

## IS THE DOCTRINE OF INDUCEMENT DEAD?

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### I. INTRODUCTION

Under 35 U.S.C. § 271(b), a person is liable for *indirectly* infringing a patent if she induces another person to *directly* infringe that patent.<sup>1</sup> Although § 271(b) does not explicitly require intent to prove inducement of infringement,<sup>2</sup> case law and legislative history uniformly require *some* level of intent to establish liability.<sup>3</sup>

However, the magnitude of intent required to establish liability is unclear. It is similarly unclear what an alleged inducer must have intended: must the alleged inducer have intended to induce the actual infringement? Or is the alleged inducer liable by merely intending to engage in the acts that ultimately, but possibly unknowingly, induced the infringement?

The Federal Circuit gave two different answers in 1990. It first held that an alleged inducer is liable for inducement of infringement as long as she

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<sup>1</sup> That is, inducement of infringement liability is dependent upon the existence of direct infringement. *See, e.g.*, *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 673 (Fed. Cir. 1990) (“[A] finding of induced . . . infringement must be predicated on a direct infringement . . .”); *Moleculon Research Corp. v. CBS, Inc.*, 872 F.2d 407, 410 (Fed. Cir. 1989) (“In the absence of direct infringement, [defendant] cannot be held liable for inducing infringement under section 271(b).”). A person directly infringes a patent when she makes, uses, sells, offers to sell, or imports a product covered by that patent into the United States without authority during the term of that patent. 35 U.S.C. § 271(a) (2006).

<sup>2</sup> *See* 35 U.S.C. § 271(b) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”).

<sup>3</sup> *See, e.g.*, *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990); *Corning, Inc. v. SRU Biosystems*, 400 F. Supp. 2d 653, 665 (D. Del. 2005).

possesses an “actual intent to cause the acts which constitute the infringement.”<sup>4</sup> Nevertheless, it held in another case that an alleged inducer is liable for inducement of infringement only if she possesses a “specific intent to encourage another’s infringement.”<sup>5</sup> Part II discusses these two different standards for intent to induce.

It was not until 2006 that the Federal Circuit finally abandoned the first, and lower, standard and settled on the second, and higher, standard for intent to induce. Part III describes the facts and holdings of that decision—*DSU Medical Corp. v. JMS Co.*<sup>6</sup>

*DSU* actually heightened the probative value of a counsel’s opinion sought by the alleged inducer, which typically concludes non-infringement,<sup>7</sup> as evidence countering the alleged inducer’s intent to induce. Specifically, *DSU* held that, because the alleged inducer obtained and relied on opinions of counsel, which concluded non-infringement, the alleged inducer did not have the intent to encourage its downstream purchaser to infringe.<sup>8</sup> This conclusion was reached notwithstanding evidence that the alleged inducer knew about the plaintiff’s patent, was aware that its downstream purchaser transformed its products into a configuration which probably infringed the patent, and yet continued to supply its products to that downstream purchaser.<sup>9</sup> As such, *DSU* made it more difficult, if not impossible, for future plaintiffs to prove inducement *especially* if the accused inducer obtained and produces a counsel’s non-infringement opinion.

Would *DSU* have killed the doctrine of inducement? Part IV argues in the affirmative. After surveying the inducement cases after *DSU* and prior to the most recent case of *SEB S.A. v. Montgomery Ward & Co., Inc.*,<sup>10</sup> Part IV

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<sup>4</sup> *Hewlett-Packard*, 909 F.2d at 1469.

<sup>5</sup> *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990).

<sup>6</sup> 471 F.3d 1293 (Fed. Cir. 2006) (en banc).

<sup>7</sup> See, e.g., *In re Seagate Tech., LLC*, 497 F.3d 1360, 1369 (Fed. Cir. 2007) (en banc) (“Typically, counsel’s opinion concludes that the patent is invalid, unenforceable, and/or not infringed.”); Timothy R. Holbrook, *The Intent Element of Induced Infringement*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 399, 410 (2006) (“Admittedly, in many cases, there are ambiguities which a lawyer could shade in favor of their client to avoid liability . . .”).

<sup>8</sup> *DSU*, 471 F.3d at 1307.

<sup>9</sup> *Id.*

<sup>10</sup> *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360 (Fed. Cir. 2010) (finding liability for inducement even though there was no evidence that the defendants actually knew of the asserted patent). *But see* Michael J. Kasdan, Associate, Amster, Rothstein & Ebsenstein LLP, *SEB v. Montgomery Ward: Extending the Reach of U.S. Patent Laws to Foreign Defendants—Developments in the Law of Direct Infringement and Inducement* (Mar. 10, 2010), [http://www.arelaw.com/downloads/ARElaw\\_SEBvMW.pdf](http://www.arelaw.com/downloads/ARElaw_SEBvMW.pdf) (“[T]he facts of *SEB* were

observes that none of the alleged inducers who were proven to possess intent to induce obtained and produced a counsel's non-infringement opinion. That Part also observes that, absent a counsel's non-infringement opinion, plaintiffs have successfully proven an alleged inducer's intent to induce by relying on evidence that was ultimately outweighed by a counsel's non-infringement opinion in *DSU*.

Focusing further on the role of a counsel's opinion in the survival of the inducement doctrine, Part IV examines two recent Federal Circuit decisions, *In re Seagate Technology, LLC*,<sup>11</sup> and *Broadcom Corp. v. Qualcomm, Inc.*<sup>12</sup> It suggests that, because *Seagate* eliminated one major disincentive and *Broadcom* added one major incentive for companies to seek and produce opinions of counsel, it is likely that they will always seek counsels' opinions and, if sued, produce those opinions as evidence countering intent to induce. If true, *DSU* would have made it very difficult for plaintiffs to prove intent especially when the accused inducer obtains and produces a counsel's non-infringement opinion. Consequently, *DSU* would have killed the doctrine of inducement.

## II. PROVING AN ALLEGED INDUCER'S INTENT TO INDUCE BEFORE *DSU*: THE LOWER *HEWLETT-PACKARD* STANDARD AND THE HIGHER *MANVILLE* STANDARD

In 1990, the Federal Circuit enunciated two different standards for the intent element of inducement of infringement. The first standard required a lower level of intent on part of the alleged inducer, and the second standard required a higher level of intent on part of the alleged inducer.

The Federal Circuit set out the first and lower standard for intent to induce in *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*<sup>13</sup> The Court, after examining the histories of indirect infringement,<sup>14</sup> held that "proof of actual intent

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somewhat extreme. First, this was an unusual patent case that involved direct copying. . . . Second, although [the alleged inducer] hired a U.S. attorney to conduct a right-to-use study, it did not inform him that it had based its product on the [plaintiff's] product . . . [and] the attorney . . . did not uncover the [plaintiffs' patent]. Finally, [the plaintiff] had previously sued [the alleged inducer's] customer and re-seller of its [accused product] for patent infringement and [the alleged inducer] knew of the suit and subsequent settlement. But even after [that, the alleged inducer] continued to sell the same [accused product] . . .") (internal citations omitted).

<sup>11</sup> 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

<sup>12</sup> 543 F.3d 683 (Fed. Cir. 2008).

<sup>13</sup> 909 F.2d 1464 (Fed. Cir. 1990).

