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Secondary Liability For Actively Inducing Patent Infringement: Which Intentions Pave the Road?

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NOTES

SECONDARY LIABILITY FOR ACTIVELY INDUCING PATENT INFRINGEMENT: WHICH INTENTIONS PAVE THE ROAD?

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INTRODUCTION

The grant of patents is one of Congress's most particularly important and special powers. This power is one of Congress's specifically enumerated powers¹ and enjoys a particularly long and established history in the United States. The first U.S. patent statute was passed in April 1790² by the First Congress, and the first patent was issued shortly thereafter.³ A patent gives the patentee the exclusive right to exclude others from making, selling, or using the patented invention within the United States.⁴ Those who violate any of these rights are considered direct infringers.⁵ The patent statutes also expose some people who indirectly infringe a patent to liability. In modern terms, indirect liability is divided into two categories: active inducement to infringe patents⁶ and contributory infringement.⁷

In two opinions decided three months apart, *Hewlett-Packard Co. v. Bausch & Lomb Inc.*⁸ and *Manville Sales Corp. v. Paramount Systems, Inc.*,⁹ the Federal Circuit espoused two seemingly contrasting views of what kind of knowledge and intent is required to hold someone liable for having actively induced another to infringe a patent. Generally speaking, commentators and courts have interpreted these cases as holding either that a finding of active inducement to infringe a patent requires a showing of general intent to cause acts that constitute infringement or that such a finding requires a showing of specific intent to purposefully cause infringing

1. U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have Power ... to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries").

2. Patent Act of 1790, ch. 7, 1 Stat. 109 (repealed 1793).

3. The inventor, Samuel Hopkins, received the patent on a process for making potash from wood ashes. See U.S. Patent No. 1 (issued July 31, 1790), available at <http://www.patentstation.com/pic/pdfdl/US0X0000001.pdf>; Henry M. Paynter, The First Patent, http://www.me.utexas.edu/~lotario/paynter/hmp/The_First_Patent.html (last visited Dec. 20, 2006).

4. 35 U.S.C. § 154(a) (2000).

5. See *id.* § 271(a).

6. *Id.* § 271(b).

7. *Id.* § 271(c).

8. 909 F.2d 1464 (Fed. Cir. 1990) (decided July 30, 1990).

9. 917 F.2d 544 (Fed. Cir. 1990) (decided Oct. 23, 1990).

acts. District courts have been overwhelmingly inconsistent in interpreting the Federal Circuit's intent, commentators have noted a lack of clarity, and even the Federal Circuit itself has split into two seemingly contradictory lines of cases. The uncertainty in this aspect of patent law is problematic for patentees, those who wish to avoid infringement, and practitioners who advise both patentees and potential indirect infringers. This situation is particularly troublesome for corporate officers: they undoubtedly intend to cause their corporations to act, but not every corporate officer intends for his corporation to *infringe*. The muddled state of active inducement jurisprudence provides no guide for how such officers should direct their companies and can paralyze innovation.

This Note argues, ultimately, that this seeming schism is, in fact, illusory and the result of a widespread misreading of the relevant case law. Part I discusses those aspects of § 271(b) active inducement law that are well-settled before the Federal Circuit. Part II discusses the two cases central to this controversy, *Hewlett-Packard* and *Manville*, in great detail to explain how they have been misread by some courts and some commentators. Part III discusses how the Supreme Court's recent decision in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*,¹⁰ a copyright case in which the Supreme Court explicitly incorporated the active inducement standard from patent law into copyright law, may serve as a useful window to the Supreme Court's interpretation of the scienter requirement for active inducement. Part IV discusses how this Note's understanding of the case law comports with the common law underlying the development of the doctrines of active inducement and contributory infringement in the patent law, discusses the legislative history of the Patent Act, and addresses some criticisms of the standard this Note proposes.

10. 125 S. Ct. 2764 (2005).

I. WELL-SETTLED ACTIVE INDUCEMENT LAW

The doctrines of indirect infringement¹¹ are intended to punish those whose actions, though they do not constitute direct infringement, are inequitable and run counter to the purpose of the patent laws. Courts have long recognized that “[t]he statutory liability for inducement of infringement derives from the common law, wherein acts that the actor knows will lead to the commission of a wrong by another, place shared liability for the wrong on the actor.”¹²

The common law principles codified in § 271(b) most closely resemble tort and criminal law principles of aiding and abetting or accessory before the fact. This analogy between the common law and statutory active inducement has been recognized by Congress,¹³ esteemed contemporary patent scholars,¹⁴ and courts of appeals decisions after the 1952 Patent Act and before the creation of the Federal Circuit.¹⁵ Though both aiding and abetting (in a tort context) and accessory before the fact (in a criminal context) theories of liability involve assigning so-called “indirect” liability, they are not truly inchoate offenses like solicitation; one cannot be said to have aided and abetted or been an accessory before the fact if no actual or direct tort or crime occurs.¹⁶ Following this reasoning, courts have consistently held that there can be no active inducement to infringe when there is no evidence of an underlying direct

11. This Note is primarily concerned with active inducement as statutorily established by § 271(b). Contributory infringement established by § 271(c), except where tangentially related, and in historical contexts, is outside the scope of this Note. For a detailed history of the development of the doctrine of contributory infringement, see Tom Arnold & Louis Riley, *Contributory Infringement and Patent Misuse: The Enactment of § 271 and its Subsequent Amendments*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 357 (1994). See generally 5 DONALD S. CHISUM, CHISUM ON PATENTS §§ 17.01-.05 (Supp. 2005).

12. Nat'l Presto Indus., Inc. v. West Bend Co., 76 F.3d 1185, 1194 (Fed. Cir. 1996).

13. See H.R. REP. NO. 82-1923, at 9 (1952) (“Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer.”).

14. See Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. PAT. OFF. SOC'Y 476, 491-92 (1953) (referring to active inducers of infringement as “joint infringers”) (internal quotation marks omitted).

15. See *Sims v. W. Steel Co.*, 551 F.2d 811, 817 (10th Cir. 1977) (“This subsection contemplates that the inducer shall have been an active participant in the line of conduct of which the actual infringer was guilty. Thus he should be in the nature of an accessory before the fact.”).

16. See RESTATEMENT (SECOND) OF TORTS §§ 875-77 (1979).

infringement.¹⁷ Failure by a party to prove direct infringement necessarily results in the failure of any dependent indirect infringement claims (whether active inducement or contributory infringement),¹⁸ though any underlying direct infringement can be proven through circumstantial evidence.¹⁹

In addition to showing that there was some direct infringement, a plaintiff alleging active inducement must show some degree of knowledge. “[A] person [actively induces infringement] by actively and *knowingly* aiding and abetting another’s direct infringement. Although § 271(b) does not use the word ‘knowing,’ the case law and legislative history uniformly assert such a requirement.”²⁰ The controversy at hand, however, is about what specific kind of knowledge or intent is required.

II. THE FEDERAL CIRCUIT “SPLIT” IN ACTIVE INDUCEMENT SCIENTER JURISPRUDENCE

To show active inducement, a plaintiff must prove that there were instances of underlying direct infringement and that the defendant had some degree of knowledge. Even within the Federal Circuit, however, opinions have varied widely on what *kind* of knowledge a plaintiff must show.²¹ Fundamentally, the court seems to be split on whether a plaintiff must show general knowledge or intent—that is, that the defendant knew and intended that a third party would engage in the actions that constitute direct infringement—or specific intent—that is, that the defendant knew and intended that

17. *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002) (“It is well settled that there can be no inducement of infringement without direct infringement by some party.” (citing *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986))).

18. *See Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1374 (Fed. Cir. 2003) (“[E]vidence of direct infringement ... is a prerequisite to indirect infringement.”).

19. *See Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (“If CBS is arguing that proof of inducing infringement or direct infringement requires *direct*, as opposed to *circumstantial evidence*, we must disagree.”).

20. *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988).

