirmative defense against liability for the enforcement of a patent against otherwise infringing conduct, but it is not a defense to infringement.⁵⁸ Therefore, the Court stated, a belief of invalidity cannot negate the scienter required for induced infringement because it is a different issue than validity.⁵⁹

The last argument describes the practical reasons for not allowing

50. *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1925 (2015).

51. *Id.*

52. *Id.*

53. *Id.* at 1930.

54. *Id.*

55. *Id.*

56. *Id.*

57. *Id.*

58. *Id.* at 1931.

59. *Id.*

a good faith belief as a defense against infringement.⁶⁰ For example, a defendant who believes a patent is invalid has other options to obtain a ruling of invalidity, like filing a declaratory judgement action or seeking an *inter partes review* (an IPR is a procedure for challenging the validity of a US patent before the USPTO).⁶¹ Furthermore, if this defense were permitted it could “render litigation more burdensome for everyone involved,” would offer each accused infringer “an incentive to put forth a theory of invalidity,” and would assign juries “to the difficult task of separating the defendant’s belief regarding validity from the actual issue of validity.”⁶²

b.) Supreme Court Dissenting Opinion by Justice Scalia with whom Chief Justice Roberts Joins

In Justice Scalia’s dissent in *Commil*, he argued that good-faith belief in a patent’s invalidity should be recognized as a defense.⁶³ Scalia states that only valid patents can be infringed and “to talk of infringing an invalid patent is to talk nonsense” because, as discussed in *Global Tech*, induced infringement “requires knowledge that the induced acts constitute patent infringement.”

Scalia reasoned that since only valid patents can be infringed, anyone with a good-faith belief in a patent’s invalidity necessarily believes the patent cannot be infringed; further it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he *knows* will infringe it.⁶⁴

Justice Scalia argued that of the four arguments in the majority opinion in support of removing good-faith as a defense, the "weakest argument" was the fourth one that there exist "practical reasons" for not creating a defense to infringement based on a good-faith belief of invalidity.⁶⁵ In his first reason, Scalia reasoned that the Supreme Court’s duty is to interpret the Patent Act rather than create common law defenses to a statutory cause of action, and the Patent Act requires knowledge of

60. *Id.* at 1932.

61. *Id.*

62. *Id.*

63. *Id.* at 1920.

64. *Commil*, 135 S. Ct. at 1931.

65. *Id.*

infringement to which a good-faith belief of invalidity would be a defense.⁶⁶ In his second reason, Scalia argued that the Supreme Court's ruling increases the "*in terrorem* power of patent trolls" as specified in the majority's opinion where it highlighted the various tools at the district court's and accused infringer's disposal to combat frivolous infringement lawsuits.⁶⁷

V. FUTURE IMPACTS

Invalidity remains a defense to the liability for patent infringement but an accused infringer cannot use invalidity or a good-faith belief of invalidity to negate its intent to induce infringement.⁶⁸ Furthermore, that mere knowledge of the patent is insufficient to establish intent for induced infringement.⁶⁹ For future litigation, the Supreme Court held that satisfying the intent requirement for induced infringement requires proof that the accused infringer knew of the patent *and* knew that the induced acts constitute patent infringement.⁷⁰

For patent holders, it is difficult to prove that the accused infringer actually knew, or was willfully blind to, the existence of the patent at issue and that the acts were infringing.⁷¹ Therefore, the best strategy for patent holder's, following the ruling in *Commil*, is sending the accused infringer a detailed letter with a copy of the asserted patent, a description of what the patent covers, and an analysis of how the accused product infringes.⁷² Although some risks are involved by sending such a letter, like a declaratory judgement action or the potential of giving premature insight into its case, it may still be a challenge to show that the accused infringer

66. Richard Gilly, *Commil USA, LLC v. Cisco Systems, Inc.* Further Clarifies the Requisite Intent for Induced Infringement after *Global-Tech*, AKERMAN.COM (June 3, 2015), <https://www.akerman.com/documents/res.asp?id=2307>.

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.*

71. Jonathan Choa, *Commil v. Cisco Systems: The End of Induced Infringement?*

POTTERANDERSON.COM, (September 3, 2015),

[http://www.potteranderson.com/newsroom-publications-](http://www.potteranderson.com/newsroom-publications-Commil_v_Cisco_Systems_The_End_of_Induced_Infringement_Choa_Sep_2015.html)

[Commil_v_Cisco_Systems_The_End_of_Induced_Infringement_Choa_Sep_2015.html](http://www.potteranderson.com/newsroom-publications-Commil_v_Cisco_Systems_The_End_of_Induced_Infringement_Choa_Sep_2015.html)

(last visited February 10, 2016).

72. *Id.*

had the requisite knowledge, where the infringer has not copied.⁷³ Additionally, some district courts have held that the knowledge that an accused infringer gains from the complaint cannot alone satisfy the requirement, and therefore the patent holder should not rely on the complaint to prove knowledge.⁷⁴

Commil's elimination of a good-faith belief in invalidity as a defense to induced infringement benefited accused infringers.⁷⁵ After *Commil*, one strong defensive strategy is to obtain a non-infringement opinion (a legal opinion concerning whether a specific product infringes a given patent).⁷⁶ Once a patent holder is given this opinion, it is challenging for them to sustain a claim for induced infringement if the opinion was prepared in good faith, and all pertinent information was shared with the attorneys who prepared the opinion.⁷⁷

But *Commil* may have made this defense unnecessary.⁷⁸ The Supreme Court, while characterizing *Commil*'s failed argument, said, "In other words, even if the defendant reads the patent's claims differently from the plaintiff, and that reading is reasonable, he would still be liable because he knew the acts might infringe. *Global-Tech* requires more."⁷⁹ Since nearly all patent cases involve disputes over claim construction where the accused infringer typically does not infringe under how it construes the claims, the likelihood of district courts and the Federal Circuit finding induced infringement outside of outrageous or preposterous claim construction positions (or direct copying) is greatly reduced if this view were to be adopted.⁸⁰ It can be argued that if the accused infringer denies the infringement, they should not be liable for induced infringement if they satisfy Federal Rule of Civil Procedure 11 (Signing Pleadings, Motions, and Other Papers; Representations to the Court; Sanctions).⁸¹ With this decision, future defendants are more likely to move to dismiss

73. *Id.*

74. *Id.*

75. *Id.*

76. CHOA, *supra* note 71.

77. *Id.*

78. *Id.*

79. *Commil*, 135 S. Ct. at 1928.

80. CHOA, *supra* note 71.

81. *Id.*

induced infringement claims but it is unknown whether courts will continue to restrict these claims.⁸²

82. *Id.*