<sup>14</sup> *Id.* at 1468–69 (reviewing case law construing 35 U.S.C. § 271 and its legislative history).

to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement.”<sup>15</sup>

Applying this standard, *Hewlett-Packard* concluded that the alleged inducer did not possess the “actual intent to cause the acts which constitute the infringement.”<sup>16</sup> The court reached this conclusion despite evidence that the alleged inducer promised the direct infringers that it would take financial responsibility if the direct infringers were found liable for infringing the plaintiff’s patent.<sup>17</sup>

As *Hewlett-Packard* demonstrated, the “actual intent” standard is relatively low.<sup>18</sup> It is akin to the “general intent” standard at common law. At common law, the intent element necessary to sustain a general-intent offense—such as battery—is presumed when the defendant engages in the act constituting the offense.<sup>19</sup> In other words, it is not necessary to establish that the offender intended the harm that resulted from her acts.<sup>20</sup> The only requirement is that the acts constituting the general-intent offense were undertaken voluntarily, and not as a result of mistake or accident.<sup>21</sup> Under the *Hewlett-Packard* standard, a plaintiff must only show that the alleged inducer voluntarily caused the acts from which infringement may reasonably be expected to follow.<sup>22</sup> This is relatively easy to accomplish.<sup>23</sup> Thus, not surprisingly, plaintiffs frequently cited *Hewlett-Packard* in the pre-DSU world.<sup>24</sup>

Three months after *Hewlett-Packard*, the Federal Circuit set out the second and higher standard for intent to induce in *Manville Sales Corp. v. Paramount Systems, Inc.*<sup>25</sup> There, the Federal Circuit held:

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<sup>15</sup> *Id.* at 1469.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 1470 (finding that the alleged inducer’s indemnification agreement “certainly facilitated [sales of the accused product] at the particular price at which it was sold”).

<sup>18</sup> *See, e.g.,* *Tristrata Tech., Inc. v. Mary Kay, Inc.*, 423 F. Supp. 2d 456, 465–66 & n.3 (D. Del. 2006) (characterizing *Manville*’s standard as “stricter than the alternate standard set forth in [*Hewlett-Packard*]”).

<sup>19</sup> 21 AM. JUR. 2D *Criminal Law* § 118 (2008).

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Cf. id.* (citing *Harris v. State*, 137 P.3d 124 (Wyo. 2006)).

<sup>23</sup> *See generally* *Hewlett-Packard Co. v. Bausch & Lomb*, 909 F.2d 1464 (Fed. Cir. 1990).

<sup>24</sup> *See, e.g.,* *Third Wave Techs., Inc. v. Stratagene Corp.*, 405 F. Supp. 2d 991, 1008–09 (W.D. Wis. 2005) (citing *Hewlett-Packard*, 909 F.2d at 1469) (finding the defendant, a manufacturer of nucleic acid identification kits, to have induced infringement of patents for a nucleic acid cleaving method by providing manuals that encouraged infringing uses).

<sup>25</sup> 917 F.2d 544 (Fed. Cir. 1990).

The alleged infringer must be shown . . . to have *knowingly* induced infringement. It must be established that the defendant possessed *specific intent* to encourage another's infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts *and* that he *knew or should have known* his actions would induce actual infringements.<sup>26</sup>

Applying this standard, *Manville* concluded that the alleged inducer did *not* possess the "specific intent to encourage another's infringement."<sup>27</sup> The court reached this conclusion based on the evidence that the alleged inducer and the direct infringer did not know of the plaintiff's patent until the suit was filed, that they obtained advice of counsel with respect to the legitimacy of their activities, and that their subsequent infringing acts continued upon good faith belief that their product did not infringe.<sup>28</sup> However, this conclusion was reached notwithstanding the evidence that the alleged inducer arguably encouraged the infringement by sending the direct infringer a drawing of the plaintiff's patented device "for use in designing" the direct infringer's product.<sup>29</sup>

As *Manville* demonstrated, the "specific intent" standard is relatively high.<sup>30</sup> It is akin to the "specific intent" standard at common law. At common law, the intent element necessary to sustain a specific-intent offense, such as murder, requires not only the general intent to engage in the acts constituting the offense, but an "*additional* deliberate and conscious purpose or design of accomplishing a very specific and more remote result."<sup>31</sup> Under the *Manville* standard, a plaintiff must show that the alleged inducer had a culpable aforethought to induce the infringement.<sup>32</sup> This is relatively difficult to accomplish.<sup>33</sup> Thus, not surprisingly, alleged inducers frequently cited *Manville* in the pre-DSU world.<sup>34</sup>

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<sup>26</sup> *Id.* at 553 (internal citations omitted) (emphasis added).

<sup>27</sup> *Id.* at 553–54.

<sup>28</sup> *Id.* at 553–54.

<sup>29</sup> *Id.* at 552–53.

<sup>30</sup> See, e.g., *Tristrata Tech., Inc. v. Mary Kay, Inc.*, 423 F. Supp. 2d 456, 465–66 & n.3 (D. Del. 2006) (characterizing *Manville*'s standard as "stricter than the alternate standard set forth in [*Hewlett-Packard*]").

<sup>31</sup> 21 AM. JUR. 2D *Criminal Law* § 119 (2008) (emphasis added).

<sup>32</sup> Compare *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990), with 21 AM. JUR. 2D *Criminal Law* § 118 (2008).

<sup>33</sup> See generally *Manville*, 917 F.2d 544.

<sup>34</sup> See, e.g., *Tristrata Tech.*, 423 F. Supp. 2d at 466–67; *Arthrocare Corp. v. Smith & Nephew, Inc.*, 310 F. Supp. 2d 638, 657 (D. Del. 2004) (denying the plaintiff's motion for a new trial for inducing infringement because the plaintiff failed to show that the alleged infringer acted

After *Hewlett-Packard* and *Manville*, there was “a lack of clarity concerning whether the required intent must be merely to induce the specific acts [of infringement] or additionally to cause an infringement.”<sup>35</sup> Without clear guidance, lower courts split between *Hewlett-Packard*<sup>36</sup> and *Manville*.<sup>37</sup> Even the Federal Circuit has analyzed the intent element under both *Hewlett-Packard*<sup>38</sup> and *Manville*.<sup>39</sup> The Federal Circuit finally resolved this confusion in *DSU* some sixteen years later.

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with either actual or constructive knowledge that it was inducing infringement), *aff'd in part, vacated in part, remanded by* 406 F.3d 1365 (Fed. Cir. 2005).

<sup>35</sup> *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed. Cir. 2004); *see also* *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1332 (Fed. Cir. 2005), *vacated on other grounds and remanded by* 547 U.S. 388 (2006); *Ideal Instruments, Inc. v. Rivard Instruments, Inc.*, 434 F. Supp. 2d 598, 621–22 (N.D. Iowa 2006) (finding the plaintiff had stated a claim for inducement of infringement “[d]espite this admitted lack of clarity”), *on reconsideration*, 434 F. Supp. 2d 640 (N.D. Iowa 2006); *cf.* *Nissim Corp. v. Clearplay, Inc.*, 351 F. Supp. 2d 1343, 1348 (S.D. Fla. 2004) (commenting that *Manville* is likely not binding until prior decisions are overturned en banc).