21. This intracircuit split is particularly meaningful because the Federal Circuit has exclusive jurisdiction over appeals from the district courts when original jurisdiction was based in patent law. 28 U.S.C. § 1295(a) (2000); *see also* 28 U.S.C. § 1338 (2000) (granting the district courts original jurisdiction on patent cases exclusive of the state courts).

a third party would engage in *infringing actions*. Different panels of the Federal Circuit have ruled in mutually inconsistent fashion.²²

Scholars and commentators have called these inconsistent rulings in the Federal Circuit a split within the Circuit.²³ Numerous district courts have followed these seemingly divergent lines of cases,²⁴ and recently the Federal Circuit has even explicitly acknowledged that “there is a lack of clarity concerning whether the required intent [is] merely to induce the specific acts or additionally to cause an infringement.”²⁵ The Federal Circuit, it seems, has been content to avoid “resolv[ing] [this] ambiguity” in a case if there is enough evidence to show infringement under the stricter of the two standards (intent to induce *infringing actions*)²⁶ or if there is not enough evidence to show infringement under even the broader standard (intent to cause the acts that constitute infringement).²⁷

All this ongoing and acknowledged confusion among the district courts and within the Federal Circuit stems from two Federal Circuit opinions issued three months apart in 1990, *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*²⁸ and *Manville Sales Corp. v. Paramount Systems, Inc.*²⁹ To understand this apparent split—and why there may not be a split at all—requires a deeper analysis of each of these two cases.

22. *Compare* *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1365 (Fed. Cir. 2004), *and* *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) (“[T]he only intent required ... is the intent to cause the acts that constitute infringement.”) *with* *Ferguson Beauregard/Logic Controls v. Mega Sys., LLC*, 350 F.3d 1327, 1342 (Fed. Cir. 2003) (“[I]t must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute infringement.” (quoting *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990))).

23. *E.g.*, Michael N. Rader, *Toward a Coherent Law of Inducement To Infringe: Why the Federal Circuit Should Adopt the Hewlett-Packard Standard for Intent Under § 271(B)*, 10 FED. CIR. B.J. 299, 300 (2001); *see* John R. Thomas, *Of Text, Technique, and the Tangible: Drafting Patent Claims Around Patent Rules*, 17 J. MARSHALL J. COMPUTER & INFO. L. 219, 228 (1998).

24. *See infra* Part II.C.

25. *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed. Cir. 2004).

26. *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005).

27. *Mercexchange, L.L.C., v. eBay, Inc.*, 401 F.3d 1323, 1332 (Fed. Cir. 2005), *vacated on other grounds*, 126 S. Ct. 1837 (2006), *remanded to* Nos. 03-1600 to 03-1616.

28. 909 F.2d 1464 (Fed. Cir. 1990) (decided July 30, 1990).

29. 917 F.2d 544 (Fed. Cir. 1990) (decided Oct. 23, 1990).

A. Hewlett-Packard v. Bausch & Lomb

In *Hewlett-Packard*, plaintiff Hewlett-Packard Company (HP) was the assignee of the “LaBarre” patent³⁰ “relat[ing] to X-Y plotters used to create a two-dimensional plot, such as a chart or a graph, on a sheet of paper.”³¹ The LaBarre patent covered plotters that moved paper through the use of grit-covered wheels.³² Bausch & Lomb (B&L) was the assignee of another patent, the “Yeiser” patent,³³ which described an X-Y plotter that moves paper back and forth with pinch wheels that “have a surface with a high coefficient of friction formed ‘by knurling or by a layer of rubber or the like.’”³⁴

B&L sold plotters having grit-covered pinch wheels “sometime in late 1982 or early 1983” through one of its divisions called Houston Instruments.³⁵ In September of 1985, B&L entered into an agreement with Ametek, Inc. in which B&L sold the Houston Instruments division to Ametek and B&L agreed, among other things, to grant Ametek a license to the Yeiser patent, indemnify Ametek against liability for infringing the LaBarre patent, and jointly work with Ametek toward developing a plotter that would not infringe the LaBarre patent.³⁶

HP brought suit against B&L accusing B&L of direct infringement of the LaBarre patent for the time period prior to the sale of Houston Instruments to Ametek and of § 271(b) active inducement of infringement for the period subsequent to the sale of Houston Instruments to Ametek.³⁷ B&L admitted that it directly infringed the patents, but defended that the relevant claims of the LaBarre

30. U.S. Patent No. 4,384,298 (filed Mar. 16, 1982).

31. *Hewlett-Packard*, 909 F.2d at 1466.

32. *Id.* (“HP urges that the LaBarre printer should be considered to be a ‘positive drive’ plotter, wherein the paper is drawn along using ‘teeth’ (i.e., the grit) which engage in ‘holes’ (i.e., the indentations) in the paper”).

33. U.S. Patent No. 31,684 (filed Nov. 15, 1982).

34. *Hewlett-Packard*, 909 F.2d at 1466. This was what HP urged the court to consider a “friction drive” plotter.” *Id.*

35. *Id.* at 1467.

36. *Id.*

37. *Id.* B&L’s sale of grit wheel plotters before Ametek bought Houston Instruments would constitute direct infringement of the LaBarre patent. HP argued that the sale of all of Houston Instruments’ “assets, properties, rights and business” to Ametek constituted the indirect infringement. *Id.*

patent were invalid because they were obvious under 35 U.S.C. § 103 in view of the Yeiser patent, for which they were properly licensed.³⁸ The court disposed of the obviousness issue, finding that the LaBarre patent was not obvious in light of the Yeiser patent.³⁹ The court then considered whether B&L actively induced Ametek to infringe the LaBarre patent by selling Ametek the Houston Instruments division.⁴⁰

After first distinguishing between active inducement under § 271(b) and contributory infringement under § 271(c),⁴¹ the court turned to “the question of what level of knowledge or intent is required to find active inducement under § 271(b).”⁴² The court recognized that § 271(b) does not explicitly include any knowledge or intent requirement and is, on its face, possibly much broader than § 271(c).⁴³ The court, however, taking into account its view of the meaning of “active inducement” in the relevant case law and “the fact that § 271(b) was intended as merely a codification of pre-1952 law,” concluded that “proof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement.”⁴⁴

In this case, the court found that B&L lacked any intent to cause the acts which constituted the infringement, instead characterizing B&L’s interest to be focused only on “divesting itself of Houston Instruments at the highest possible price. B&L had no interest in

38. *Id.* Nonobviousness is often considered the ultimate test of patent validity. A useful invention that is novel must also be nonobvious to a person of ordinary skill in the art to qualify for patent protection. 35 U.S.C. § 103 (2000); *see also* *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966) (“While the ultimate question of patent validity is one of law, ... [obviousness] lends itself to several basic factual inquiries.”). A full discussion of obviousness is outside the scope of this Note. *See generally* 2 CHISUM, *supra* note 11, §§ 5.01-.06.

39. *Hewlett-Packard*, 909 F.2d at 1467-68. If the court had found the LaBarre patent invalid due to obviousness, Ametek could not have directly infringed, so B&L could not possibly be held liable for active inducement to infringe. *See supra* note 17 and accompanying text.

40. *See Hewlett-Packard*, 909 F.2d at 1469-70.

41. *Id.* at 1469.

42. *Id.*

43. *Id.* Section 271(c), when discussing the sale of components of a patented invention, requires a showing that the seller knows those components “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.” 35 U.S.C. § 271(c) (2000).

44. *Hewlett-Packard*, 909 F.2d at 1469.

what Ametek did with Houston Instruments and certainly did not care one way or the other whether Houston Instruments, under Ametek's ownership, continued to make grit wheel plotters."⁴⁵ Also particularly noteworthy, the court held that the indemnification clause in the agreement for the sale of Houston Instruments did not constitute an active inducement to infringe.⁴⁶

B. Manville Sales v. Paramount Systems

In *Manville Sales Corp. v. Paramount Systems, Inc.*,⁴⁷ appellants Paramount Systems, Robert S. Butterworth (Paramount's president), and Anthony DiSimone (Paramount's corporate secretary) appealed a district court's judgment finding Paramount liable for direct infringement of U.S. Patent No. 3,847,333 (the '333 patent), and finding Butterworth and DiSimone personally liable for direct infringement and indirect infringement.⁴⁸ The '333 patent, assigned to Manville, concerned an invention relating to very large light fixtures, specifically "a new *self-centering* luminaire assembly design capable of travelling readily up and down a pole, thereby providing reliable accessibility for maintenance to the luminaires."⁴⁹

The self-centering luminaire assembly design described by the '333 patent was invented by Manville's research manager, Robert Zeller.⁵⁰ Throughout 1971 and into 1972, Zeller engaged in ongoing communications with Wyoming state officials that culminated in the installation of this improved assembly in a light pole to be installed in a rest area along a highway near Rawlins, Wyoming, and included the sale of this new assembly.⁵¹ By March of 1972, Manville had approved these new assemblies for commercial use.⁵²

45. *Id.*

46. *Id.* at 1470. The court did state, however, that an indemnification agreement like this one could be evidence of intent to induce infringement if its "primary purpose [was] to overcome the deterrent effect that the patent laws have on would-be infringers." *Id.* (citing Charles E. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. PAT. OFF. SOC'Y 86, 150-51 (1971)).

