Inducing Patent Infringement¹Mark A. Lemley^{*}

It is a fundamental principle of patent law that no one infringes a patent unless they practice the complete invention.² Nonetheless, patent courts have long recognized that focusing only on the party who actually practices the invention will sometimes let off the hook the party who most deserves to be held liable. Thus, for over a century patent courts have extended liability to one who does not himself infringe, but who actively induces infringement by another. Since 1952, this principle has been enshrined in section 271(b) of the patent statute. As an idea, it has proven uncontroversial.

Surprisingly, however, despite the venerable nature of inducement in patent law, the actual requirements for inducement liability have remained something of a mystery. In particular, courts have proven unable to decide two fundamental issues – what conduct might induce infringement, and what the inducer must know and intend in order to be liable for acting. Though the United States Court of Appeals for the Federal Circuit, which was created in 1982, now handles all patent appeals, it has not brought uniformity to either issue. Indeed, there are Federal Circuit opinions taking diametrically opposed positions on the law of inducement. This confusion is doubly unfortunate given that to the Supreme Court has just imported the law of

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² See *Canton Bio-Medical, Inc. v. Integrated Liner Tech, Inc.*, 216 F.3d 1367, 1370 (Fed. Cir. 2000); *General Foods Corp. v. Studiengesellschaft Kobe GmbH*, 972 F.2d 1272, 1274 (Fed. Cir. 1992); *Roberts Dairy Co. v. United States*, 530 F.2d 1342, 1354 (Ct. Cl. 1976).

inducement from patent into copyright law.³ If we are to adopt the concept of inducement in copyright cases by analogy to patent law, it would seem helpful to know what exactly it means in patent cases.

In this article, I set out the fundamental disagreements among the courts as to the conduct and intent prongs of inducement. I explore the policies behind inducement law, and suggest that these disagreements can best be resolved not by picking one side or the other, but by thinking of inducement as a sliding scale inquiry in which a more specific intent to infringe is required to find liability if the defendant's conduct is otherwise less egregious. This resolution not only makes policy sense, and integrates section 271(b) with the rest of the statute, but it may even have the virtue of explaining most of the apparently conflicting caselaw. Application of this sliding scale approach also has implications for the new tort of inducing copyright infringement.

I. The Development of Inducement Law

The common law of torts has long punished not only tortfeasors but also those who aid and abet the commission of a tort.⁴ That doctrine was initially applied in patent law in cases involving what we think of today as contributory infringement – helping another to infringe by supplying a component specially adapted to infringement.⁵ Contributory infringement is straightforward when a defendant supplies a component that has no use except in an infringing

³ *MGM Corp. v. Grokster Ltd.*, __ U.S. __ (June 27, 2005). Before the Court ruled, Congress considered legislating copyright liability for inducement. The INDUCE Act was introduced into Congress in the last days of 2004. “INDUCE” stands for “INducement Devolves into Unlawful Child Exploitation,” in line with the currently prevailing norm that every bill must have a cute title, even if – as here – it bears no resemblance whatsoever to what the bill would actually do.

⁴ **W. Page Keeton et al., Prosser & Keeton on Torts** 499-532 (5th ed. 1984).

⁵ *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871). On the common law analogy, see *National Presto Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1194 (Fed. Cir. 1996).

product. But where the defendant sells a dual-use product – one that could be used either to infringe or for a noninfringing purpose – courts were unwilling to hold that the sale of the product is itself illegal.⁶ They sought evidence that the defendant intended to help infringement. One way to determine this intent is to look at conduct by the defendant beyond the mere sale of the component. Courts therefore found indirect infringement where the defendant had advertised the component for use in a patented combination, or had taught the direct infringer how to infringe.⁷

Thus, the earliest cases focusing on efforts to induce infringement did not treat it as a separate offense, but rather as evidence supporting the requisite affirmative intent for a case of contributory infringement.⁸ Indeed, it was not until the Patent Act of 1952 that the idea of active inducement was separated from the offense of contributory infringement. That statute codified a prohibition against contributory infringement in section 271(c), and against inducement in section 271(b).⁹ The basic distinction the statute draws is between the sale of a component or other product that can be used to infringe a patent, which is covered by section 271(c), and between “other acts” that direct, facilitate, or abet infringement, which fall within the scope of section 271(b).

The basic goal of secondary liability is to give patent owners effective protection in circumstances in which the actual infringer either is not the truly responsible party or is impractical to sue. For example, a patent on a new use for an existing drug is directly infringed

⁶ For a good summary, see _ **Donald S. Chisum, Patent Law** §17.02[1].

⁷ *See, e.g.,* Holly v. Vergennes Mach. Co., 4 F. 74, 82 (C.C.D. Vt. 1880); Richard v. Noyes, 20 F. Cas. 723, 724 (C.C.D. Mass. 1876). *Cf.* Edison Elec. Light Co. v. Peninsular Light, Power & Heat Co., 101 F. 831, 832 (6th Cir. 1900) (refusing to find liability in the absence of evidence of intent that the supplied component be used to infringe).