<sup>36</sup> *See, e.g.*, *Third Wave Techs., Inc. v. Stratagene Corp.*, 405 F. Supp. 2d 991, 1008 (W.D. Wis. 2005); *Corning, Inc. v. SRU Biosystems*, 400 F. Supp. 2d 653, 665 (D. Del. 2005).

<sup>37</sup> *See, e.g.*, *Tristrata Tech., Inc. v. Mary Kay, Inc.*, 423 F. Supp. 2d 456, 465–66 (D. Del. 2006); *Arthrocare*, 310 F. Supp. 2d at 657.

<sup>38</sup> *See, e.g.*, *nCube Corp. v. SeaChange Int'l, Inc.*, 436 F.3d 1317, 1324, 1326 (Fed. Cir. 2006) (citing *Hewlett-Packard Co. v. Bausch & Lomb*, 909 F.2d 1464, 1469 (Fed. Cir. 1990)) (rejecting the defendant’s lack-of-knowledge defense and affirming a judgment of induced infringement); *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1365 (Fed. Cir. 2004) (citing *Hewlett-Packard*, 909 F.2d at 1469) (affirming a jury’s finding that alleged inducer’s laboratory test of the accused product was intended to induce infringement of the plaintiff’s patent); *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318–19 (Fed. Cir. 2003) (holding that “the only intent required of [the alleged inducer] is the intent to cause the acts that constitute infringement” (citing *Hewlett-Packard*, 909 F.2d at 1469)).

<sup>39</sup> *See, e.g.*, *Ferguson Beauregard/Logic Controls, Div. of Dover Res., Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1342 (Fed. Cir. 2003) (rejecting the plaintiff’s argument “that the district court should have applied a less stringent test for inducement liability, requiring that the officer be aware only of his activities, not necessarily aware that his activities amounted to infringement” because it is “untenable based on [*Manville*]” (citing *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990)), and affirming a finding in favor of the alleged inducer because “[the plaintiff] submitted no evidence to show that [the alleged inducer] ‘knew or should have known his actions would induce infringement’”); *Alloc, Inc. v. Int'l Trade Comm'n*, 342 F.3d 1361, 1374 (Fed. Cir. 2003) (finding no inducement because there was “no evidence that the [the alleged inducers] intended to induce others to infringe the asserted patents” (citing *Manville*, 917 F.2d at 553)); *cf.* *Delta & Pine Land Co. v. Sinkers Corp.*, 177 F.3d 1343, 1352 (Fed. Cir. 1999) (holding that “by analogy to *Manville*, [the plaintiff] must show not only that” the defendant committed the acts of inducement by “transferr[ing] possession of protected seed without authority, but that [the defendant] *knew*

### III. *DSU*: CHOOSING THE HIGHER *MANVILLE* STANDARD FOR PROVING INTENT TO INDUCE

In *DSU*, DSU Medical Corporation (“DSU”) sued ITL Corporation (“ITL”) and JMS Company (“JMS”) for infringing a patent that covered a guarded needle assembly used to reduce the risks of accidental needle-stick injuries.<sup>40</sup> DSU alleged that ITL, the manufacturer, infringed the patent by manufacturing a device called the Platypus and supplying this device in a non-infringing configuration to the distributor.<sup>41</sup> DSU alleged that JMS, the distributor, infringed the patent by transforming the Platypus into an infringing configuration and distributing them in the United States.<sup>42</sup>

Before filing the lawsuit,<sup>43</sup> DSU informed the manufacturer that the Platypus infringed the asserted patent.<sup>44</sup> The manufacturer then contacted an Australian attorney who concluded that the Platypus would not infringe.<sup>45</sup> The manufacturer also obtained letters from U.S. patent counsel advising the same.<sup>46</sup>

After a six-week jury trial, the trial court entered a judgment of infringement against the distributor,<sup>47</sup> but a judgment of non-infringement for the manufacturer.<sup>48</sup> DSU appealed, among other things, the judgment of non-infringement for the manufacturer.<sup>49</sup>

On appeal, the en banc panel<sup>50</sup> stressed that, as stated in *Manville*, the plaintiff must show that the alleged inducer “knew or should have known his

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*or should have known* that their actions were in violation of [the plaintiff’s intellectual property] rights”) (emphasis added).

<sup>40</sup> DSU Med. Corp. v. JMS Co., 471 F.3d 1293, 1297 (Fed. Cir. 2006) (en banc). Needle-stick injuries can cause blood-borne diseases such as Hepatitis B and AIDS. *Id.*

<sup>41</sup> *Id.* at 1299. The manufacturer supplies the Platypus to the distributor in an “open-jaw” configuration. *Id.*

<sup>42</sup> *Id.* The distributor then transforms the Platypus from the “open-jaw” configuration into a “closed-jaw” configuration, and distributes the Platypus in “closed-jaw” configuration to customers in the United States. *Id.* at 1303–04.

<sup>43</sup> DSU Med. Corp. v. JMS Co., 296 F. Supp. 2d 1140, 1144 (N.D. Cal. 2003) (“DSU filed this infringement lawsuit in April 1999 . . .”).

<sup>44</sup> *DSU*, 471 F.3d at 1307 (“The jury also heard evidence that [DSU]’s lawyer informed [the manufacturer] in January 1997 that the Platypus infringed the [asserted] patent.”).

<sup>45</sup> *Id.*

<sup>46</sup> DSU Med. Corp. v. JMS Co., 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc).

<sup>47</sup> *Id.* at 1297. The jury awarded DSU \$5,055,211 in damages against the distributor. *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *See id.* at 1304.

<sup>50</sup> *Id.* Ten of the twelve Federal Circuit judges joined the en banc section of the opinion (authored by Judge Rader with Judges Newman, Lourie, Schall, Bryson, Gajarsa, Linn, Dyk,

actions would induce actual infringements.”<sup>51</sup> Specifically, it held that the “knew or should have known” requirement “necessarily includes the requirement that he or she knew of *the patent*.”<sup>52</sup>

To justify choosing *Manville* over *Hewlett-Packard*, the Federal Circuit cited *MGM Studios Inc. v. Grokster, Ltd.*,<sup>53</sup> a copyright case decided by the Supreme Court of the United States.<sup>54</sup> It explained that, notwithstanding *Hewlett-Packard*, “*Grokster* has clarified that the intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement.”<sup>55</sup> Rather, the alleged inducer must possess *specific intent* to purposefully and culpably encourage another’s infringement.<sup>56</sup>

Applying this higher *Manville/DSU* standard, the merit panel concluded that the manufacturer did not induce the distributor to infringe.<sup>57</sup> The Court based its decision mainly<sup>58</sup> on the fact that the manufacturer, after being notified

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Prost, and Moore). *Id.* The two remaining judges, Chief Judge Michel and Judge Mayer, “agree[d] with the court’s analysis” on the intent issue but did not believe that there was conflicting precedent to be resolved. *Id.* at 1311 (Michel, C.J., and Mayer, J., concurring) (“[W]e do not consider it necessary to address this issue en banc.”).

<sup>51</sup> *Id.* at 1304 (quoting *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990)).

