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PATENTS

The authors review district court decisions since *Global-Tech* on pre-suit knowledge of the patent in inducement cases and offer strategy considerations for litigants.

Proving Indirect Infringement: Is Post-Suit Knowledge of a Patent Sufficient?



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Indirect infringement has received a lot of attention in recent years. In 2011, the Supreme Court articulated a “willful blindness” standard for inducement in the *Global-Tech* case, and in 2012 the U.S. Court of Appeals for the Federal Circuit concluded in *Akamai* that inducement does not require proof of direct infringement by a single actor. Furthermore, following the Supreme Court’s decisions in *Twombly* and *Iqbal*,

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defendants have routinely sought dismissal of claims for indirect infringement at the pleading stage.

In connection with the increased number of motions to dismiss indirect infringement allegations, a split of authority has arisen as to whether a defendant can be liable for indirect infringement based solely on post-filing knowledge of an asserted patent. The district courts, and even judges within the same district court, have not answered this question consistently, and it appears that the Federal Circuit has yet to squarely address the issue.

Indirect Infringement

Sections 271(b) and 271(c) of the Patent Act provide the basis for claims of indirect infringement. Under section 271(b), “Whoever actively induces infringement of a patent shall be liable as an infringer.”¹ And under Section 271(c), “Whoever 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 invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.”²

Although only Section 271(c) expressly contains a knowledge requirement, the courts have long held that both contributory infringement and inducement of infringement require proof that the alleged infringer had knowledge of the patent. Specifically, since the Federal Circuit’s 2006 ruling in *DSU Med. Corp. v. JMS Co.*,³ proof of inducement of infringement has required a

¹ 35 U.S.C. § 271(b).

² 35 U.S.C. § 271(c).

showing that “the alleged inducer knew of the patent, knowingly induced the infringing acts, and possessed a specific intent to encourage another’s infringement of the patent.”⁴

The contours of the knowledge requirement for inducement were further clarified by the Supreme Court’s 2011 decision in *Global-Tech Appliances, Inc. v. SEB S.A.*,⁵ which confirmed that actual knowledge of the patent is required.

In recent years, there have been numerous cases in which defendants have sought to dismiss claims for indirect infringement based on the plaintiff’s failure to adequately plead or prove that the defendant had prior knowledge of the patent. In particular, many defendants have argued that a claim for indirect infringement cannot be sustained where there is no evidence or allegation that the defendant knew of the patent prior to the filing of the lawsuit. A review of decisions relating to this issue reveals that there is a split among the district courts as to whether or not pre-suit knowledge is required to prove a claim for indirect infringement.

Judges on both sides of this issue have professed to be following the majority view. To date, however, the split in authority is pretty much even. Six districts—the District of Massachusetts, Western District of Texas, Western District of Kentucky, Middle District of Florida, Southern District of Florida, and District of Nebraska—have concluded that pre-suit knowledge is required. Five districts—the Eastern District of Virginia, Eastern District of Texas, District of Colorado, Northern District of Illinois and Southern District of California—have found that post-suit knowledge is sufficient. And three districts—the Northern and Central Districts of California and District of Delaware—have decisions on both sides of the issue.

As discussed further below, however, recent decisions in the Northern District of California and District of Delaware have all favored allowing indirect infringement claims to be maintained—at least at the pleading stage—even where the only alleged knowledge of a patent is that obtained from the filing of the complaint.

Cases Finding Pre-Suit Knowledge Is Required

The judges in courts that have concluded that pre-suit knowledge is required to maintain a claim for indirect infringement have provided multiple bases for their decisions.