47. 917 F.2d 544 (Fed. Cir. 1990).

48. *Id.* at 546-47, 549.

49. *Id.* at 547.

50. *Id.*

51. *See id.* at 547-48.

52. *Id.* at 548.

A patent application was filed on February 5, 1973, and this application later issued as the '333 patent.⁵³

In 1984, DiSimone "obtained a copy of a drawing of Manville's [improved self-centering assembly] device that had been submitted to the Florida Department of Transportation" and sent this drawing to Butterworth.⁵⁴ Butterworth gave this drawing to a Paramount designer for use in designing a similar self-centering assembly that was later made and sold by Paramount.⁵⁵ Manville filed its suit against Paramount on July 14, 1986, alleging infringement of the '333 patent and added DiSimone and Butterworth, personally, as party-defendants on March 11, 1987.⁵⁶ Paramount claimed as a defense, among other theories, that the '333 patent was invalid due to 35 U.S.C. § 102(b)'s sale or public use statutory bar.⁵⁷ The district court concluded that the '333 patent was not invalid because Manville's ongoing activities in Wyoming "constituted experimental use."⁵⁸ The district court also held DiSimone and Butterworth personally liable both for direct infringement and actively inducing Paramount to infringe the '333 patent.⁵⁹

53. *Id.* at 549.

54. *Id.*

55. *Id.*

56. *Id.*

57. *See id.* 35 U.S.C. § 102 provides that "[a] person shall be entitled to a patent" so long as he fulfills the other requirements of the patent act and "unless" one of a number of conditions occurs. 35 U.S.C. § 102 (2000). These conditions are commonly called "statutory bars." 2 CHISUM, *supra* note 11, § 6.01. The statutory bar at issue in *Manville* denies patents when "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b) (2000). A full discussion of statutory bars is outside the scope of this Note. *See generally* 2 CHISUM, *supra* note 11, §§ 6.01-.02.

58. *Manville*, 917 F.2d at 549. The experimental use doctrine is also outside the scope of this Note but may be broadly described as the principle that experimental uses do not count against an inventor as a statutory bar. *See* 2 CHISUM, *supra* note 11, § 6.02[7]. The experimental use doctrine allows inventors to use their inventions in public without triggering a statutory bar if a "public" location is the only place where proper experimentation can occur. *Id.* This principle is comparatively ancient in the patent law. *See City of Elizabeth v. Am. Nicholson Pavement Co.*, 97 U.S. 126, 134 (1877) ("The use of an invention by the inventor himself, or of any other person under his direction, by way of experiment, and in order to bring the invention to perfection, has never been regarded as [a public use that would bar a patent].").

59. *Manville*, 917 F.2d at 549.

After affirming the district court's decision that the patent was valid, finding that Manville's use was properly experimental and did not trigger any statutory bars,⁶⁰ and finding that Manville did not engage in any inequitable conduct,⁶¹ the court turned to a discussion of the personal liability of Butterworth and DiSimone, Paramount's officers.⁶² First, the court held that it was error to find Butterworth and DiSimone personally liable for direct infringement, because such liability required piercing the corporate veil, which was inappropriate in this instance because "Paramount was *not* the alter ego of the officers."⁶³

As for the officers' personal liability for actively inducing Paramount to infringe the '333 patent, the court noted that § 271(b) could subject "corporate officers who actively assist with their corporation's infringement" to personal liability "*regardless of whether the circumstances are such that a court should disregard the corporate entity and pierce the corporate veil.*"⁶⁴ By all accounts, this reasoning is valid: active inducement applies to *any* person who actively induces any other person—natural or otherwise—to infringe a patent, holding the inducing party liable as if he were a direct infringer.

The court noted that active inducement does require a showing that "[t]he alleged infringer ... *knowingly* induced infringement."⁶⁵ The court went further and described the complete standard for a showing of active inducement to infringe:

It must be established that the defendant possessed specific intent to encourage another's infringement *and not merely that the defendant had knowledge of the acts alleged to constitute inducement*. The plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.⁶⁶

60. *Id.* at 549-51.

61. *Id.* at 551-52.

62. *Id.* at 552.

63. *Id.* at 552-53.

64. *Id.* at 553.

65. *Id.* (citing *Water Techs. Corp. v. Calco Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988)); *see also supra* Part I.

66. *Manville*, 917 F.2d at 553 (first emphasis added).

The court also reasoned by analogy to the laws of contributory infringement, citing *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, the seminal § 271(c) contributory infringement case, which held that contributory infringement liability requires a showing that “the alleged *contributory* infringer knew that acts would be infringing.”⁶⁷ The *Manville* court concluded that the district court had inappropriately held Butterworth and DiSimone liable for active inducement to infringe, noting that “[t]here is simply neither compelling evidence nor any findings that the officers had specific intent to cause another to infringe.”⁶⁸

C. Controversy and the Progeny of Hewlett-Packard and Manville in the District Courts and the Federal Circuit

Following these two Federal Circuit decisions, various district courts and the Federal Circuit itself have explored the knowledge requirement of § 271(b) inducement in a number of cases. The active inducement decisions since 1990 betray a general understanding that there is an essential tension between the holdings in *Hewlett-Packard* and *Manville*.⁶⁹ Courts have either adopted a conception of *Hewlett-Packard* requiring only a showing of “intent to cause the acts that constitute infringement,”⁷⁰ adopted the *Manville* view requiring a showing of some manner of specific intent,⁷¹ or admitted

67. *Id.* (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964)).

68. *Id.* at 554.

69. *See, e.g.*, *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed. Cir. 2004) (“[T]here is a lack of clarity concerning whether the required intent must be merely to induce the specific acts or additionally to cause an infringement.”). The court cited *Manville*, introducing the cite with a “see” signal, then cited *Hewlett-Packard* with a “but see” signal. *See id.*

70. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003); *see, e.g.*, *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1365 (Fed. Cir. 2004); *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1273 (Fed. Cir. 2004); *CVI/Beta Ventures, Inc. v. Tura LP*, 905 F. Supp. 1171, 1195-96 (E.D.N.Y. 1995), *rev'd on other grounds*, 112 F.3d 1146 (Fed. Cir. 1997).

71. *See, e.g.*, *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363-64 (Fed. Cir. 2003); *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1305 (Fed. Cir. 2002); *Micro Chem., Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250, 1261 (Fed. Cir. 1999); *Hilgraevae, Inc. v. Symantec Corp.*, 272 F. Supp. 2d 613, 616-20 (E.D. Mich. 2003); *Amersham Pharmacia Biotech, Inc. v. Perkin-Elmer Corp.*, No. C 97-04203 CRB, 2000 WL 1897300, at **5-6. (N.D. Cal. 2000).

that there is a split and declined to answer the question for want of need in the particular case because the result would be the same regardless of which “standard” was applied.⁷²

This seeming lack of certainty in the active inducement standard is undoubtedly frustrating to inventors, businesspeople, and patent law practitioners alike. This uncertainty makes it very difficult for actors to predict whether their actions will subject them to liability, and the predictability and certainty of legal standards is undoubtedly one of the most fundamental goals of any reasonable system of law.⁷³ *Stare decisis*, in particular, is the mechanism by which courts ensure some degree of consistency and uniformity in their decisions.⁷⁴ The Federal Circuit was established in 1982 with a particular eye toward promoting uniformity in the patent law, in recognition of the complex interweaving of technical fact and legal analysis in patent law and the often conflicting precedent set by the various courts of appeals.⁷⁵ In the last twenty years, however, the Federal Circuit has often been regarded by patent practitioners as infamously loose in its own approach to *stare decisis*.⁷⁶

District courts are generally overworked and particularly under-equipped to handle complicated issues of patent law.⁷⁷ Presenting district courts across the nation with two seemingly opposite standards runs counter to the purpose of the Federal Circuit and

72. See, e.g., *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005); *Mercexchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1332 (Fed. Cir. 2005), *vacated on other grounds*, 126 S. Ct. 1837 (2006), *remanded to* Nos. 03-1600 to 03-1616, 2006 WL 2036554 (Fed. Cir. July 6, 2006); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377-78 (Fed. Cir. 2005); *Insituform Techs.*, 385 F.3d at 1378.

