



THINK FORWARD

Good-Faith Belief of Invalidity May Negate Intent for Induced Infringement

June 28, 2013

Commil USA v. Cisco Systems, 2012-1042 (June 25, 2013)
Before Judges Newman (concurring-in-part, dissenting in-part), Prost,
and O'Malley (concurring-in-part, dissenting in-part).

This week, in *Commil USA v. Cisco Systems* (2:07cv341-CE), the Federal Circuit held that a good-faith belief in patent invalidity may prevent a finding that the alleged inducer had the requisite knowledge that the induced acts constitute patent infringement.

Tumultuous History

During the first jury trial, the jury rejected Commil's induced infringement claims, but found direct infringement and awarded Commil \$3.7 million in damages. Soon thereafter, based on trial counsel's irrelevant and prejudicial remarks, the court granted a new trial on inducement and damages. In the second trial, the jury found Cisco was liable for induced infringement and awarded \$63.7 million in damages. The district court entered an amended final judgment granting \$63.7 million in actual damages, \$10.3 million in prejudgment interest, and \$17,738 in costs.

CAFC Ruling

Judge Prost's majority opinion addressed four issues:

- the jury instruction for inducement (vacated and remanded for a new trial);
- Cisco's good faith belief of invalidity (trial court erred in excluding Cisco's good faith evidence);
- the district court's grant of a second trial (holding separate trials on induced infringement and invalidity do not violate the Seventh Amendment);
- claim construction (declined to further limit claim's scope beyond the trial court's construction) and the merits (declined to address because the case was remanded).

Significantly, the opinion clarified that good-faith evidence may be considered in determining liability for induced infringement. Below, the trial court excluded Cisco's evidence of its alleged good-faith belief of invalidity to rebut Commil's allegations of induced infringement (the opinion does not elaborate on the nature of Cisco's alleged good faith evidence). Until now, the Federal Circuit had not determined whether a good-faith belief of invalidity may be used to rebut inducement allegations. The opinion makes clear that such evidence should be considered.

The Federal Circuit reasoned, "it is clear that a good-faith belief of non-infringement is relevant evidence that tends to show that an accused inducer lacked the intent required to be held liable for induced infringement." The majority found no distinction between a good-faith belief of invalidity and a good faith belief of non-infringement for determining specific intent to induce patent infringement. Thus, under the circumstances where "one could be aware of a patent and induce another to perform the steps of the patent claim, but have a good-faith belief that the patent is not valid" the court reasoned, "it

can hardly be said that the alleged inducer intended to induce infringement.” Accordingly, the Federal Circuit held that “evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”

RECOMMENDATION

For suppliers of computer equipment, medical devices, pharmaceuticals and the like who are often the target of inducement allegations, this decision provides yet another reason why such suppliers should obtain opinions of counsel when aware of potentially relevant patents. A competent opinion from outside patent counsel is one well-established way of demonstrating a good-faith belief in the non-infringement and/or invalidity of a patent.

If you have any questions about the Court’s decision or how it may impact your business, please feel free to contact one of our [litigation attorneys](#).

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