

# ORANGE COUNTY BUSINESS JOURNAL

## Revisiting Patent Opinions of Counsel on Induced Infringement

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**E**xperienced business owners are usually aware of the need to carefully review their business operations for potential intellectual property issues. Indeed, the threat of a patent infringement lawsuit is a possibility for nearly every business, no matter the industry. In the past (*even as recently as the first quarter of this year*), business owners could reasonably protect themselves by retaining an attorney to provide a non-infringement or clearance opinion as to any relevant patents of which the business was aware.

For example, consider the case of a manufacturing enterprise. In practice, the patent attorney generally analyzes the processes used and products made by the business and then compares them to any known patents that might conceivably be related to the process or product. Most often, the attorney issues a well-reasoned letter that identifies point-by-point each aspect of the identified patent that is not practiced by the process or product. Many times, the opinion letter also communicates reasons demonstrating why the patent claims are likely not valid, and therefore why the business owner would not be liable for any possible patent infringement.

One area in which clearance opinions have been most helpful is in avoiding charges of induced infringement. Induced infringement occurs where one entity encourages another entity to make a patented product, or otherwise engage in an activity that constitutes patent infringement. For example, imagine Acme Corporation makes a plastic medical needle guard that is intended for use with medical needles manufactured separately by Baker LLC. On its own, Acme's needle guard does not infringe Patent Owner's patent, but when combined by Baker with Baker's needles, the combination does infringe Patent Owner's patent. (*See DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006).) In this situation, Acme is liable for actively and knowingly aiding and abetting Baker's direct infringement of the patent if Acme knew or should have known that its actions would cause Baker to infringe the patent. (35 U.S.C. §271(b).) Thus, a business owner in Acme's position would be wise to obtain a clearance opinion that provides a reasonable basis to believe that the product does not infringe any valid claims of the patent, thereby negating the "knew or should have known" aspect of the inducement analysis.

Earlier this year, the United States Supreme Court shook up

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this area of law when it ruled that such an opinion of counsel does not constitute a valid defense to induced infringement where the opinion is based on *invalidity* of the patent claims rather than on *non-infringement* of the patent claims.

The particular issue up for consideration in *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U. S. \_\_\_\_ (May 26, 2015), was whether a business accused of inducing patent infringement could rely on an

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invalidity-based opinion to show that the “knew or should have known” aspect was not satisfied. *Commil*, 575 U.S. \_\_\_\_ at 4-5. In ruling that the business owner may not rely on invalidity alone, the court stated that “invalidity is not a defense to infringement, it is a defense to liability. And because of that fact, a belief as to invalidity cannot negate the scienter required for induced infringement.” *Commil*, 575 U.S. \_\_\_\_ at 11.

In light of this new case law, business owners would be prudent to revisit any opinions of counsel they may have commissioned, particularly where those opinions rely on the supposed invalidity of patent claims to avoid liability, as opposed to relying on non-infringement positions. If the patent owner is litigious, statements made by the patent owner during litigation may be especially helpful in distinguishing the patent claims from your own business activities.

And, while your patent attorney is revisiting opinions on method or process patents drafted more than a year ago, the June 2014 Supreme Court decision in *Akamai v. Limelight*, 134 S.Ct. 2111 (2014) may also be helpful. That decision establishes that in order to have induced infringement, there must first be a single infringing entity that performs all of the claimed steps. *Limelight*, 134 S.Ct. at 2117. Therefore, when the claimed steps are divided amongst multiple entities, no single entity practices each step of the claimed invention, and there is no direct infringement. And, where there is no direct infringement, there can be no induced infringement, either. Therefore, if a patented manufacturing method comprises steps A, B, C, and D, a manufacturer would have a good basis for non-infringement under the *Limelight* decision if it practices steps A, B, and C, but step D is performed by the customer.

The one-two combination of *Commil* and *Limelight* have altered the law of induced infringement enough that business owners should carefully consider whether any rendered patent opinions need updating. If viable non-infringement positions are unavailable, it may be necessary

to consider redesign of relevant business methods and/or products to avoid an infringement claim.

Finally, it is worth exploring whether the *Commil* decision has any bearing on another (and perhaps more common) aspect of clearance opinions – using the opinion as a defense to charges of willful infringement. Simply put, *Commil* was directed specifically to the use of an invalidity opinion in the context of defending against *induced* infringement. Consequently, the opinion does not affirmatively address willfulness. On the other hand, because much of the logic involved in the Court’s decision may also apply to willfulness, lower courts might begin to also look at *Commil* in this context.

To demonstrate willful infringement, the patent owner must prove that the accused infringer knew or should have known that its actions constituted infringement of a valid and enforceable patent. (See *In re Seagate Technology, LLC*, 497 F. 3d 1360, 1371.) One could easily make the argument that this willfulness standard is not much different than the inducement standard was prior to *Commil*. And, under the *Commil* analysis, the issue of validity really has no bearing on willful *infringement*.

Consider again this quote from *Commil*, but substitute the word “willful” in place of “induced”: “[I]nvalidity is not a defense to infringement, it is a defense to liability. And because of that fact, a belief as to invalidity cannot negate the scienter required for [willful] infringement.” *Commil*, 575 U. S. at 11. If this logic was used by the Court in the context of induced infringement, it is plausible that the same logic might someday be applied in the context of willful infringement. However, it is important to note that the *Commil* decision has not (yet) been expanded by any court to reach the issue of willful infringement.

Opinions of counsel remain an important part of any business owner’s best practices, but it is also a good idea to occasionally revisit those opinions. You just might find that the law has changed in your favor.