73. See Oliver Wendell Holmes, *The Path of the Law*, 78 B.U. L. REV. 699, 699 (1998) (“People want to know under what circumstances and how far they will run the risk of coming against what is so much stronger than themselves The object of our study, then, is prediction ... of the incidence of the public force through the instrumentality of the courts.”).

74. See Matthew F. Weil & William C. Rooklidge, *Stare Un-decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-making*, 80 J. PAT. & TRADEMARK OFF. SOC’Y 791, 791 & n.4 (1998).

75. See S. REP. NO. 97-275, at 2 (1981).

76. See Weil & Rooklidge, *supra* note 74, at 793 (stating that the court’s exceptions are “swallowing up the rule” and that its “treatment of its own precedent has become unpredictable”).

77. William C. Rocklidge & Matthew F. Weil, *En Banc Review, Horror Pleni, and the Resolution of Patent Law Conflicts*, 40 SANTA CLARA L. REV. 787, 803 (2000) (“[C]ases come to the Federal Circuit straight from the harried and overworked district courts, many of which lack particularized expertise in patent law”).

has already fostered much confusion, uncertainty, and doubt.⁷⁸ What's more, the apparent division within the Federal Circuit itself is particularly problematic. Circuit splits among the traditional geographic circuits are troublesome enough, but at least provide potential litigants with some sense of intracircuit certainty. Because all patent appeals are heard by the Federal Circuit, there is a nationwide uncertainty. Though the Supreme Court could grant certiorari to resolve this dispute, it has so far declined to do so.⁷⁹ The last time the Supreme Court heard a *patent* case concerning any kind of indirect infringement at all was in 1964, when it addressed contributory infringement under § 271(c) in the *Aro Manufacturing* cases.⁸⁰

These concerns about doctrinal splits are not merely academic navel gazing. Those who hold patents wish to understand the scope of their patents so that they can properly ensure the protection of their inventions, and properly value the licensing of the same; those who engage in business need to understand the scope of patents they *do not* hold so that they can avoid active inducement liability; and these business people and innovators both want to understand the significance and protective value of opinion letters of counsel. Finally, patent attorneys, of course, want to ensure that clients seek their opinions on such matters.

78. See *id.* at 803-06 (detailing the interaction between the Federal Circuit bar and bench and recognizing that en banc review is not a panacea for the Federal Circuit's difficulties with stare decisis).

79. See, e.g., *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354 (Fed. Cir. 2004), *cert. denied*, 126 S. Ct. 543 (2005). The court in *Metabolite* required a showing of "actual intent to cause the act which constitute the infringement." *Id.* at 1365. The U.S. Supreme Court denied certiorari as to the question of what kind of intent is required under § 271(b). See 126 S. Ct. 601 (mem.) (2005); Petition for Writ of Certiorari, *Metabolite Labs.*, 126 S. Ct. 543 (No. 04-607). Although certiorari was granted for one issue, unrelated to inducement, that grant of certiorari was later dismissed as improvidently granted. See 126 S. Ct. 2921 (2006).

80. See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (*Aro I*); see also *infra* Part III (discussing how some Supreme Court cases might be very illustrative for these doctrinal elements of patent law, even though they are not *patent* cases).

D. Why Hewlett-Packard and Manville Do Not Really Present a "Split" At All

In all the preceding discussion and analysis, it has been taken for granted that the holdings of *Hewlett-Packard* and *Manville* are actually at odds. This Note posits that this is not so. Most courts that have cited *Hewlett-Packard* for the assertion that active inducement requires showing only "intent to cause the acts that constitute infringement"⁸¹ forget two important things: first, that the complete language of the *Hewlett-Packard* decision showed the court to be "of the opinion that proof of actual intent to cause the acts which constitute the infringement is a *necessary prerequisite* to finding active inducement"⁸² and, second, that in *Hewlett-Packard*, the evidence did not show that Bausch & Lomb intended even that Ametek itself commit the acts.⁸³

Understood in the proper context of the facts of the case, the court in *Hewlett-Packard* did not inquire as to what particular kind of intent and knowledge of infringing actions would be required for a showing of active inducement liability because there was a complete lack of intent to cause the acts. Judicial parsimony is an ancient and well-regarded guiding principle in jurisprudence, and is certainly appreciated by both practitioners and scholars.⁸⁴ In this case, it seems wise to read the *Hewlett-Packard* court's holding narrowly, particularly when the court explicitly prefaces its statement with the use of the "necessary prerequisite" language.⁸⁵ Some commentators have properly recognized an aspect of the *Hewlett Packard* case that renders it able to be reconciled with *Manville*: the fact that the

81. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) (citing *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990)).

82. *Hewlett-Packard*, 909 F.2d at 1469 (emphasis added).

83. *See id.* at 1469-70 ("Looking at the totality of events surrounding the sale of Houston Instruments, it is clear that B&L was merely interested in divesting itself of Houston Instruments at the highest possible price. B&L had no interest in what Ametek did with Houston Instruments and certainly did not care one way or the other whether Houston Instruments, under Ametek's ownership, continued to make grit wheel plotters.").

84. *See* Gerald Lebovits, *Short Judicial Opinions: The Weight of Authority*, 76 N.Y. B. J. 64, 64 (Sept. 2004) (urging judges to avoid unnecessarily long opinions); *see also* WILLIAM SHAKESPEARE, *THE TRAGEDY OF HAMLET, PRINCE OF DENMARK*, act 2, sc. 2 ("[B]revity is the soul of wit."). *But see* Lebovits, *supra*, at 64 ("Judicial brevity is also no virtue when a court decides too little").

85. *Hewlett-Packard*, 909 F.2d at 1469.

plaintiffs did not present enough evidence to show even *any* intent to induce the acts.⁸⁶ Those commentators, however, have drawn errant conclusions.⁸⁷

Manville, then, is far from *Hewlett-Packard's* Manichaeian opposite, and is more properly understood as continuing the active inducement scienter analysis that was not required of the court in *Hewlett-Packard*. Though there has been some criticism that *Manville's* holding is a violation of stare decisis,⁸⁸ under the aforementioned analysis of *Hewlett-Packard's* holding, this conclusion cannot be the case. Though it is well established in the Federal Circuit that "prior decisions are binding unless and until overturned by the [c]ourt *in banc*,"⁸⁹ decisions are binding only if they completely address the same point of law.⁹⁰ In *Manville*, there was an appropriate showing that the corporate officers Butterworth and DiSimone intended to induce the *acts* in question as they had ordered the production of the new designs.⁹¹ Because the court found intent to cause the acts themselves, it could not merely stop where the *Hewlett-Packard* court had stopped; it required a further analysis as to what sort of intent to cause *infringement* the officers had. Requiring specific intent, the court found that there was insufficient evidence to hold the officers liable under a theory of active inducement to infringe.⁹²

At least one district court seems to have taken exactly the same approach to this seeming "split" as this Note advocates. In *Applera Corp. v. MJ Research, Inc.*,⁹³ the district court for the District of

86. See Rader, *supra* note 23, at 318 ("This holding is important, because it shows that the standard set down by the *Hewlett-Packard* court for intent under § 271(b) is far from *de minimis*.").

87. While Rader's point is true, it fails to put the court's holding in the proper context, particularly in light of *Hewlett-Packard's* "necessary prerequisite" language.

88. See *id.* at 327-28 ("Not only did the panel in that case articulate a different rule from that espoused by the *Hewlett-Packard* court, it actually considered and rejected the standard set down in *Hewlett-Packard*.").

89. Weil & Rooklidge, *supra* note 74, at 792; see, e.g., *Newell Co. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988); *UMC Elecs. Co. v. United States*, 816 F.2d 647, 652 n.6 (Fed. Cir. 1987); *Kimberly-Clark Corp. v. Fort Howard Paper Co.*, 772 F.2d 860, 863 (Fed. Cir. 1985).