In *Proxycorn v. Microsoft*, Judge David O. Carter of the Central District of California acknowledged the split in authority on this issue, but reasoned that allowing the plaintiff to maintain its claims of indirect infringement would require the court “to bootstrap the knowledge Defendants now have based on Plaintiff’s filing of the Complaint onto defendant’s acts before Plaintiff filed its complaint.”⁶ The court further reasoned that “requiring a Plaintiff to plead knowledge based on facts other than the filing of the present lawsuit furthers judi-

cial economy and preserves parties’ resources by encouraging resolution prior to filing a lawsuit.”⁷

Several other cases in the Central District of California have reached the same result, although, as discussed further below, some judges in that district have not.⁸

Judge Charlene E. Honeywell in the Middle District of Florida reached the same conclusion as Judge Carter but for a different reason. In *Brandywine Comm’n Techs. v. T-Mobile USA, Inc.*, Judge Honeywell wrote that

because notice of the patent is necessarily provided by a complaint, finding that a complaint provides sufficient knowledge for induced infringement would vitiate the Supreme Court’s holding in *Global-Tech* that an allegation of knowledge of the patent is required to state a claim for induced infringement.⁹

In essence, Judge Honeywell rejected the notion that a patentee may use the filing of a pleading to establish knowledge that is required as a predicate for the filing of that very same pleading.

Many of the cases discussing the sufficiency of post-suit knowledge have cited to decisions from Judges Sue L. Robinson and Joseph J. Farnan Jr. in the District of Delaware.¹⁰ In those cases, the court dismissed claims for indirect infringement because the plaintiff had not alleged facts that would allow the court to infer that the defendant had knowledge of the asserted patents “at the time they were committing the allegedly infringing activities.”¹¹ Both judges concluded that “knowledge after filing of the present action is not sufficient for pleading the requisite knowledge for indirect infringement.”¹² However, as discussed further below, Judge Robinson has subsequently ruled to the contrary along with other Delaware judges.

Decisions in the Northern District of California, District of Massachusetts, Western District of Kentucky and District of Nebraska have also concluded that post-

⁷ *Id.*

⁸ *See Secured Mail Solutions, LLC v. Advanced Image Direct, LLC*, No. 8:12-cv-01090-DOC-MLG, slip op., at 11 (C.D. Cal. Jan. 30, 2013) (“Insofar as Plaintiff alleges knowledge of the Patents in Suit based on the filing of the original Complaint in this lawsuit, the holding in *Proxycorn* controls and Plaintiff has not pled sufficient facts to state a plausible claim for indirect patent infringement”); *Stillman v. Novartis Consumer Health, Inc.*, No. 2:11-cv-05603-RGK-CW, slip op., at 3 (C.D. Cal., Feb. 6, 2012). *See also Cybotronics, Ltd. v. Golden Source Elecs., Ltd.*, 130 F. Supp. 2d 1152, 1165-66, 58 U.S.P.Q.2d 1385 (C.D. Cal. 2001) (61 PTCJ 495, 3/23/01) (granting summary judgment of no indirect infringement because plaintiff failed to show defendant had knowledge of patent-in-suit prior to being served with complaint).

⁹ *Brandywine Comm’n Techs. v. T-Mobile USA, Inc.*, 904 F. Supp. 2d 1260, 1268-69, 2012 BL 280737 (M.D. Fla. 2012).

¹⁰ *See, e.g., Aguirre v. Powerchute Sports, LLC*, No. 10-cv-00702, D.I. 40, at 9 (W.D. Tex. June 17, 2011); *Stillman*, No. 2:11-cv-05603-RGK-CW, slip op., at 3 (C.D. Cal., Feb. 6, 2012).

¹¹ *Xpoint Techs., Inc. v. Microsoft Corp.*, 730 F. Supp. 2d 349, 357, 2010 BL 186630 (D. Del. 2010) (Robinson, J.); *Mallinckrodt, Inc. v. E-Z-Em Inc.*, 670 F. Supp. 2d 349, 354 n. 1, 2009 BL 250597, 93 U.S.P.Q.2d 1592 (D. Del. 2009) (Farnan, J.) (79 PTCJ 129, 12/4/09). *See also Eon Corp. IP Holdings LLC v. Flo TV Inc.*, 802 F. Supp. 2d 527, 533-34, 2011 BL 181557 (D. Del. 2011) (Robinson, J.).

