



Global-Tech Appliances, Inc. v. SEB S.A.

Induced Infringement: Willful Blindness Can Satisfy Knowledge Requirement

According to 35 USC §271(b), anyone who “actively induces infringement” (i.e., takes action that causes another party to directly infringe a patent) “shall be liable as an infringer.” The statute, however, is ambiguous as to the level of intent required for the inducer. Is it enough that affirmative steps just so happen to cause infringement? Or must the inducer know that infringement will occur? The U.S. Supreme Court recently answered this question in an 8-1 decision in *Global-Tech Appliances, Inc. v. SEB S.A.*, holding that an inducer must have knowledge that the induced acts will indeed infringe a patent; and in the absence of actual knowledge, the Court held that evidence of “willful blindness” will suffice.

In this case, SEB owned a patent on cool-touch deep fryers widely sold in the United States under its well-known T-Fal[®] trademark. Sunbeam Products (an SEB competitor) asked Pentalpha Enterprises (a Global-Tech subsidiary located in Hong Kong) to make fryers meeting certain specifications. In response to this request, Pentalpha purchased an SEB fryer in Hong Kong and copied all but its cosmetic features. Notably, since the purchase was made outside the United States, the SEB product bore no U.S. patent markings. Pentalpha also hired an attorney to conduct a right-to-use study, but did not tell the attorney that its product was a copy of SEB's design. In conducting this study, the attorney did not discover SEB's patent and issued an opinion that Pentalpha's product would not infringe any patents he had found. Pentalpha then sold its fryers to Sunbeam, which resold them in the United States for less than the SEB fryers. Seeing a resulting drop in business, SEB filed a patent infringement suit against Sunbeam, which notified Pentalpha of the allegations and settled its case with SEB. Pentalpha, however, continued to sell its fryers to other U.S. resellers. SEB then sued Pentalpha for direct patent infringement under §271(a) and active inducement of patent infringement under §271(b). Although Pentalpha argued that it did not have actual knowledge of the SEB patent until it was notified of the suit against Sunbeam, the jury found that Pentalpha had willfully infringed the



SEB patent, both directly and by active inducement, and awarded SEB almost \$5 million in damages. The District Court for the Southern District of New York upheld this judgment, which was later affirmed by both the Court of Appeals for the Federal Circuit and the Supreme Court.

Liability for active inducement is governed by §271(b) of the Patent Act of 1952. In delivering the opinion of the majority, Justice Alito noted that since §271(b) is ambiguous with respect to the requisite intent, pre-1952 case law should be assessed for guidance. Among these early cases, the Court found that both induced infringement (now covered by §271(b)) and the sale of a component of a patented invention (now covered by §271(c)) originally fell within the purview of “contributory infringement.” Given this common origin, the Court assessed the intent requirement in its prior decisions involving §271(c), which were more numerous than those involving active inducement. Although the Court found the statute and case law to be open to conflicting interpretations, it ultimately relied on its decision in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (“*Aro II*”) as dispositive. According to *Aro II*, to be liable for contributory infringement under §271(c), a violator must know “that the combination for which his component was especially designed was both patented and infringing.” Consequently, the Court held that liability for active inducement under §271(b) likewise “requires knowledge that the induced acts constitute patent infringement.”

Next, the Court addressed the type of proof required to show knowledge of the patent. According to the Federal Circuit, “deliberate indifference” to a known risk that a patent exists will suffice. However, the Supreme Court rejected this standard in favor of a showing of “willful blindness,” a doctrine with roots in criminal law. The concept of “willful blindness” refers to situations where defendants “deliberately shield themselves from clear evidence of critical facts that are strongly suggested by the circumstances.” In other words, people who “know enough to blind themselves to direct proof of critical facts in effect have actual knowledge of those facts.” Willful blindness has two basic requirements: “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” Unlike deliberate indifference, willful blindness requires the inducer to make an active effort to avoid knowing that the induced acts constitute infringement.



Here, the Court found the evidence sufficient to show that Pentalpha willfully blinded itself to the infringing nature of Sunbeam's sales and intentionally avoided learning of the SEB patent. In particular, testimony showed that Pentalpha knew SEB's cool-touch deep fryer was commercially valuable based on its market research and subsequent decision to copy all but the cosmetic features of the SEB product. The Court also noted Pentalpha's decision to copy an SEB fryer purchased in Hong Kong, which Pentalpha would have known would be unmarked with U.S. patent numbers, and especially highlighted Pentalpha's decision to not inform the attorney conducting the right-to-use study that its product was a copy of SEB's design.

In a lone dissent, Justice Kennedy agreed that §271(b) and §271(c) should be read together as both requiring knowledge of patent infringement, but disagreed with the majority's application of "willful blindness" in the absence of actual knowledge. According to Justice Kennedy, the majority went too far by applying equal culpability to both willfully blind defendants and those with actual knowledge, and also suggested that the facts in this case might have been enough to prove Pentalpha indeed had actual knowledge its fryers were infringing, thus rendering invocation of the "willful blindness" standard unnecessary.

Following the *Global-Tech* decision, companies seeking right-to-use opinions regarding projected commercialization of new products should be sure to disclose all relevant information to the attorneys conducting the right-to-use study, including any suspected patent infringement, similarity to known products (especially competitors' products), or other possible concerns.