90. See Weil & Rooklidge, *supra* note 74, at 792 n.7 ("[C]onflict [between Federal Circuit cases] assumes that the *holdings* of the cases conflict, not just dicta").

91. *Manville Sales Co. v. Paramount Sys., Inc.*, 917 F.2d 544, 549, 552-53 (Fed. Cir. 1990).

92. *Id.* at 554.

93. No. 3:98CV1201 (JBA), 2004 WL 350476 (D. Conn. Feb. 23, 2004).

Connecticut ruled on plaintiff Applera's motion in limine to preclude defendant MJ Research from

arguing at trial that MJ's inclusion of a disclaimer in advertising and marketing materials for MJ's thermal cyclers negates any intent to induce infringement and thereby absolves MJ of liability for inducement of infringement, and to preclude defendants and their witnesses from offering or making mention of any PCR licensing notices or other disclaimers of liability as a defense to plaintiffs' claims of inducement of infringement of the PCR patents.⁹⁴

As one versed in the apparent split would expect, the plaintiffs argued that *Moba*⁹⁵ and *Hewlett-Packard*⁹⁶ both stand for the proposition that only intent to cause the acts is necessary to hold defendants liable and therefore that it is irrelevant "whether MJ intended to encourage customers to obtain necessary authorizations to avoid infringement of Applera's PCR patent rights."⁹⁷ The plaintiffs urged, "MJ would have the requisite intent to cause the acts ... and would therefore still be liable for any *unauthorized* performance of PCR by its customers who did not understand or heed its warning notice."⁹⁸ Just as predictably, the defendants argued that the *Manville* line of cases required showing intent to cause *infringement*.⁹⁹

The court soundly rejected the plaintiffs' arguments,¹⁰⁰ noting that the *Manville* line of cases cited by the defendants' acknowledged no conflict,¹⁰¹ that the court in *Manville* acknowledged no conflict,¹⁰² and that the court in *Manville* indeed considered its opinion as properly in line with the holding in *Hewlett-Packard*.¹⁰³ Dismissing the defendants' arguments that the *Manville* court

94. *Id.* at *1.

95. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003).

96. *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

97. *Applera*, 2004 WL 350476, at *2.

98. *Id.*

99. *Id.*

100. *See id.* at *3.

101. *Id.*

102. *Id.*

103. *Id.* ("*Manville Sales* itself perceived no conflict with the earlier decided *Hewlett-Packard*, citing it as partial support for its intent test.>").

violated the Federal Circuit's rules on stare decisis, the *Applera* court then explicitly adopted the same view that this Note espouses:

The answer to the *Hewlett-Packard/Manville Sales* conundrum, if one exists, may lie in *Hewlett-Packard's* conclusion that proof of actual intent to cause the acts which constitute the infringement is a "necessary prerequisite to finding active inducement." Because the *Hewlett-Packard* decision found that necessary threshold level of proof lacking, it did not have occasion to explicate the full contours of what proof beyond that prerequisite would be sufficient before liability can attach under 35 U.S.C. § 271(b). This explication was subsequently completed by *Manville Sales*. This appears to be the way the *Warner-Lambert* panel harmonized the two cases.

Thus, the appellate first-decided case rule is inapposite and provides no basis for disregarding more recent Federal Circuit decisions. Inasmuch as the Court is bound by the *Manville Sales* precedent, it cannot consider plaintiffs' policy arguments proposing deviating from it, and thus undertakes no examination of them.¹⁰⁴

If a district court is able to recognize that this seeming split is not really a split at all and can eloquently describe the resolution, there is hope that the Federal Circuit can also issue so explicit an opinion.

It seems that a textual analysis of these two Federal Circuit decisions is enough to show that they are not at odds and that there need not be a "split" among the district courts and within the Federal Circuit. Because some criticism of the holding in *Manville* extends to its substance and to the policy underlying the standard,¹⁰⁵ this Note will show in Part III that the Supreme Court would likely agree with the holding of the *Manville* court and in Part IV that the *Manville* holding, far from being disruptive, comports with the existing common law, the legislative intent behind the Patent Act, and the policy goals of the patent system.

104. *Id.* at *4 (internal citations omitted).

105. See Rader, *supra* note 23, at 329-33 (arguing that "substantive policy considerations favor the *Hewlett-Packard* standard").

III. *METRO GOLDWYN-MAYER STUDIOS V. GROKSTER*: SECONDARY LIABILITY IN COPYRIGHT PROVIDING A WINDOW INTO THE SUPREME COURT'S INTERPRETATION OF ACTIVE INDUCEMENT

Though the Supreme Court has not addressed any indirect infringement topic in a patent case since 1964,¹⁰⁶ two of the most significant cases in the entire realm of intellectual property law that the Supreme Court has decided in the last twenty-five years concerned indirect infringement as described by the patent law, even though the substance of the cases was copyright law. *Sony Corp. of America v. Universal City Studios, Inc.*¹⁰⁷ and *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*¹⁰⁸ both involved the explicit adoption of an aspect of indirect liability from patent law into the copyright law. In *Sony*, the Supreme Court adopted from § 271(c) jurisprudence the “staple article of commerce” defense to charges of contributory infringement¹⁰⁹ and in *Grokster*, the Court explicitly adopted § 271(b)’s active inducement standard.¹¹⁰

The controversy in *Sony* surrounded the sale of Sony’s Betamax video tape recorders (VTRs), specifically whether their sale, which would enable consumers to record television programs, violated Universal’s rights under the Copyright Act.¹¹¹ The Supreme Court adopted patent law’s § 271(c) standard for contributory infringement and found that Sony’s VTRs were staple articles of commerce with “substantial non-infringing uses” and, therefore, Sony was not liable for contributory copyright infringement.¹¹² Although there was no precedent in the copyright law for attributing liability for contributory infringement, the Supreme Court in *Sony* adopted the standards of § 271(c) from the patent law by “analogy,” finding it “appropriate to refer [to patent law cases] because of the historic kinship between patent law and copyright law.”¹¹³ Though the Court

106. See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (*Aro I*). The *Aro* cases concerned a theory of contributory infringement liability under § 271(c).

107. 464 U.S. 417 (1984).

108. 125 S. Ct. 2764 (2005).

109. See *Sony*, 464 U.S. at 442.

110. See *Grokster*, 125 S. Ct. at 2780.

111. *Sony*, 464 U.S. at 420.

112. *Id.* at 456.

113. *Id.* at 439.

recognized that the specific development of common law secondary liability was not exactly identical in copyright and in patent,¹¹⁴ and recognized that “[t]he two areas of the law, naturally, are not identical twins,”¹¹⁵ the Court noted that “in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible.”¹¹⁶

The *Sony* Court also noted that there was a long history of borrowing of doctrinal principles between the patent law and the copyright law when courts recognized “basic similarities between copyrights and patents.”¹¹⁷ The Court in *Sony* adopted § 271(c) from the patent law into the copyright law, and in so doing, it provided some clarification on how properly to interpret the terms of that section.¹¹⁸ Indeed, *Sony* has become the landmark case on contributory infringement and is, along with the *Aro* cases, the authoritative reading of § 271(c), even though it is not a patent case at all.¹¹⁹

When the Ninth Circuit decided *Grokster*,¹²⁰ its analysis revolved almost entirely around an analysis of the *Sony* conception of

114. Secondary liability in copyright not originating from the patent law is outside the scope of this Note. For an extremely thorough analysis of secondary liability in copyright at the time just before the Supreme Court's decision in *Grokster*, see Craig A. Grossman, *The Evolutionary Drift of Vicarious Liability and Contributory Infringement: From Interstitial Gap Filler to Arbiter of the Content Wars*, 58 SMU L. REV. 357 (2005). See also Craig A. Grossman, *From Sony to Grokster, the Failure of the Copyright Doctrines of Contributory Infringement and Vicarious Liability To Resolve the War Between Content and Destructive Technologies*, 53 BUFF. L. REV. 141 (2005).

115. *Sony*, 464 U.S. at 439 n.19.

116. *Id.* at 442.

117. *Id.* at 439 n.19; see, e.g., *United States v. Paramount Pictures*, 334 U.S. 131, 158 (1948) (holding that block-booking of copyrighted films constituted an inequitable attempt to extend the monopoly granted by copyright in a manner analogous to the patent misuse doctrine); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932) (holding that taxes on royalties from copyright, like taxes on royalties from patents, are legitimate); *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 657-58 (1834) (discussing the shared policies that underlie both copyright and patent at common law).