¹² *Xpoint*, 730 F. Supp. 2d at 357; *Mallinckrodt*, 670 F. Supp. 2d at 354 n.1

³ 471 F.3d 1293, 1306, 81 U.S.P.Q.2d 1238 (Fed. Cir. 2006) (73 PTCJ 206, 12/22/06).

⁴ *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328, 92 U.S.P.Q.2d 1340 (Fed. Cir. 2009) (78 PTCJ 646, 9/25/09).

⁵ 131 S. Ct. 2060, 2067-68, 2011 BL 142067, 98 U.S.P.Q.2d 1665 (2011) (82 PTCJ 137, 6/3/11).

⁶ *Proxycorn v. Microsoft*, No. 11-cv-01681, D.I. 46, at 8 (C.D. Cal. May 16, 2012) (emphasis in original).

suit knowledge is not sufficient, but they did not provide any substantive analysis of the issue.¹³

Cases Finding Pre-Suit Knowledge Is Not Required

The primary reason cited by courts finding that pre-suit knowledge is not required is that there is “no sound reason that a defendant should avoid liability for an indirect infringement claim when it continues ‘to promote infringing uses of their products after learning about the patents,’ simply ‘because it happened to learn of the patent in connection with a lawsuit.’”¹⁴

This reasoning seems to have originated in the Northern District of Illinois in *Trading Techs. Intern., Inc. v. BCG Partners, Inc.*¹⁵ and has been followed by subsequent decisions in that district, as well as in the Eastern District of Virginia, Northern District of California and Southern District of California.¹⁶ As explained by Judge T. S. Ellis in the Eastern District of Virginia:

What matters is not how the putative infringer learned of the patents—by a letter from plaintiff prior to the filing of suit, by service of the complaint, or indeed from any source—but simply that the putative infringer has knowledge of the allegedly infringed patent and its claims; it is this knowledge of the patent and its claims by a putative infringer—however obtained—that is essential to a claim for indirect infringement.¹⁷

Judges in the District of Delaware have provided their own rationale for allowing indirect infringement claims to be based on post-suit knowledge. Although earlier decisions in that district concluded that post-suit knowledge was not sufficient, that view has shifted.

In *Walker Digital v. Facebook, Inc.*, Judge Robinson rejected her prior decisions in *Xpoint* and *Eon Corp. IP Holdings*, and found that “there is no legal impediment to having an indirect infringement cause of action limited to post-litigation conduct.”¹⁸ The court acknowledged that this decision was inconsistent with its prior rulings, but concluded that

[g]iven the ease of amendment, the limitation of damages to post-knowledge conduct, and in the interests of judicial

¹³ See *Avocet Sports Tech. v. Garmin Int'l*, No. C 11-04049 JW, D.I. 109, at 8 (N.D. Cal. Mar. 22, 2012); *Select Retrieval, LLC v. Bulbs.Com Inc.*, 12-10389, D.I. 21, at 10 (D. Mass. Dec. 4, 2012); *Cronos Techs v. Camping World*, No. 1:12-CV-00147, slip. op., at 6-7 (W.D. Ky., Jul. 30, 2013); *Prism Techs., LLC v. U.S. Cellular Corp.*, No. 12-cv-00125, D.I. 33, at 12-13 (D. Neb. Sept. 6, 2012).

¹⁴ *Rembrandt Social Media, LP v. Facebook, Inc.*, No. 1:13-cv-00158, D.I. 141, at 7 (E.D. Va. June 12, 2013).

¹⁵ *Trading Techs. Intern., Inc. v. BCG Partners, Inc.*, No. 10-cv-00715, D.I. 390, at 8 (N.D. Ill. Sept. 2, 2011) (“The Court sees no reason why a defendant who is directly infringing on a product should avoid liability for an indirect infringement claim when it continues to sell the allegedly infringing product and encourages others to infringe, simply because it happened to learn of the patent in connection with a lawsuit.”); see also *Intellect Wireless v. Sharp Corp.*, No. 10-cv-06763, D.I. 132, at 17-18 (N.D. Ill. Mar. 9, 2012).

