

ALERT

# Federal Circuit Patent Bulletin: *Commil USA, LLC v. Cisco Sys., Inc.*

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May 26, 2015

*"[A] defendant's belief regarding patent validity is [not] a defense to a claim of induced infringement."*

On May 26, 2015, in *Commil USA, LLC v. Cisco Sys., Inc.*, the Supreme Court of the United States (Kennedy for the majority; Scalia & Roberts dissenting) vacated and remanded the U.S. Court of Appeals for the Federal Circuit judgment that affirmed-in-part, vacated-in-part, and remanded the district court's judgment entering the jury verdict that Cisco infringed U.S. Patent No. 6,430,395, which related to providing faster and more reliable handoffs of mobile devices from one base station to another as a mobile device moves throughout a communications network area. The Court stated:

The question the Court confronts today concerns whether a defendant's belief regarding patent validity is a defense to a claim of induced infringement. It is not. The scienter element for induced infringement concerns infringement; that is a different issue than validity. Section 271(b) requires that the defendant "actively induce[d] infringement." That language requires intent to "bring about the desired result," which is infringement. And because infringement and validity are separate issues under the Act, belief regarding validity cannot negate the scienter required under §271(b). When infringement is the issue, the validity of the patent is not the question to be confronted. . . . Indeed, the issues of infringement and validity appear in separate parts of the Patent Act. . . . Further, noninfringement and invalidity are listed as two separate defenses, and defendants are free to raise either or both of them. Were this Court to interpret §271(b) as permitting a defense of belief in

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invalidity, it would conflate the issues of infringement and validity.

Allowing this new defense would also undermine a presumption that is a "common core of thought and truth" reflected in this Court's precedents for a century. Under the Patent Act, and the case law before its passage, a patent is "presumed valid." That presumption takes away any need for a plaintiff to prove his patent is valid to bring a claim. But if belief in invalidity were a defense to induced infringement, the force of that presumption would be lessened to a drastic degree, for a defendant could prevail if he proved he reasonably believed the patent was invalid. That would circumvent the high bar Congress is presumed to have chosen: the clear and convincing standard.

To say that an invalid patent cannot be infringed, or that someone cannot be induced to infringe an invalid patent, is in one sense a simple truth, both as a matter of logic and semantics. But the questions courts must address when interpreting and implementing the statutory framework require a determination of the procedures and sequences that the parties must follow to prove the act of wrongful inducement and any related issues of patent validity. "Validity and infringement are distinct issues, bearing different burdens, different presumptions, and different evidence." To be sure, if at the end of the day, an act that would have been an infringement or an inducement to infringe pertains to a patent that is shown to be invalid, there is no patent to be infringed. But the allocation of the burden to persuade on these questions, and the timing for the presentations of the relevant arguments, are concerns of central relevance to the orderly administration of the patent system.

Invalidity is an affirmative defense that "can preclude enforcement of a patent against otherwise infringing conduct." An accused infringer can, of course, attempt to prove that the patent in suit is invalid; if the patent is indeed invalid, and shown to be so under proper procedures, there is no liability. That is because 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.

There are also practical reasons not to create a defense based on a good-faith belief in invalidity. First and foremost, accused inducers who believe a patent is invalid have various proper ways to obtain a ruling to that effect. They can file a declaratory judgment action asking a federal court to declare the patent invalid. They can seek inter partes review at the Patent Trial and Appeal Board and receive a decision as to validity within 12 to 18 months. Or they can, as Cisco did here, seek ex parte reexamination of the patent by the Patent and Trademark Office. And, of course, any accused infringer who believes the patent in suit is invalid may raise the affirmative defense of invalidity. If the defendant is successful, he will be immune from liability.

Creating a defense of belief in invalidity, furthermore, would have negative consequences. It can render litigation more burdensome for everyone involved. Every accused inducer would have an incentive to put forth a theory of invalidity and could likely come up with myriad arguments. And since "it is often more difficult to determine whether a patent is valid than whether it has been infringed," accused inducers would likely find it easier to prevail on a defense regarding the belief of invalidity than noninfringement. In addition the need to respond to the defense will increase discovery costs and multiply the issues the jury must resolve. Indeed, the jury would be put to the difficult task of separating the defendant's belief regarding validity from the actual issue of validity. . . .

The Court is well aware that an "industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." Some companies may use patents as a sword to go after defendants for money, even when their claims are frivolous. This tactic is often pursued through demand letters, which "may be sent very broadly and without prior investigation, may assert vague claims of infringement, and may be designed to obtain payments that are based more on the costs of defending litigation than on the merit of the patent claims." This behavior can impose a "harmful tax on innovation." No issue of frivolity has been raised by the parties in this case, nor does it arise on the facts presented to this Court. Nonetheless, it is still necessary and proper to stress that district courts have the authority and responsibility to ensure frivolous cases are dissuaded. If frivolous cases are filed in federal court, it is within the power of the court to sanction attorneys for bringing such suits. It is also within the district court's discretion to award attorney's fees to prevailing parties in "exceptional cases." These safeguards, combined with the avenues that accused inducers have to obtain rulings on the validity of patents, militate in favor of maintaining the separation expressed throughout the Patent Act between infringement and validity. This dichotomy means that belief in invalidity is no defense to a claim of induced infringement. The judgment of the United States Court of Appeals for the Federal Circuit is vacated, and the case is remanded for further proceedings consistent with this opinion.