118. See *Sony*, 464 U.S. at 441-42.

119. See *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1275 (Fed. Cir. 2004) (referring to *Sony* as the “clearest articulation” of a particular facet of contributory infringement under § 271(c) to show error in *Dynacore's* argument).

120. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004).

contributory infringement.¹²¹ Before the Supreme Court released its opinion in *Grokster*, many commentators and scholars were convinced that the decision would seriously change the *Sony* framework for contributory infringement.¹²² In actuality, the *Sony* conception of contributory infringement was scarcely affected, at least by the majority opinion.¹²³ In fact, the Court noted that the Ninth Circuit erred when it read the “staple article of commerce with substantial noninfringing uses” defense to *contributory infringement* as a total bar to *all theories of infringement*,¹²⁴ but then decided “to leave further consideration of the *Sony* rule for a day when that may be required.”¹²⁵ Jonathan Zittrain, codirector of the Berkman Center for Internet and Society at Harvard Law School and coauthor of an amicus brief in support of *Grokster*, noted that “*Sony* emerges not in tatters.”¹²⁶

What was significant, of course, was that the Supreme Court explicitly adopted the patent law’s active inducement liability under § 271(b) into the copyright law.¹²⁷ In light of this recent borrowing in active inducement law and the Supreme Court’s recognition of a historical kinship between patent and copyright law, it is important

121. See *id.* at 1160 (“Any examination of contributory copyright infringement must be guided by the seminal case of *Sony Corp. of America v. Universal City Studios, Inc.*”).

122. E.g., Brief of Amici Curiae Internet Law Faculty in Support of Respondents, at *2, *Grokster*, 125 S. Ct. 2764 (2005) (No. 04-480) (“The brief is concerned solely with the scope of the ‘staple-article-of-commerce’ defense articulated in *Sony*. Specifically, amici contend that the *Sony* standard has proven to be an effective means of balancing the interests of copyright owners with the equally important need to preserve incentives for technological innovation—and thus that the Court should not now modify the standard.”).

123. *Grokster*, 125 S. Ct. at 2778-79 (stating that the Ninth Circuit read *Sony* too broadly and declining to revisit *Sony*’s holding); see also *id.* at 2790-96 (Breyer, J., concurring) (arguing that *Sony* should remain unchanged, not be interpreted more loosely, as MGM urged, or more strictly, as Justice Ginsburg’s concurrence, in Breyer’s view, urged); *id.* at 2783-87 (Ginsburg, J., concurring) (arguing that the Ninth Circuit misread *Sony* when it granted summary judgment to defendants based on “evidence insufficient to demonstrate, beyond genuine debate, a reasonable prospect that *substantial or commercially significant non-infringing uses* were likely to develop over time” and that Justice Breyer misread *Sony* as allowing contributing infringement liability “only when the product ‘will be used *almost exclusively* to infringe copyrights’” (citing *id.* at 2791 (Breyer, J., concurring)) (first emphasis added)).

124. See *id.* at 2778 (majority opinion).

125. *Id.* at 2779.

126. See Tom Zeller Jr., *Trying To Tame an Unruly Technology: Music Swapping Is Likely To Pause but Not Wither*, N.Y. TIMES, June 28, 2005, at C1 (quoting Zittrain).

127. See *Grokster*, 125 S. Ct. at 2780.

to understand how the *Grokster* Court interpreted the knowledge and intent requirements of “active inducement” in copyright law. That interpretation will provide a valuable window into how the Supreme Court understands the term “active inducement” and how it might rule should an active inducement patent case reach its docket. Some attention to the *Grokster* Court’s legal analysis, then, is warranted.

Grokster and codefendant StreamCast Networks, Inc., were software companies that distributed software products that allowed users to share computer files through peer-to-peer networks.¹²⁸ After disposing of *Grokster*’s claim that the *Sony* doctrine provided a complete defense to claims of any indirect infringement,¹²⁹ the Court noted that

Sony’s rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product. But nothing in *Sony* requires courts to ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law.¹³⁰

The Court then recounted some of the comparatively ancient case law concerning inducement theories of indirect liability in copyright and patent contexts, including two of the seminal pre-1952 Patent Act cases that concerned inducing patent infringement:¹³¹ *Thomson-Houston Electric Co. v. Kelsey Electric Railway Specialty Co.*¹³² and *Rumford Chemical Works v. Hecker*.¹³³

The Court then noted that “[e]vidence of ‘active steps ... taken to encourage direct infringement’ ... show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law’s reluctance to find liability” when a defendant does not engage in behavior that constitutes

128. *Id.* at 2770.

129. *Id.* at 2774-79.

130. *Id.* at 2779.

131. *Id.*

132. 75 F. 1005 (2d Cir. 1896).

133. 20 F. Cas. 1342 (C.C.D.N.J. 1876) (No. 12,133).

direct infringement.¹³⁴ The Court cited *Water Technologies Corp. v. Calco, Ltd.*¹³⁵ approvingly when noting that liability for inducement was appropriate where one “actively and knowingly aid[s] and abet[s] another’s direct infringement.”¹³⁶

The way that the Court used these cases seemed to endorse a specific intent requirement for a showing of active inducement to infringe, but the absence of any citation to *Hewlett-Packard, Manville*, or any of the successor cases in either line is surprising. The Court did, however, cite to *Haworth Inc. v. Herman Miller Inc.*,¹³⁷ a comparatively obscure district court case from the Western District of Michigan.¹³⁸ This case concerned patents for “electrically-wired, reconfigurable wall systems” for dividing offices into individual work spaces.¹³⁹ The *Haworth* court was *very* clear in its view on what sort of knowledge or intent is required for a showing of active inducement under § 271(b): “To make its case for active inducement to infringe, Haworth has a burden of production to show (1) direct infringement by a third party, and (2) that HMI purposely caused, urged or encouraged that third party to infringe, with the knowledge that he or she would infringe.”¹⁴⁰ The Supreme Court’s conception of active inducement then, at least in *Grokster*, required a showing of specific intent to induce acts that constitute infringement with specific knowledge that those acts constitute infringement. Although the Court did not specifically cite *Manville* or any of its line of cases (and, curiously, even this obscure *Haworth* case did not cite *Manville*), this view of active inducement is entirely consistent with *Manville*.

134. *Grokster*, 125 S. Ct. at 2779 (quoting *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 992 (N.D. Ill. 1988)).

135. 850 F.2d 660 (Fed. Cir. 1988).

136. *Grokster*, 125 S. Ct. at 2779 (quoting *Water Techs. Corp.*, 850 F.2d at 668) (alterations in original).

137. No. 1:92:CV:877, 1994 WL 875931 (W.D. Mich. Oct. 24, 1994).

138. See *Grokster*, 125 S. Ct. at 2780. In fact, according to Westlaw’s KeyCite, the Supreme Court in *Grokster* is the only court to have cited this unreported opinion at all.

139. *Haworth*, 1994 WL 875931, at *1.

140. *Id.* at *10. Although the Supreme Court did not quote this particular passage, see *Grokster*, 125 S. Ct. at 2780, it did cite *Haworth* in a list of cases laying out “[t]he rule on inducement of infringement as developed in the early cases [which] is no different today.” *Id.* at 2779. Given *Haworth*’s obscurity, see *supra* note 138, this citation suggests that the Court shares *Haworth*’s conception of inducement to infringe.

The Supreme Court spent the remainder of its *Grokster* analysis exploring whether there was sufficient evidence on record to find that *Grokster* possessed the specific intent to induce infringement.¹⁴¹ Specifically, the Court saw “[t]he only apparent question about treating MGM’s evidence as sufficient to withstand summary judgment under the theory of inducement goes to the need on MGM’s part to adduce evidence that StreamCast and Grokster communicated an inducing message to their software users.”¹⁴² Throughout the rest of the opinion, the Supreme Court held that MGM’s evidence was sufficient to support such a finding.¹⁴³ To a student of active inducement in patent law, this finding is not particularly surprising, because it is already well established that the requisite intent can be proven through the use of circumstantial evidence.¹⁴⁴

This analysis of the Supreme Court’s decision in *Grokster* provides further evidence to suggest that the *Manville* standard would be most appropriate. Even though the Supreme Court has not ruled on an indirect liability patent case since 1964, in adopting the active inducement standard from patent law into the copyright law, the Court necessarily had to explore the metes and bounds of active inducement. The Court’s holding in *Grokster* is in line with the holding in *Manville* and draws upon the same common law principles.