¹⁶ See *Intellect Wireless*, D.I. 132, at 17-18; *Rembrandt Social Media*, D.I. 141, at 6-10; *Symantec Corp. v. Veeam Software Corp.*, No. 12-cv-00700, D.I. 51, at 6-8 (N.D. Cal. May 31, 2012); *Pacing Techs., LLC v. Garmin Int'l, Inc.*, No. 12-cv-01067, D.I. 55, at 3-5 (S.D. Cal. Feb 5, 2013).

¹⁷ *Rembrandt Social Media*, D.I. 141, at 8.

¹⁸ *Walker Digital, LLC v. Facebook, Inc.*, 852 F. Supp. 2d 559, 565, 2012 BL 81585 (D. Del. 2012).

economy, the court finds that the better reasoning is to allow a complaint that satisfies Rule 8 to proceed to discovery rather than dismissing it for lack of pre-filing knowledge when, by the time the motion to dismiss has been filed, defendant in fact has the requisite knowledge as pled by plaintiff.¹⁹

Other recent decisions in the District of Delaware have reached similar results.

In *SoftView, LLC v. Apple Inc.*, Judge Leonard P. Stark noted that requiring pre-suit knowledge “would seem to have the effect of prohibiting patentees from stating a claim for indirect infringement when an asserted patent is issued on the same date the lawsuit is filed and when an additional patent is issued during the pendency of litigation.”²⁰ Notably, Judge Stark took a different view of claims for willful infringement, which he determined cannot be based solely on post-filing conduct.²¹

Decisions in the Eastern District of Texas and District of Colorado have also concluded that post-suit knowledge is sufficient, but have provided no substantive analysis of the issue.²²

In re Bill of Lading

In June 2012, the Federal Circuit decided *In re Bill of Lading Transmission and Processing System Patent Litigation*.²³ In that case, the court considered the appeal of a district court’s dismissal with prejudice of multiple amended complaints for direct and indirect infringement. With respect to the allegations of inducement of infringement, the Federal Circuit reversed the district court and found that the plaintiff’s “amended complaints contain[ed] sufficient factual allegations to enable [the] court to reasonably conclude that each of the Appellees is liable for inducing infringement.”²⁴

Because the amended complaints at issue in *In re Bill of Lading* each asserted that the defendant was aware of the asserted patent at least as early as the service of the original complaint, at least two courts have interpreted *In re Bill of Lading* as having confirmed that post-filing knowledge of a patent is sufficient to sustain a claim for induced infringement.

Judge Edward M. Chen in the Northern District of California cited to *In re Bill of Lading* to support the conclusion that although “the claims for indirect infringement both require knowledge of the patent, the Federal Circuit has recently held that post-filing knowl-

¹⁹ *Id.* at 566 n.11.

²⁰ *SoftView, LLC v. Apple Inc.*, No. 10-cv-00389, D.I. 439, at 15 n.9 (D. Del. July 26, 2012). See also *E.I. Du Pont de Nemours & Co. v. Heraeus Holding GmbH*, No. 11-cv-00773, D.I. 28, at 9-11 (D. Del. Sep. 28, 2012); *Pragmatus AV, LLC v. Yahoo! Inc.*, No. 11-00902-LPS-CJB, D.I. 61, at 25 n. 7 (D. Del. Nov. 13, 2012).

²¹ *SoftView*, D.I. 439, at 15 (“Seagate implies that willful infringement allegations based only on post-filing conduct are inadequate.”).

²² See *Potter Voice Techs., LLC v. Apple, Inc.*, No. 12-cv-01096, D.I. 321, at 5-6 (D. Colo. March 29, 2013); *InMotion Imagery Techs. v. Brain Damage Films*, No. 11-cv-00414, D.I. 50, at 4-5 (E.D. Tex. Aug. 10, 2012); *Lochner Techs. v. AT Labs*, No. 2:11-CV-00242, D.I. 120, at 5 (E.D. Tex. Jul. 5, 2012).