<sup>52</sup> *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc) (emphasis added) (explaining that the inducing infringement standard was satisfied “because it is undisputed that [the alleged infringer] had notice of the patent” (alteration in original) (quoting *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1364 n.4 (Fed. Cir. 2006)); see also *id.* at 1305 (holding that “[t]o establish liability under section 271(b), a patent holder must prove that *once the defendants knew of the patent*, they ‘actively and knowingly aid[ed] and abett[ed] another’s direct infringement’” (emphasis added) (alteration in original) (quoting *Water Tech. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1998)). That a defendant’s knowledge of the plaintiff’s patent can be used as evidence in disproving specific intent is in line with *Manville*’s holding. 917 F.2d at 553–54 (finding against the plaintiff because the defendants “were not aware of [the plaintiff]’s patent until suit was filed”).

<sup>53</sup> 545 U.S. 913 (2005).

<sup>54</sup> *DSU*, 471 F.3d at 1306.

<sup>55</sup> *Id.* at 1306 (internal citations omitted).

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 1307 (sustaining the jury verdict of no inducement for the manufacturer).

<sup>58</sup> The Federal Circuit also cited the testimony of one of the manufacturer owners that the manufacturer had no intent to infringe the asserted patent. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc).



by DSU that the Platypus infringed DSU's patent, sought and relied on two opinions of counsel that concluded the Platypus did not infringe.<sup>59</sup>

#### IV. SEAGATE AND BROADCOM: THE LIKELY DEATH OF THE DOCTRINE OF INDUCEMENT

By choosing the higher *Manville* standard and by giving significant weight to a counsel's non-infringement opinion as evidence countering intent, DSU made it more difficult for future plaintiffs to prove inducement.<sup>60</sup> Did DSU make proving inducement so difficult for future plaintiffs to prove that it effectively killed the doctrine of inducement?

##### A. Most Evidence Showing Specific Intent to Induce Would Be Outweighed by a Counsel's Non-Infringement Opinion

Although plaintiffs have taken on the burden of proving an alleged inducer's specific intent to induce with reasonable success since *DSU*, none of them has done so where the accused inducer obtained and produced a counsel's non-infringement opinion.<sup>61</sup> Had an alleged inducer sought and produced a

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<sup>59</sup> *Id.* (“To the contrary, the record contains evidence that [the manufacturer] did not believe its Platypus infringed. Therefore, it had no intent to infringe. Accordingly, the record supports the jury’s verdict based on the evidence showing a lack of the necessary specific intent.”).

<sup>60</sup> This is true especially in light of the fact that alleged inducers have successfully defended their cases by relying on evidence other than a counsel’s non-infringement opinion. *See, e.g.*, *Microsoft Corp. v. WebXchange, Inc.*, 606 F. Supp. 2d 1087, 1089 (N.D. Cal. 2009) (finding no intent in part because of a covenant not to sue for inducement); *Triune Star, Inc. v. Walt Disney Co.*, No. 07-1256, 2008 U.S. Dist. LEXIS 62305, at \*10 (C.D. Ill. Aug. 14, 2008) (granting the alleged inducer’s motion to dismiss because the complaint was “devoid of anything more substantive than the bald assertion of active inducement”); *F & G Research, Inc. v. Google, Inc.*, No. 06-60905-CIV-ALTONAGA/Turnoff, 2007 U.S. Dist. LEXIS 70072, at \*44–45 (S.D. Fla. Sept. 20, 2007) (finding no intent to induce infringement by Google merely because its Google Earth software might be used by a consumer in a manner that infringed plaintiff’s patent); *epicRealm Licensing, LLC v. Autoflex Leasing, Inc.*, 492 F. Supp. 2d 608, 635 (E.D. Tex. 2007) (magistrate’s report and recommendation) (finding no intent because the alleged inducer’s service contract did not specify or control how service should be performed); *Iridex Corp. v. Synergetics USA, Inc.*, 474 F. Supp. 2d 1105, 1111 (E.D. Mo. 2007) (finding no intent in part because the accused system was made and sold by the defendant’s predecessor long before the defendant was created in a corporate merger).

<sup>61</sup> *Cf. Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 531 F. Supp. 2d 1084, 1113 (N.D. Cal. 2007) (“While [non-infringement] opinions of counsel are certainly probative regarding [lack of] intent, they are not dispositive.”) (citing *Pickholtz v. Rainbow Techs., Inc.*, 260 F. Supp. 2d 980, 988 (N.D. Cal. 2003) (holding that the non-infringement opinions of counsel do not completely undercut the plaintiff’s allegation that the accused inducer be-

counsel's non-infringement opinion as evidence countering specific intent, most of the evidence on which a victorious plaintiff could have relied upon would have been outweighed by an opinion of counsel as happened in *DSU*.

### 1. Knowledge of the Asserted Patent As Evidence Showing Intent Would Be Outweighed by a Counsel's Non-Infringement Opinion

The alleged inducer's knowledge of the asserted patent helps a plaintiff prove the alleged inducer's specific intent to induce.<sup>62</sup> The Federal Circuit specifically held in *DSU* that specific intent to induce "necessarily includes the requirement that [the alleged inducer] knew of the patent."<sup>63</sup>

Ironically, the Federal Circuit did not give such evidence great weight in *DSU*. As it was notified by *DSU*, the manufacturer knew about *DSU*'s patent even before the lawsuit was filed.<sup>64</sup> Notwithstanding this evidence, the court in *DSU* concluded that the manufacturer did not have the requisite intent to induce because the manufacturer had sought and relied on two opinions of counsel.<sup>65</sup> In doing so, *DSU* gave more weight to those opinions.

Following *DSU*, many courts, including the Western District of Washington,<sup>66</sup> the District of Delaware,<sup>67</sup> and the Eastern District of Pennsylvania,<sup>68</sup>

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lieved its products infringed)). Although the Northern District of California did deny an alleged inducer's summary judgment motion of no induced infringement notwithstanding counsels' non-infringement opinions, denying an alleged inducer's summary judgment is not the same as finding for the plaintiff on the merits.

<sup>62</sup> See, e.g., *Ideal Instruments, Inc. v. Rivard Instruments, Inc.*, 434 F. Supp. 2d 598, 621 (N.D. Iowa 2006) (pre-dating *DSU* and stating "there is sufficient inference of 'intent' to satisfy either [the *Hewlett-Packard* or the *Manville*] standard where the defendant had notice of the plaintiff's patent and provided another with directions to perform specific acts leading to infringement"); cf. *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553–54 (Fed. Cir. 1990) (pre-dating *DSU* and finding for the alleged inducer in part because the defendants "were not aware of [the plaintiff]'s patent until suit was filed").

<sup>63</sup> *DSU*, 471 F.3d at 1304.

<sup>64</sup> See *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc) ("[*DSU*]'s lawyer informed [the manufacturer] in January 1997 that the Platypus infringed the [asserted] patent."); *DSU Med. Corp. v. JMS Co., Ltd.*, 296 F. Supp. 2d 1140, 1144 (N.D. Cal. 2003) ("DSU filed this infringement lawsuit in April 1999 . . .").

<sup>65</sup> *DSU*, 471 F.3d at 1304.

<sup>66</sup> *Veritas Operating Corp. v. Microsoft Corp.*, 562 F. Supp. 2d 1141, 1278–85 (W.D. Wash. 2008) ("[H]aving 'knowledge' of a single patent only because it was cited during prosecution of two patents among thousands . . . does not give [the alleged inducer] sufficient 'knowledge' to formulate the 'intent' required for inducement.") (granting the defendant's motion

have concluded that evidence of the alleged inducer's knowledge of the asserted patent is merely circumstantial evidence for proving her specific intent to induce.