IV. WHY THE *MANVILLE* STANDARD SHOULD BE—AND ALREADY HAS BEEN—ADOPTED

A. The Manville Standard Comports with the Intent of the Patent Act, with the Common Law from Which Active Inducement Springs, and with the Federal Circuit’s Nonpatent Aiding and Abetting Jurisprudence

Perhaps the most effortless manner in which one can suggest that the *Manville* standard should be adopted by the Federal Circuit is to emphasize that it already *has* been adopted by the Federal

141. See *Grokster*, 125 S.Ct. at 2780-83.

142. *Id.* at 2780.

143. *Id.* at 2781-83.

144. See *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986).

Circuit. Given the proper reading, the *Manville* decision does not conflict with the holding in *Hewlett-Packard*.¹⁴⁵ Because such an interpretation presents no conflict between the two holdings, it clarifies that the Federal Circuit's rules on stare decisis¹⁴⁶ are not violated and there is not a schism at all. For some, however, "mere" inertia is an insufficiently convincing reason to be satisfied with a standard, particularly when there are criticisms of the standard itself.¹⁴⁷

To further assuage those concerned with the *Manville* standard, it is worth mentioning that the *Manville* standard comports well with the underlying sources of law, authority, and legislative intent behind § 271. The early case law regarding "contributory infringement"¹⁴⁸ characterized indirect infringement—particularly of the ilk now called active inducement—as "concert of action" or aiding and abetting.¹⁴⁹ Section 271 of the 1952 Patent Act was intended to codify the existing common law theories of indirect liability and to resolve some confusion among the courts.¹⁵⁰ Section 271(b), in particular, was intended to "recite[] in broad terms that one who *aids and abets* an infringement is likewise an infringer."¹⁵¹

Common law tort principles of aiding and abetting have generally recognized that aiding and abetting liability in an inducement-related context requires a showing of specific knowledge of the wrongfulness of the underlying, induced act. A relevant portion of section 877(a) of the Second Restatement of Torts reads: "For harm resulting to a third person from the tortious conduct of another, one is subject to liability if he ... orders or induces the conduct, if he knows or should know of circumstances that would make the

145. See *supra* Part II.D.

146. See, e.g., *Newell Co. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988); *UMC Elecs. Co. v. United States*, 816 F.2d 647, 652 n.6 (Fed. Cir. 1987); *Kimberly-Clark Corp. v. Fort Howard Paper Co.*, 772 F.2d 860, 863 (Fed. Cir. 1985).

147. See Rader, *supra* note 23, at 329.

148. Recall that the term "contributory infringement," at the time, comprised both of the modern concepts of active inducement and contributory infringement, codified as § 271(b) and § 271(c), respectively.

149. See *Thomson-Houston Elec. Co. v. Kelsey Elec. Ry. Specialty Co.*, 75 F. 1005, 1008 (2d Cir. 1896); *Rumford Chem. Works v. Hecker*, 20 F. Cas. 1342, 1346 (C.C.D.N.J. 1876) (No. 12,113).

150. See H.R. REP. NO. 82-1923, at 9 (1952).

151. *Id.* (emphasis added).

conduct tortious if it were his own¹⁵² At least one commentator has suggested that, in lieu of the relatively ancient view of indirect infringement as aiding and abetting, a more modern approach suggests that indirect patent infringement "is analogous to a tortious interference with economic relations."¹⁵³ Even under such a view, however, an interference with economic relations or prospective advantage has always required "malice" and a showing of specific intent not only to induce acts, but to induce wrongful (or infringing) acts.¹⁵⁴

Another strong source of support for this assertion—that the common law principles underlying inducement law support the specific intent requirement that *Manville* espouses—is, interestingly enough, the Federal Circuit itself. This support comes from the Federal Circuit's nonpatent jurisprudence as expressed in *United States v. Hitachi America, Ltd.*,¹⁵⁵ a customs case. The Court of International Trade found Hitachi America liable for negligent misreporting of duties that it was required to properly report under 19 U.S.C. §§ 1481 and 1485.¹⁵⁶ The Court of International Trade found Hitachi Japan separately and fully liable for the same penalty for aiding and abetting Hitachi America's negligent violations.¹⁵⁷ Hitachi Japan cross-appealed on the ground that a finding of liability on a theory of aiding and abetting "require[d] intent which, it was clear, was not shown here."¹⁵⁸

Before the Federal Circuit, then, was an issue of whether aiding and abetting required specific intent of the wrongfulness of the underlying acts. In other words, the Federal Circuit was asked to answer a question that was entirely analogous to the central question in a finding of active inducement in *Hewlett-Packard*, *Manville*, and the successor cases. Replace "aiding and abetting" with "active inducement to infringe a patent," and the situations are identical. Here, the Federal Circuit noted that the Court of International Trade "resorted to interpreting and analogizing the

152. RESTATEMENT (SECOND) OF TORTS § 877(a) (1979).

153. Charles E. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. PAT. OFF. SOC'Y 86, 92 n.14 (1971).

154. See WILLIAM L. PROSSER, LAW OF TORTS § 124 (3d ed. 1964).

155. 172 F.3d 1319 (Fed. Cir. 1999).

156. *Id.* at 1322, 1324-25.

157. *Id.* at 1322.

158. *Id.* at 1322-23.

Restatement of Torts to conclude that a party could unintentionally aid or abet a negligent violation of the customs laws.”¹⁵⁹ The Federal Circuit was not convinced, noting that the Restatement was not binding authority,¹⁶⁰ and that, even “under a straightforward interpretation of the pertinent language, the Restatement itself requires knowledge that the underlying act is tortious.”¹⁶¹

The court then went on to note that “legal authority in various civil and criminal contexts supports the view that liability for aiding or abetting requires, *inter alia*, proof of knowledge of unlawfulness, also articulated as intent to violate the law.”¹⁶²

The *Manville* standard, beyond already actually being the law, should be explicitly and unreservedly adopted. It comports with the Federal Circuit’s explicit jurisprudence on active inducement to infringe patents, comports with the common law principles underlying the Patent Act, comports with the legislative history underlying the Patent Act, would unify the Federal Circuit’s patent and nonpatent aiding and abetting jurisprudence, and seems to have support in the Supreme Court’s decision in *Grokster*.

B. Criticisms of the Manville Standard Are Not Insurmountable

Though this Note has shown that the *Manville* standard is actually the law and binding precedent on the Federal Circuit, there are some commentators who believe that substantive policy concerns favor their interpretation of the “strong” *Hewlett-Packard* standard—that is, a standard for active inducement that requires showing only that the defendant intended to cause the acts which constituted infringement.¹⁶³ The *Manville* standard is not only

159. *Id.* at 1337.

160. *See id.*

161. *Id.*

162. *Id.* As authority in nonpatent civil contexts, the court cited *Jaguar Cars, Inc. v. Royal Oaks Motor Car Co.*, 46 F.3d 258, 270 (3d Cir. 1995) (finding that civil RICO actions require showing knowledge of the unlawful act and intent to facilitate it) and *Securities & Exchange Commission v. Coffey*, 493 F.2d 1304, 1316 (6th Cir. 1974) (finding that aiding and abetting in a securities context requires showing defendant “knowingly and substantially assisted the violation”). From a criminal context, the court cited *United States v. Giovannetti*, 919 F.2d 1223, 1228 (7th Cir. 1990). The court even cited to its own opinion in *National Presto Industries, Inc. v. West Bend Co.*, 76 F.3d 1185, 1195 (Fed Cir. 1996), to show that aiding and abetting in a patent context required knowingly aiding and abetting infringement.

163. *See, e.g.,* Rader, *supra* note 23, at 329.

already the law, but it is also substantively “worthy” of being the law, and it is important to address some of its criticisms. Michael Rader, in particular, raises some valid concerns about some possible negative consequences of the *Manville* standard.