⁸ Thomson-Houston Elec. Co. v. Ohio Brass Co., 80 F. 712, 723 (6th Cir. 1897).

by each individual patient taking the drug for the new use, or perhaps by the doctors who prescribe it. But it is impractical to sue them. Inducement liability allows suit against a manufacturer of the drug, provided it does more than merely supply a drug with legal as well as infringing uses, and affirmatively encourages infringing use.¹⁰ Similarly, inducement law can avoid injustice by holding liable those who contract infringing work out to another who cannot pay a damages judgment.¹¹ But the law must take equal care to avoid imposing liability on those who participate in the stream of lawful commerce merely because their products can be misused. The development of inducement law has shown varying sensitivity to these different problems.

II. The Scope of Inducement

The straightforward language of section 271(b) – forbidding “active inducement” of patent infringement – conceals a number of unresolved issues. Three in particular are the focus of this article: (1) what conduct can constitute inducement; (2) when is that inducement “active” rather than passive; and (3) what level of knowledge or intent is required to prove inducement?

A. What Does It Mean to Induce Infringement?

To “induce” another to act, in common language, is to cause them to do something they would not otherwise have done.¹² On this common understanding, inducing infringement is a

⁹ 35 U.S.C. § 271(b),(c).

¹⁰ See **Chisum**, *supra* note __, §17.04[4][f], at 17-108.

¹¹ Cf. Jennifer Arlen & W. Bentley MacLeod, *Beyond Master-Servant: A Critique of Vicarious Liability* (working paper 2004) (arguing that a limited rule of vicarious liability “encourages organizations to undermine the effect of individual tort liability by hiring judgment-proof independent contractors.”).

¹² Merriam-Webster’s dictionary defines “induce” as

1 a : to move by persuasion or influence **b :** to call forth or bring about by influence or

natural outgrowth of the common law principle of respondeat superior – one who directs or causes another to engage in infringement should share responsibility with the direct infringer.¹³

This understanding of inducement has its parallels in copyright’s vicarious liability doctrine, which punishes those who, having the right and ability to control infringement by another, permit that infringement to occur for their own direct financial benefit.¹⁴

In fact, however, it is not clear that inducement in patent law is limited to the classic meaning of causing an act of infringement to occur. In one early formulation, the Fifth Circuit suggested that the term inducement was “as broad as the range of actions by which one in fact causes, or urges, or encourage, or aids another to infringe a patent.”¹⁵ While some courts have adopted this formulation,¹⁶ others truncate it in an important way by excluding “aiding” from the definition of inducement.¹⁷ The result is three different possible definitions for inducement, each of which has some support in the caselaw: (1) inducement is limited to causing infringement on

stimulation

2 a : EFFECT, CAUSE b : to cause the formation of **c :** to produce (as an electric current)

<http://www.m-w.com/cgi-bin/dictionary?book=Dictionary&va=induce&x=16&y=11>. More important, the etymology of the word derives from the Latin *ducere*, meaning “to lead.” *Id.*

¹³ This direction may occur even in the absence of an agency relationship. For example, in the classic case of *Wallace v. Holmes*, the defendant sold a disassembled oil lamp and had its customers complete it in a way that infringed the plaintiff’s patent. 29 F. Cas. 74 (No. 17,100) (C.C. Conn. 1871). *See also* *Moleculon Res. Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (instruction sheet on how to infringe included with product).

¹⁴ *MGM, Inc. v. Grokster Ltd.*, ___ U.S. ___, n.9 (Jun. 27, 2005).

¹⁵ *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 411 (5th Cir. 1963).

¹⁶ *Sims v. Mack Trucks, Inc.*, 459 F. Supp. 1198, 1217 (E.D. Pa. 1978), *rev’d on other grounds* 608 F.2d 87 (3d Cir. 1979); *see also* *C.R. Bard, Inc. v. Advanced Cardiovascular Systems*, 911 F.3d 670, 675 (Fed. Cir. 1990) (defining inducement as covering “actively and knowingly aiding and abetting another’s direct infringement.”).

¹⁷ *Mendenhall v. Astec Indus.*, 13 U.S.P.Q.2d 1913, 1950 (E.D. Tenn. 1988), *aff’d* 887 F.2d 1094 (Fed. Cir. 1989); *Goodwall Construction Co. v. Beers Construction Co.*, 216 U.S.P.Q. 1006, 1009 (N.D. Ga. 1981).

a respondeat superior theory; (2) inducement extends beyond causing infringement to include *efforts* to cause infringement, such as urging or encouraging infringement by another; and (3) inducement includes anything a defendant does to help a third party to infringe.

The range of conduct alleged to induce infringement mirrors this splintered definition of infringement. Some inducement cases involve claims against officers and directors for instructing their companies to infringe.¹⁸ These cases are examples of the first definition of inducement liability, though they may be exceptional because they involve efforts to pierce the corporate veil.¹⁹ Another case involved building and launching a satellite that, when employed in space, would infringe the patent.²⁰ Here, too, the defendant controlled or directed the infringing behavior even though it was not the one that actually operated the satellite in space. Cases in which the defendant designs the product and has it manufactured by another, or licenses a design to others, arguably also fit into this first category.²¹

Other cases, perhaps the largest segment, involve affirmative conduct encouraging independent third parties to infringe through advertising, solicitation, or instructions on how to use a product in a way that infringes.²² Thus, in *Chiuminatta Concrete v. Cardinal Industries*,

¹⁸ See, e.g., *Ferguson Beauregard/Logic Controls v. Mega Systems, LLC*, 350 F.3d 1327 (Fed. Cir. 2003); *Manville Sales v. Paramount Sys.*, 917 F.2d 544 (Fed. Cir. 1990); *Hoover Group v. Custom Metalcraft*, 84 F.3d 1408 (Fed. Cir. 1996).