It is true that several courts, such as the Northern District of Indiana,<sup>69</sup> the Eastern District of Texas,<sup>70</sup> the Eastern District of Virginia,<sup>71</sup> and the Southern District of New York,<sup>72</sup> have found knowledge of the asserted patent to be direct evidence of intent to induce, or at least sufficiently probative to deny an alleged inducer's motion for summary judgment.<sup>73</sup> However, none of the alleged inducers in these cases produced a counsel's non-infringement opinion as evidence countering specific intent. If an alleged inducer produced a counsel's non-infringement opinion, *DSU* made it clear that such an opinion would outweigh the plaintiff's evidence that the alleged inducer knew about the asserted patent.<sup>74</sup>

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with respect to lack of intent to induce infringement even though the it was deemed to have known about the asserted patent).

<sup>67</sup> *Commissariat a L'Energie Atomique v. Samsung Elecs. Co.*, 524 F. Supp. 2d 534, 546 (D. Del. 2007) (denying plaintiff's motion for summary judgment of induced infringement even though the plaintiff proffered evidence that the alleged inducer knew of the patents).

<sup>68</sup> *Gammino v. Cellco P'ship*, 527 F. Supp. 2d 395, 399 (E.D. Pa. 2007) (holding that knowledge of the asserted patents merely puts the alleged inducer on notice that the asserted patents exist, but nothing more and granting summary judgment of no induced infringement even though the alleged inducer was informed of the asserted patents).

<sup>69</sup> *Monsanto Co. v. Parr*, 545 F. Supp. 2d 836, 842–43 (N.D. Ind. 2008) (granting injunction based on finding of induced infringement in part because the alleged inducer had actual knowledge of the plaintiff's patent—which was, in part, evidenced by a “seed saving notice” he sent to his customers on their invoices).

<sup>70</sup> *AdvanceMe, Inc. v. RapidPay, LLC*, 509 F. Supp. 2d 593, 600, 626–27 (E.D. Tex. 2007) (bench trial) (finding inducement in part because the defendants had actual notice of the patent at least as early as the filing of the lawsuit, yet they still “entered into agreements with merchant processors to perform the patented method with full knowledge of the [asserted] patent after this lawsuit was filed,” and “repeatedly provid[ed] payment instructions to merchant processors to forward portions of payments according to the patented method”), *aff'd*, 277 Fed. App'x 1023 (Fed. Cir. 2008) (per curiam).

<sup>71</sup> *Fellowes, Inc. v. Michilin Prosperity Co.*, 491 F. Supp. 2d 571, 589–90 (E.D. Va. 2007) (granting judgment as a matter of law that the defendants induced infringement in part because the defendants were aware of the patents when the suit was brought).

<sup>72</sup> *Wing Shing Prods. (BVI), Ltd. v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 408–09, 411 (S.D.N.Y. 2007) (granting summary judgment of induced infringement, in part, because the alleged inducer knew of the asserted patent at least at the time the lawsuit was filed).

<sup>73</sup> *Kowalski v. Friend*, No. 05-00787 BMK, 2008 U.S. Dist. LEXIS 66102, at \*4–6 (D. Haw. Aug. 27, 2008) (denying the alleged inducer's motion for summary judgment on the plaintiff's inducement claims in part because the alleged inducer knew of the plaintiff's patent).

<sup>74</sup> *See DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc).

## 2. Awareness of Activities That the Alleged Inducer Knew or Should Have Known to be Infringing As Evidence Showing Intent Would Be Outweighed by a Counsel's Non-Infringement Opinion

The alleged inducer's awareness of the direct infringer's activities, that the alleged inducer knew or should have known to be infringing, also helps a plaintiff prove the alleged inducer's specific intent to induce.

Yet the Federal Circuit gave little weight to such evidence in *DSU*. The manufacturer, being the one that supplied the Platypus to the distributor,<sup>75</sup> was clearly aware that the distributor was transforming the Platypus into a configuration that it knew, or should have known, to be infringing. Notwithstanding this evidence, the court in *DSU* concluded that the manufacturer did not have the requisite intent to induce because the manufacturer had sought and relied on two opinions of counsel.<sup>76</sup> In doing so, *DSU* gave more weight to those opinions.

Like *DSU*, several courts, including the Northern District of California,<sup>77</sup> the Eastern District of Pennsylvania,<sup>78</sup> and the Eastern District of Texas,<sup>79</sup> have concluded that evidence of the alleged inducer's awareness of the direct

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<sup>75</sup> *Id.* at 1298–99, 1307.

<sup>76</sup> *See id.* at 1307.

<sup>77</sup> *Boston Scientific Corp. v. Johnson & Johnson*, 534 F. Supp. 2d 1062, 1080 (N.D. Cal. 2007) (“[Plaintiff’s] argument would require a rule that if a defendant knows a third-party is possibly infringing, and does nothing to discourage such actions, intent can be inferred. [S]uch a rule would essentially render meaningless the emphasis placed by the Federal Circuit in *DSU* on the fact that inducement requires more than knowledge.”) (granting summary judgment of no induced infringement even though the plaintiff had provided evidence that the alleged inducer had knowledge about the asserted patent).

<sup>78</sup> *Gammino v. Cellco P’ship*, 527 F. Supp. 2d 395, 399 (E.D. Pa. 2007) (holding that an alleged inducer does not owe a duty to inquire after a third party’s methods even if she is put on notice of its possibly-infringing activities and granting summary judgment of no induced infringement because there was no evidence that the alleged inducer knew the third parties’ methods).

<sup>79</sup> *epicRealm Licensing, LLC v. Autoflex Leasing, Inc.*, 492 F. Supp. 2d 608, 635 (E.D. Tex. 2007) (“It is not sufficient, however, to have knowledge about only *some* of the allegedly infringing acts. Where the alleged inducer lacks knowledge about some of the infringing acts, there can be no liability for active inducement.”) (emphasis added) (internal citations omitted). In *epicRealm* there was evidence that the alleged inducer did not learn of the third party’s use of the accused computer systems until after the suit was filed. *Id.* The court granted summary judgment of no induced infringement even though the alleged inducer had some knowledge of the third party’s infringing acts. *Id.* at 631, 640.

infringer's activities that it knew, or should have known, to be infringing is merely circumstantial for proving its specific intent to induce.<sup>80</sup>

In contrast, other courts, such as the Eastern District of Virginia<sup>81</sup> and the Southern District of New York,<sup>82</sup> have found that evidence of awareness of the direct infringer's activities that the alleged inducer knew or should have known to be infringing to be highly probative for proving specific intent, or at least sufficiently probative to deny an alleged inducer's motion for summary judgment.<sup>83</sup> However, none of the alleged inducers in these cases produced a counsel's non-infringement opinion as evidence countering specific intent. If the alleged inducer produced a counsel's non-infringement opinion, *DSU* made it clear that such an opinion would outweigh the plaintiff's evidence that the alleged inducer was aware of the direct infringer's activities that she knew, or should have known, to be infringing.