²³ 681 F.3d 1323, 2012 BL 142302, 103 U.S.P.Q.2d 1045 (Fed. Cir. 2012) (84 PTCJ 263, 6/15/12).

²⁴ *Id.* at 1346.

edge is sufficient to meet this requirement.”²⁵ Similarly, Judge Andrew J. Guilford in the Central District of California recently held that “*Bill of Lading* establishes that alleging that a defendant learned of a patent from an earlier pleading in the case is adequate to allege the knowledge component of indirect infringement.”²⁶

Arguably, however, the Federal Circuit never considered this issue. The arguments by the defendants in *In re Bill of Lading* were directed to whether the plaintiff had pled sufficient facts from which the court could infer that the defendants had specific intent to induce use of the patented method.²⁷ None of the parties argued that an allegation that knowledge of a patent arose from the filing of the complaint was insufficient to plead indirect infringement.²⁸

Thus, the Federal Circuit did not directly rule on this question. Indeed, several district courts have cited *In re Bill of Lading* in opinions that nevertheless found allegations of post-filing knowledge of a patent to be insufficient to plead indirect infringement.²⁹

Strategy Considerations for Litigants

Different courts have found the rationales on both sides of this issue somewhat unsatisfying. Courts favoring a requirement of pre-suit knowledge have reasoned that encouraging pre-suit notice will promote judicial economy and the filing of a complaint cannot in and of itself constitute an act that supports an element of a claim in that same complaint.

But others argue that both of these justifications are wanting. Patentees are not required to provide actual notice to defendants before asserting a claim for direct infringement, so why should courts encourage such notice, and thereby promote judicial economy, only with respect to indirect infringement claims? Furthermore, the Federal Rules of Civil Procedure allow for allegations to be made based on a reasonable expectation that facts will be discovered to support the allegation,³⁰ so why can't indirect infringement allegations similarly be based on knowledge that is acquired after the filing of the suit?

²⁵ *Eon Corp. IP Holdings, LLC v. Sensus USA, Inc.*, No. 12-cv-01011, D.I. 544, at 1 (N.D. Cal. Oct. 1, 2012).

²⁶ *Labyrinth Optical Tech., LLC v. Fujitsu Am., Inc.*, No. 13-cv-00030, D.I. 33, at 9 (C.D. Cal. August 21, 2013).

²⁷ *In re Bill of Lading*, 681 F.3d at 1342-46.

²⁸ See Brief for Appellant, No. 2010-1493 (Fed. Cir. Oct. 22, 2010); Brief for Appellees Qualcomm Inc. and Microdea, Inc., No. 2010-1493 (Fed. Cir. Jan. 5, 2011); Brief for Appellee Intermec Techs. Corp., No. 2010-1493 (Fed. Cir. Jan. 5, 2011); Brief for Appellant, No. 2010-1493 (Fed. Cir. Feb. 22, 2011); Brief for Appellee Affiliated Computer Servs., Inc., No. 2010-1493 (Fed. Cir. Apr. 6, 2011); Brief for Appellee Intermec Techs. Corp., No. 2010-1493 (Fed. Cir. Apr. 7, 2011); Brief for Appellees Qualcomm Inc., Microdea, Inc., Peoplenet Commc'ns Corp. and Drivertech LLC, No. 2010-1493 (Fed. Cir. Apr. 7, 2011); Reply Brief for Appellant, No. 2010-1493 (Fed. Cir. Apr. 25, 2011); *Oral Argument In re Bill of Lading Transmission and Processing Sys. Patent Litig.*, No. 10-1493 (Fed. Cir. Aug. 3, 2011), available at <http://www.ca9.uscourts.gov/oral-argument-recordings/2010-1493/all>.