Rader suggests the *Manville* standard requiring specific intent to induce infringement would enable “alleged inducers to escape liability by obtaining a noninfringement opinion from counsel, as suggested in *Manville Sales*, ... result[ing] in highly uneven patent protection across different industries” and enabling “a would-be inducer to forge ahead with ... harmful activity, by having it rubber-stamped by an outside law firm.”¹⁶⁴ On this particular point, it seems that Mr. Rader makes an error substantially similar in kind to the error the Ninth Circuit made in its *Grokster* decision with its interpretation of the *Sony* doctrine. That is, just as the Supreme Court held that the Ninth Circuit erred in holding the presence of some “substantial noninfringing uses” served as a total bar to all forms of liability,¹⁶⁵ it seems that Rader improperly assumes that all opinions from counsel would serve as a total bar to a finding of *actual* knowledge or *actual* intent. The solicitation of legal opinions from counsel is absolutely vital to giving business people and inventors, who are almost overwhelmingly not particularly well-versed in the law of patents, a better sense of the risks they face.¹⁶⁶ But it is vital to note that, although soliciting opinions from counsel may serve as evidence of intent to *avoid* infringement, it cannot mask or counteract evidence of actual knowledge of or intent to induce infringement.

Rader also suggests that another “reason to prefer the *Hewlett-Packard* standard is that it limits the opportunistic behavior of would-be inducers by giving patentees the power to compel settlement by forcing corporate officers to face the prospect of personal

164. *Id.* at 330-32.

165. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S.Ct. 2764, 2778-79 (2005).

166. Soliciting such opinions is helpful operationally in a general business context for generating business development plans and avoiding liability. Because the scope of indirect liability can be so broad, business people often must seek the advice of competent counsel. Reliance on advice of competent counsel is recognized as a defense to a charge of willful direct infringement. See David O. Taylor, *Wasting Resources: Reinventing the Scope of Waiver Resulting from the Advice-of-Counsel Defense to a Charge of Willful Patent Infringement*, 12 TEX. INTELL. PROP. L.J. 319, 325-26 (2004).

liability.”¹⁶⁷ This particular point seems to be a non-sequitor, because nothing in the *Manville* standard precludes finding officers directly liable for actively inducing their corporations to infringe a patent.¹⁶⁸ A plaintiff that seeks to hold corporate officers personally liable must merely show the requisite intent to induce the infringement.

Combining the threat of using § 271(b) inducement law to levy personal liability on corporate officers for the actions of their corporations with the lax intent standard that Rader and others have advocated is also particularly troublesome. Corporate officers are traditionally liable for corporate actions only when the veil surrounding the corporate form has been properly pierced. The Federal Circuit recognized that corporate officers can be liable for actively inducing their corporations to infringe patents under § 271(b), and that such a finding does not require the traditional corporate piercing analysis.¹⁶⁹ Adopting Rader’s more lax § 271(b) inducement intent standard, however, would expose every corporate officer whose corporation has engaged in direct infringement to personal liability under a theory of indirect infringement. This would be unreasonably broad.¹⁷⁰

Furthermore, under the *Manville* standard, traditional veil piercing analysis is not made irrelevant. *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*,¹⁷¹ is one case in which the traditional understanding of corporate veil piercing was not affected by countervailing understandings of § 271(b)’s intent requirement. In that case,

167. Rader, *supra* note 23, at 332. Again, Rader’s use of “*Hewlett-Packard*” is understood to mean the “strong” view of the *Hewlett-Packard* standard, not this Note’s understanding of the *Hewlett-Packard* “standard.”

168. *Manville* was itself concerned with personal liability of officers and the standard promulgated in the court’s holding did not suggest that merely seeking advice of counsel provides a per se bar against a finding of inducement. See *supra* notes 60-68 and accompanying text.

169. *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 481 (Fed. Cir. 1985).

170. Some commentators read this situation even less charitably, suggesting that smaller companies are more particularly put at risk by such an interpretation. See Kevin Flannery & Gary Levin, *Personal Liability of Corporate Officers for Patent Infringement by Their Corporations*, 65 PA. B. ASS’N. Q. 33, 34 (1994). Flannery and Levin note that a properly understood intent standard would help mitigate these concerns. They cite *Manville* both as such a standard and also as expressing their understanding of the then-current state of law. *Id.*

171. 806 F.2d 1565 (Fed. Cir. 1986).

plaintiffs sought to hold directors of a corporation personally liable for direct infringement of a patent under § 271(a).¹⁷² The court in *Orthokinetics* went through a similar analysis as it had employed in *Manville*, but unlike in *Manville*, it *did* find that the corporate veil was properly pierced because the evidence established that STC and Entron, the defendant corporations, were closely held corporations and were functioning as alter-egos of the relevant directors.¹⁷³ Though the court noted that, in situations in which corporate directors are found liable on a theory of active inducement under § 271(b), personal liability does not depend on piercing the corporate veil, the court in this case only reviewed the district court's decision on the issue of *direct* infringement under § 271(a).¹⁷⁴ In cases of direct infringement, then, the protection of the corporate veil remains robust.

Criticisms of the *Manville* standard are legitimate, but largely of academic concern because, barring a future Federal Circuit en banc hearing or a Supreme Court decision overturning *Manville*, it is the law. Even when addressed head on, these criticisms do not prove to be insurmountable. Moreover, the *Manville* standard strengthens businesspeoples' understanding of the scope of liability and helps prevent that scope from being overly and impossibly broad.¹⁷⁵

CONCLUSION

Scholars and courts alike perceive a "split" in the Federal Circuit's understanding of what sort of knowledge or intent is required for one to have actively induced patent infringement under § 271(b). The creation of the Federal Circuit in 1982 was intended to provide for a more consistent patent jurisprudence, but on this particular issue, scholars have asserted that "the case law has not sparkled with clarity regarding precisely what the level of intent should be,"¹⁷⁶ and even the Federal Circuit has claimed that "there

172. *Id.* at 1567.

173. *See id.* at 1579.

174. *Id.* at 1578-79.

175. *But see* Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225 (2005). Lemley suggests that the law of active inducement would benefit most from a stepped-scale balancing approach in which the required showing of intent or knowledge varies inversely with the "directness" of an infringer's conduct. *See id.* at 242-45.

176. Thomas, *supra* note 23, at 228.

is a lack of clarity concerning whether the required intent must be merely to induce the specific acts [of infringement] or additionally to cause an infringement.”¹⁷⁷ This confusion is compounded by the Federal Circuit’s sometimes confusing approach to stare decisis and by the long period of time since the Supreme Court has heard a patent indirect infringement case.

This “split,” however, is not a split at all. Much of the confusion, in both the scholarly community and the courts, stems from a misunderstanding of the holdings of *Hewlett-Packard* and *Manville*. Far from being an example of the Federal Circuit’s purported inconsistencies, these two decisions are complementary in nature. While some subsequent opinions in the district courts and even in the Federal Circuit have considered two distinct standards and chosen one, or expressed doubt about the state of the jurisprudence, any multiplicity of standards is illusory. The *Manville* standard should be and, in fact, already is the proper scienter standard for active inducement under § 271(b); proper interpretation of the Federal Circuit’s holdings in *Hewlett-Packard* and *Manville*, particularly in light of the Federal Circuit’s rules on stare decisis, shows that concern about a “split” is unfounded.

Explicitly adopting this standard also comports well with other authoritative indicators. The Supreme Court’s recent *Grokster* decision on copyright law explicitly adopted the active inducement standard from the patent law, and the Court’s interpretation of active inducement in that case is consistent with the *Manville* standard. This understanding can properly be applied to the patent law because of the rich history of interconnected developments in secondary liability in patent and copyright law. The common law and legislative history of the 1952 Patent Act also suggest that the *Manville* standard is proper.

Though some scholars have expressed concerns about the ramifications of adopting such a standard, their concerns are not insurmountable. Adopting the *Manville* standard will restore much-needed confidence in the Federal Circuit’s jurisprudence, provide patentees with a better understanding of the scope of their granted

177. *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005) (quoting *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1332 (Fed. Cir. 2005), *vacated on other grounds*, 126 S. Ct. 1837 (2006), *remanded to* Nos. 03-1600 to 03-1616 (alteration in original)).

privilege, help clarify the role of counsel's opinions, and provide innovators with a better understanding of how to avoid inducing patent infringement.

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* This Note is dedicated to my family, without whose love I would not be who I am, and without whose support I could not do what I do.