### **3. Affirmative Conduct to Encourage Activities which the Alleged Inducer Knew or Should Have Known to be Infringing as Evidence Showing Intent Would Be Outweighed by a Counsel's Non-Infringement Opinion**

The alleged inducer's affirmative conduct to encourage activities that she knew, or should have known, to be infringing—such as by providing in-

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<sup>80</sup> *Cf.* *Tegal Corp. v. Tokyo Electron Co.*, 248 F.3d 1376, 1377, 1378–79 (Fed. Cir. 2001) (holding that a person cannot be liable for inducement if she simply *failed* to take legal steps to prevent infringement by a third party).

<sup>81</sup> *Fellowes, Inc. v. Michilin Prosperity Co.*, 491 F. Supp. 2d 571, 589–90 (E.D. Va. 2007) (granting judgment as a matter of law of induced infringement in part because the defendants knew or should have known after the suit was filed that their customers' actions would constitute infringement).

<sup>82</sup> *Wing Shing Prods. (BVI), Ltd. v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 408–09 (S.D.N.Y. 2007) (granting summary judgment of induced infringement in part because the alleged inducer knew that the infringing product it produced and sold would be, in turn, sold in the United States by its buyer).

<sup>83</sup> *Kowalski v. Friend*, No. 05-00787 BMK, 2008 U.S. Dist. LEXIS 66102, at \*4–6 (D. Haw. Aug. 27, 2008) (denying the alleged inducer's motion for summary judgment in part because it knew of the allegedly-infringing production processes used by the third party); *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 531 F. Supp. 2d 1084, 1112 (N.D. Cal. 2007) (denying summary judgment of no indirect infringement in part because the alleged inducer knew that its products would ultimately be sold in the United States even though it was not informed of, and had no control over, the final destination of its products after they were sold).

structions on how to use the accused product in an infringing manner—also helps a plaintiff prove that alleged inducer’s specific intent to induce.<sup>84</sup>

However, the Federal Circuit did not give such evidence great weight in *DSU*. Arguably, the manufacturer, by supplying the Platypus to the distributor, who then transformed the device into an infringing configuration, affirmatively encouraged the distributor to engage in activities that it knew, or should have known, to be infringing.<sup>85</sup> Notwithstanding this evidence, *DSU* concluded that the manufacturer did not have the requisite intent to induce because the manufacturer had sought and relied on two opinions of counsel.<sup>86</sup> In doing so, *DSU* gave more weight to those opinions.

After *DSU*, many courts, including the Federal Circuit,<sup>87</sup> the Northern District of California,<sup>88</sup> the District of Delaware,<sup>89</sup> the Southern District of Florida,<sup>90</sup> and the Eastern District of Kentucky,<sup>91</sup> have concluded that evidence of the

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<sup>84</sup> See, e.g., *Tristrata Tech., Inc. v. Mary Kay, Inc.*, 423 F. Supp. 2d 456, 465 n.3 (D. Del. 2006) (pre-dating *DSU* and applying the higher *Manville* standard, yet still finding that the defendant induced infringement by including marketing literature and product inserts that instructed its customers to apply the accused product in an infringing manner).

<sup>85</sup> *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1298–99, 1307 (Fed. Cir. 2006).

<sup>86</sup> *Id.* at 1307.

<sup>87</sup> *Kyocera Wireless Corp. v. Int’l Trade Comm’n*, 545 F.3d 1340, 1354 (Fed. Cir. 2008) (finding evidence that the accused inducer supplied its customers with computer source code that, when implemented in the accused product, would render the accused product infringing, to be merely “circumstantial” advocating and remanding the ITC’s determination of induced infringement by holding that such evidence shows “at most, a finding that [the alleged inducer] generally intended to cause acts that produced infringement,” but does not show that the alleged inducer “possessed a *specific* intent to cause infringement of [the asserted] patent”) (emphasis added).

<sup>88</sup> *Microsoft Corp. v. Webxchange, Inc.*, 606 F. Supp. 2d 1087, 1087–89 (N.D. Cal. 2009) (dismissing the plaintiff’s declaratory action after finding the alleged inducer’s marketing materials explaining how to create web services using the plaintiff’s patented software to be insufficient to prove specific intent—such materials were “merely public explanations” of what the alleged direct infringers had done with the software).

<sup>89</sup> *Commissariat a L’Energie Atomique v. Samsung Elecs. Co.*, 524 F. Supp. 2d 534, 545–46 (D. Del. 2007) (denying plaintiff’s motion for summary judgment of induced infringement even though the it proffered evidence that the alleged inducer sold the accused modules directly and promoted sales in the United States through third parties).

<sup>90</sup> *F & G Research, Inc. v. Google, Inc.*, No. 06-60905-CIV-ALTONAGA/Turnoff, 2007 U.S. Dist. LEXIS 70072, at \*44–46, 52 (S.D. Fla. Sept. 20, 2007) (finding an alleged inducer’s manual instructing programmers to use the accused software product in an infringing manner insufficient to show specific intent because the manual also instructed programmers to use the accused product in a non-infringing manner, and granting Rule 11 sanctions, in part, because the complaint included no allegation that the defendant received notice or otherwise knew of the patent).

alleged inducer's affirmative conduct to encourage activities that she knew, or should have known, to be infringing was merely circumstantial evidence for proving her specific intent to induce.

On the other hand, several courts, such as the Southern District of California,<sup>92</sup> the Northern District of Indiana,<sup>93</sup> the Eastern District of Virginia,<sup>94</sup> and the Southern District of New York,<sup>95</sup> have found that evidence of affirmative conduct to encourage activities which the alleged inducer knew, or should have known, to be infringing was highly probative for proving specific intent, or at least sufficiently probative to deny an alleged inducer's motion for summary judgment.<sup>96</sup> However, none of the alleged inducers in these cases produced a

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<sup>91</sup> *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, Nos. 5:02-571, 5:04-84, 2007 U.S. Dist. LEXIS 34894 (E.D. Ky. May 11, 2007) (finding the accused inducer's distribution of a professor's letter attesting that its product did not infringe to be "equivocal" for proving specific intent, pointing out that the accused inducer also later distributed the plaintiff's letter which rebutted the professor's letter, and denying plaintiff's motion for summary judgment of active inducement).

<sup>92</sup> *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F. Supp. 2d 1016, 1037, 1039-40 (S.D. Cal. 2008) (denying motion for judgment as a matter of law of no induced infringement in part because the accused inducer provided instruction and offered encouragement via tutorials, help files, web pages, manuals, promotional materials, and other sources), *aff'd in part, vacated in part on other grounds and remanded*, 580 F.3d 1301, 1340 (Fed. Cir. 2009).

<sup>93</sup> *Monsanto Co. v. Parr*, 545 F. Supp. 2d 836, 842-43, 844-45 (N.D. Ind. 2008) (granting an injunction based on a finding of induced infringement in part because the alleged inducer advertised, scheduled, and conducted cleaning services for the patented seeds, and encouraged its clients to save, clean, and replant the patented seeds by using a "seed saving notice" on the invoices to his customers). The court also found that the alleged inducer had misled his customers by using a Supreme Court opinion to erroneously support his position that it was legal to save, clean, and replant the patented seeds. *Id.* at 840, 843. Additionally, despite his promise to the plaintiff, the alleged inducer had stopped requiring his customers to sign a statement attesting that they were not being asked to engage in infringing conduct. *Id.* at 843.