²⁹ See, e.g., *Brandywine Commc'ns. Techs., LLC v. Casio Computer Co.*, 912 F. Supp. 2d 1338, 1345, 2012 BL 318900 (M.D. Fla. 2012); *Brandywine Commc'ns. Techs., LLC v. Celco P'ship*, No. 6:12-cv-00275, D.I. 45, at 13-17 (M.D. Fla. Nov. 5, 2012); *Brandywine Commc'ns*, 904 F. Supp. 2d at 1267; *Select Retrieval*, D.I. 21, at 10; *Prism Techs.*, D.I. 33, at 12-13.

³⁰ See Fed. R. Civ. P. 11(b)(3)

On the flip side, courts who have allowed claims to proceed based solely on post-filing knowledge have essentially concluded that the circumstances by which knowledge of the patent is acquired are irrelevant. Some argue that this reasoning, however, ignores the fact that indirect infringement, unlike direct infringement, requires “evidence of culpable conduct.”³¹ In particular, inducement of infringement requires that the patentee prove that the defendant knowingly induced the infringing acts, and possessed a specific intent to encourage another's infringement of the patent.

In this respect, indirect infringement is similar to willful infringement, which the Federal Circuit has arguably concluded can not be premised solely on post-suit conduct. If a patentee asserts claims for inducement of infringement based solely on post-filing knowledge of the patent, an allegation that the defendant has the requisite level of intent is necessarily speculative. Furthermore, as Judge Donald M. Middlebrooks noted in *Wi-Lan USA, Inc. v. Research In Motion Ltd.*:

since the provision of a complaint for patent infringement necessarily provides notice of that patent, a finding that the knowledge necessary to sustain a claim for contributory, induced or willful infringement was imputed onto a defendant at that juncture effectively transforms such service into a motion for a preliminary injunction. This is because receipt of a complaint would force a defendant to either cease in its activity which purportedly constituted infringement or face additional exposure to liability.³²

Even Judge Stark's concern expressed in *SoftView* that requiring pre-suit knowledge would prohibit patentees from stating a claim for indirect infringement of a patent that is issued on the same date the lawsuit is filed, or during the pendency of litigation, seems overblown. Plaintiffs could provide notice of a newly issued patent before adding it to the complaint, thereby giving the defendant an opportunity to decide not to engage in potential acts of induced infringement, or the patentee could file for a preliminary injunction.

In the end, the continuing split suggests that no court has articulated a truly compelling basis in law for their particular outcome. On the one hand, some courts are concerned that requiring pre-suit knowledge will unjustifiably deprive patentees of the full scope of their rights (particularly when the issue arises at the pleading stage). On the other hand, the law requires knowledge and intent to support a claim for indirect infringement, and without pre-suit knowledge of the patent these elements simply cannot exist at the time a complaint is filed.

In the absence of direct Federal Circuit authority on this issue, defendants should seriously consider filing a motion to dismiss indirect infringement allegations if the defendant did not have pre-suit knowledge of the patent. At the very least, such a motion may force a concession from the plaintiff, or ruling from the court, that any damages for indirect infringement are limited to post-filing activities.

Although courts are split on whether a claim can be based solely on post-filing knowledge, there is agreement that damages for indirect infringement cannot begin to accrue until knowledge of the patent was acquired. Thus, at the very least, limiting indirect infringe-

³¹ *DSU Med. Corp.*, 471 F.3d at 1306.

³² *Wi-LAN USA, Inc. v. Research in Motion*, No. 12-cv-24349, D.I. 95, at 7 (S.D. Fla. June 7, 2013).

ment claims to post-filing activities will have an impact on the scope of damages. Moreover, it may also put a defendant in a position to seek summary judgment that, in view of its other defenses in the case, it cannot be shown to have the requisite intent to indirectly infringe the asserted patents.

For plaintiffs, it would be wise to include any known facts in the complaint from which the court can plausi-

bly conclude that the defendant had actual knowledge of the asserted patents. If that is not possible, plaintiffs filing in a jurisdiction that has required pre-suit knowledge should recognize that they may face—and potentially lose—a motion to dismiss their indirect infringement allegations. But pleading the allegations and having them dismissed will at least preserve the issue for appeal.