<sup>94</sup> *Fellowes, Inc. v. Michilin Prosperity Co.*, 491 F. Supp. 2d 571, 589-90 (E.D. Va. 2007) (granting judgment as a matter of law that the defendants induced infringement, in part, because they took affirmative steps to induce infringement by designing and manufacturing the accused products, actively soliciting retailers to sell the accused products, and supplying accused products to the retailers).

<sup>95</sup> *Wing Shing Prods. (BVI), Ltd. v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 408-09, 411 (S.D.N.Y. 2007) (granting summary judgment of induced infringement in part because the alleged inducer produced and sold the infringing product knowing that its buyer would sell the product in the United States).

<sup>96</sup> *See, e.g., Kowalski v. Friend*, No. 05-00787 BMK, 2008 U.S. Dist. LEXIS 66102, at \*4-6 (D. Haw. Aug. 27, 2008) (denying the alleged inducer's motion for summary judgment, in part because the alleged inducer encouraged other companies to use the third party's allegedly-infringing process); *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*,

counsel's non-infringement opinion as evidence countering specific intent. If the alleged inducer produced a counsel's non-infringement opinion, *DSU* made it clear that it would outweigh the plaintiff's evidence that the alleged inducer affirmatively encouraged activities that it knew, or should have known, to be infringing.

**B. *By Further Reducing Disincentives and Adding Incentives for Companies to Routinely Seek and, If Sued, Produce Opinions of Counsel, Seagate and Broadcom Toll the Death Knell for the Doctrine of Inducement***

After *DSU*, a plaintiff will not likely succeed in proving specific intent if the alleged inducer sought and produced a counsel's non-infringement opinion.<sup>97</sup> Thus, the question of whether *DSU* killed the doctrine of inducement depends heavily on the likelihood that opinions of counsel will always be produced as countering evidence in future inducement cases.<sup>98</sup> Specifically, if companies always seek opinions of counsel whenever the legitimacy of their activities becomes questionable and, if sued, produce such opinions as counter-

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531 F. Supp. 2d 1084, 1114 (N.D. Cal. 2007) (denying, in relevant part, summary judgment of no indirect infringement, in part because the alleged inducer engaged in affirmative acts such as "(1) providing technical support, (2) shipping products directly to U.S. customers in order to address technical problems of pre-existing products, (3) on-site technical presentations in the United States, (4) adjustments in the manufacturing process to accommodate customer concerns, and (5) coordinating shipping via e-mail"); *cf.* *Symantec Corp. v. Computer Assocs. Int'l, Inc.*, 522 F.3d 1279, 1293 (Fed. Cir. 2008) (reversing grant of summary judgment of no induced infringement in part because the plaintiff had produced sufficient circumstantial evidence that the alleged inducer encouraged its customers to engage in direct infringement by using its antivirus software products that could only be used in an infringing manner).

<sup>97</sup> *But see* Elizabeth Richardson, *Opinions of Counsel Ride Again: Federal Circuit Finds Opinions Relevant to Intent for Induced Infringement in Broadcom v. Qualcomm*, <http://www.mofo.com/news/updates/files/15040.html> (last visited Feb. 15, 2010) ("Although the court noted that the alleged inducer in *DSU* had obtained non-infringement opinions as part of the evidence considered by the jury, which returned a verdict of no inducement, the Federal Circuit did not directly discuss the role of opinion of counsel evidence in *DSU*.").

<sup>98</sup> So far, only one unpublished district court case relied on a counsel's opinion of non-infringement to deny a plaintiff's summary judgment. *See Vnus Med. Techs., Inc. v. Diomed Holdings, Inc.*, No. C-05-2972 MMC, 2007 U.S. Dist. LEXIS 76499, at \*4–6 (N.D. Cal. Oct. 2, 2007) (denying plaintiff's motion for summary judgment of induced infringement because (1) "each defendant has offered evidence that it sought and obtained the opinion of counsel, who, in each instance, provided an opinion the accused products did not infringe and/or the patents were invalid" and (2) "each defendant has offered evidence that in reliance on the opinion of its counsel, it continued to sell the accused products").



ing evidence, then the doctrine of inducement is probably dead after *DSU*. Conversely, if companies do not always seek opinions of counsel whenever they engage in questionable activities or, if sued, do not always produce such opinions as countering evidence, then the doctrine of inducement probably lives on after *DSU*. The likelihood that opinions will always be produced as countering evidence depends, in turn, on the incentives and disincentives for companies to routinely seek and, if sued, produce those opinions.<sup>99</sup>

One major disincentive for alleged inducers to produce opinions of counsel as countering evidence is the risk of waiving attorney-client privilege.<sup>100</sup> In particular, alleged inducers worry that producing the opinions would pierce the privilege they have with their counsels, thereby giving the plaintiff the right to compel discovery of all otherwise-protected communications.<sup>101</sup>

*Seagate* alleviated this concern. In 2007, the Federal Circuit specifically held in *Seagate* that “asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel.”<sup>102</sup> Though not an inducement case,<sup>103</sup> *Seagate* eliminated one major disincentive for alleged inducers to produce opinions of counsel as evidence countering specific intent.

Inconvenience and costs<sup>104</sup> are additional disincentives for companies to seek opinions of counsel.<sup>105</sup> But the Federal Circuit put this disincentive in

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<sup>99</sup> The author assumes that most counsel’s opinions sought and therefore produced, at least in discoverable formats, conclude that the seeker of the opinion does not infringe, directly or indirectly, another’s patent. *But see* Holbrook, *supra* note 7, at 410 (“[The assumption that all counsels’ opinions procured by the defendant indicate non-infringement] suggests that lawyers would readily violate their ethical obligations to their clients by essentially lying about their opinions on infringement, validity, and enforceability.”).

<sup>100</sup> *See, e.g., In re Seagate Tech., LLC*, 497 F.3d 1360, 1365 (Fed. Cir. 2007) (en banc).

<sup>101</sup> *See, e.g., id.* at 1366–67.

<sup>102</sup> *Id.* at 1374. *But see id.* at 1374–75 (“We do not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery.”).

<sup>103</sup> *Seagate* is a case on willful infringement, a judicially-created doctrine which permits the plaintiff to recover enhanced damages from the defendant who is deemed to have infringed wantonly or maliciously. *See, e.g., Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991); *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988) (“Provisions for increased damages . . . are available as deterrents to blatant, blind, willful infringement of valid patents.”).

<sup>104</sup> *See* Edward H. Rice, *Avoiding Willful Infringement Exposure: Are Opinion Letters Still Necessary?*, METROPOLITAN CORP. COUNS., Dec. 2007, at 1, <http://www.loeb.com/avoidingwillfulinfringementexposureareopinionlettersstillnecessary/> (follow “PDF” hyperlink) (estimating a counsel’s opinion to cost from \$10,000 to \$30,000).

perspective in *Broadcom*. In fact, the court added a major incentive for companies to start, or at least continue, to routinely seek such opinions—by holding specifically that failure to obtain an opinion *can* create an adverse inference that the alleged inducer had the specific intent to induce infringement.<sup>106</sup> Thus, not

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*But see* Wei Zhou, *Patent Opinion Practice in an Evolving Patent Landscape*, AIPLA, Jan. 2008,

[http://www.aipla.org/Content/ContentGroups/Speaker\\_Papers/Mid-Winter1/20083/Zhou-paper.pdf](http://www.aipla.org/Content/ContentGroups/Speaker_Papers/Mid-Winter1/20083/Zhou-paper.pdf) (a life science company executive writing about how “[f]ormal patent opinion letters . . . could also be an important mechanism to assure potential investors, business partners, and customers of the patent due diligence and compliance conducted by a business”).

<sup>105</sup> The alleged inducers in the following cases never obtained a counsel’s opinion: *Kyocera Wireless Corp. v. Int’l Trade Com’n*, 545 F.3d 1340, 1354 (Fed. Cir. 2008); *Syantec Corp. v. Computer Assocs. Int’l, Inc.*, 522 F.3d 1279, 1293 (Fed. Cir. 2008); *Microsoft Corp. v. WebXchange, Inc.*, 606 F. Supp. 2d 1087, 1089 (N.D. Cal. 2009); *Kowalski v. Friend*, No. 05-00787 BMK, 2008 U.S. Dist. LEXIS 66102, at \*4–6 (D. Haw. Aug. 27, 2008); *Triune Star, Inc. v. Walt Disney Co.*, No. 07-1256, 2008 U.S. Dist. LEXIS 62305 (C.D. Ill. Aug. 14, 2008); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F. Supp. 2d 1016, 1040 (S.D. Cal. 2008); *Monsanto Co. v. Parr*, 545 F. Supp. 2d 836, 842–43, 844–45 (N.D. Ind. 2008); *Nichia Corp. v. Seoul Semiconductor, Ltd.*, No. 06-0162 MMC, 2008 U.S. Dist. LEXIS 12183 (N.D. Cal. Feb. 7, 2008); *Veritas Operating Corp. v. Microsoft Corp.*, 562 F. Supp. 2d 1141, 1275–85 (W.D. Wash. 2008); *Commissariat a L’Energie Atomique v. Samsung Elecs. Co.*, 524 F. Supp. 2d 534, 545–47; *Gammino v. Celco P’ship*, 527 F. Supp. 2d 395, 399 (E.D. Pa. 2007); *F & G Research, Inc. v. Google, Inc.*, No. 06-60905-CIV-ALTONAGA/Turnoff, 2007 U.S. Dist. LEXIS 70072, at \*44–46, \*52 (S.D. Fla. Sept. 20, 2007); *Boston Scientific Corp. v. Johnson & Johnson*, 534 F. Supp. 2d 1062, 1080 (N.D. Cal. 2007); *AdvanceMe, Inc. v. RapidPay, LLC*, 509 F. Supp. 2d 593, 600, 626–27 (E.D. Tex. 2007), *aff’d*, 277 Fed. App’x 1023 (Fed. Cir. 2008) (per curiam); *Fellowes, Inc. v. Michilin Prosperity Co.*, 491 F. Supp. 2d 571, 589–90 (E.D. Va. 2007); *Wing Shing Prods. (BVI), Ltd. v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 408–09 (S.D.N.Y. 2007); *Static Control Components, Inc. v. Lexmark Int’l, Inc.*, Nos. 5:02-571, 5:04-84, 2007 U.S. Dist. LEXIS 34894 (E.D. Ky. May 11, 2007); *epicRealm Licensing, LLC v. Autoflex Leasing, Inc.*, 492 F. Supp. 2d 608, 637 (E.D. Tex. 2007); *Iridex Corp. v. Synergetics USA, Inc.*, 474 F. Supp. 2d 1105, 1110–11 (E.D. Mo. 2007).

<sup>106</sup> *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699–701 (Fed. Cir. 2008) (affirming judgment of induced infringement because of substantial evidence, including the failure to procure a counsel’s opinion on part of the alleged inducer, to support the jury’s verdict that the accused induced infringement of patents).

Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer “knew or should have known” that its actions would cause another to directly infringe, we hold that such evidence remains relevant to . . . the intent analysis. Moreover, we disagree with Qualcomm’s argument and further hold that the failure to procure such an opinion may be probative of intent in [inducement cases]. It would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function, as was the case in *DSU* itself, and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe.

only did *Broadcom* remove any doubts as to the necessity and value of seeking opinions of counsel, it sent a clear message to companies that it is in their best interest, if not mandatory, to seek and, if sued, to produce such opinions.<sup>107</sup>

In sum, *DSU*, *Seagate*, and *Broadcom* likely incentivized companies to start, or at least continue, to routinely seek and, if sued, to produce opinions of counsel as countering evidence. If true, future plaintiffs will have great difficulties proving specific intent to induce as success is unlikely where the accused inducer obtained and produces a counsel's non-infringement opinion. Consequently, *DSU* would have laid the doctrine of inducement of infringement to rest.

## V. CONCLUSIONS

Although plaintiffs still have been able to prove an alleged inducer's specific intent to induce in the post-*DSU* world, *DSU* made it clear that the types of evidence on which they relied would have been outweighed by a counsel's non-infringement opinion if one were produced. The survival of the doctrine of inducement therefore hinges on the likelihood that opinions of counsel would be available as countering evidence. Given that *Seagate* removed a major disincentive and *Broadcom* added a major incentive for companies to seek opinions

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*Id.* at 699 (internal citation omitted); *cf. Wing Shing Products*, 479 F. Supp. 2d at 408–09, 411 (pre-dating *Broadcom* and granting summary judgment of induced infringement in part because the alleged inducer failed to present evidence that it obtained a plausible non-infringement opinion from patent counsel).

<sup>107</sup> *Cf. Zusha Elinson, Ruling in Qualcomm-Broadcom Fight Brings Back Opinion Letters for Patent Cases*, LAW.COM, Sept. 25, 2008, <http://www.law.com/jsp/article.jsp?id=1202424776945> (“[T]he *Broadcom* case should send a message to companies thinking they don’t need to get an opinion letter.”); Martin M. Noonan, *Federal Circuit Goes for it on Fourth Down—Decides That Inducement Under § 271(b) Requires Specific Intent to Cause Direct Infringement*, <http://www.mofo.com/news/updates/files/12326.html> (last visited Feb. 15, 2010) (“So, how does one avoid inducement? The answer may lie in obtaining and following competent advice of counsel. . . . Given that reliance upon opinions of counsel helped to establish an absence of specific intent in *DSU*, you might not want to throw away the phone number of your opinion counsel just yet.”) (citations omitted). *But see, e.g.*, Posting of Alasdair to Naked Law, *Lawyers Shown the Door in Seagate Decision*, [http://nakedlaw.typepad.com/naked\\_law/2007/08/lawyers-shown-t.html](http://nakedlaw.typepad.com/naked_law/2007/08/lawyers-shown-t.html) (Aug. 22, 2007, 16:49 BST) (suggesting that patent lawyers would be weeping if they lost lucrative patent opinion practice); Posting of Joff Wild to IAM Magazine, *Patent Attorneys Should Go with the Flow not Stand in the Way*, <http://www.iam-magazine.com/blog/Detail.aspx?g=7c0952dc-0569-40fe-ac78-25e3e3fd74bc> (Aug. 23, 2007) (questioning the motivation behind patent practitioners’ advice on continuing patent opinion practice as an act of self-preservation).

of counsel and, if sued, to produce those opinions, companies will likely start, or at least continue, to routinely do so. If courts had continued to follow *DSU*, the death knell for the doctrine of inducement tolls.