¹⁹ And indeed, these claims seem uniformly to be rejected in the caselaw, as we will see *infra*.

²⁰ *Hughes Aircraft Co. v. United States*, 29 U.S.P.Q.2d 1974 (Ct. Cl. 1993).

²¹ See, e.g., *Water Technologies v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (design); *Baut v. Pethick Constr. Co.*, 262 F. Supp. 350 (M.D. Pa. 1966) (design); *Moseley v. United States Appliance Corp.*, 155 F.2d 25, 27 (9th Cir. 1946) (licensing); **Chisum**, *supra* note __, at 17-93 to 19-94 (“Licensing others may constitute active inducement if the licensor provides instructions, plans, or the like enabling the licensee to practice the patent . . .”). The licensing cases require more than simply agreeing not to sue someone for making the design, however; they require that the licensor *cause* the product to be made.

²² See, e.g., *Moleculon Res. Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (defendant liable for “dissemination of an instruction sheet teaching the method of restoring the

the Federal Circuit held that advertisements for a concrete cutting saw that encouraged use in a way that infringed a method claim constituted inducement.²³ And in *Metabolite Labs v. Lab Corp.*, the defendant published medical articles targeted to doctors specifically suggesting the infringing use of the patented assay to identify vitamin deficiency.²⁴ These cases seem to fit within the second category of inducement rules, because they involve efforts to encourage others to infringe without actually directing them to do so. It is this sort of conduct that the Supreme Court seemed to have in mind in *Grokster*.²⁵

It is harder to find cases that find inducement liability based solely on assisting another to infringe, without any element of encouragement. The courts reject, for example, the idea that agreeing to indemnify a purchaser for infringement is itself sufficient assistance to constitute inducement.²⁶ Publication of information about a patented product is not itself inducement,²⁷ which may not be surprising given that patents themselves are published. Nor is purchasing a

preselected pattern with each puzzle, and the availability of a solution booklet on how to solve the puzzle"); *Superior Merchandise Co. v. MGI Wholesale*, 2000 WL 322779 at *13 (E.D. La. 2000); *Oak Indus. v. Zenith Elecs.*, 726 F. Supp. 1525, 1542-43 (N.D. Ill. 1989). *But see* *Ardco, Inc. v. Page, Ricker, Felson Mktg.*, 25 U.S.P.Q.2d 1382, 1385 (N.D. Ill. 1992) (rejecting liability for a defendant who attended trade shows and told prospective customers about the project, where the defendant "exercises no meaningful control over the production of the infringing item," because the defendant "had no more than a peripheral relationship" with the direct infringement).

²³ 145 F.3d 1303, 1311 (Fed. Cir. 1998); *see also* *Haworth Inc. v. Herman Miller Inc.*, 37 U.S.P.Q.2d 1080, 1090 (W.D. Mich. 1994) (defendant "demonstrates and recommends infringing configurations" of the product it sells).

²⁴ 370 F.3d 1354, 1365 (Fed. Cir. 2004); *see also* *Sims v. Mack Trucks, Inc.*, 459 F. Supp. 1198, 1215 (E.D. Pa. 1978) (defendant shows infringing use of its product in its promotional film and brochures), *overruled on other grounds*, 608 F.2d 87 (3d Cir. 1979).

²⁵ *MGM, Inc. v. Grokster Ltd.*, ___ U.S. ___ (Jan. 27, 2005).

²⁶ *See, e.g.*, *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464 (Fed. Cir. 1990).

²⁷ **Chisum**, *supra* note ___, § 17.04[4][g].

product for resale an act of inducement as a general matter.²⁸ One court found that purchasing an infringing product was an act of inducement where the defendant specifically ordered infringing product in bulk from the manufacturer and it was produced for that defendant.²⁹ While the court denied that control was required or was at issue,³⁰ it is worth noting that the defendant did in fact cause the manufacture of the infringed product, making this look more like inducement in the first or at least the second sense.

In short, the law is not clear how involved the defendant must be in the act of infringement to be liable for inducement. Many courts will find liability on the basis of something less than control over the infringer, but most stop short of saying that any act that aids an infringer can be inducement.³¹

B. When Is Inducement “Active”?

A second issue is the meaning of the term “active” in section 271(b). The most plausible reading of this term is to require affirmative acts designed to induce infringement, rather than facilitation through inaction.³² And indeed the Federal Circuit has held that failing to take steps to stop an affiliate from infringing did not constitute infringement: “[F]acilitation . . . entails

²⁸ **Chisum**, *supra* note __, § 17.04[4][e].

²⁹ *Trustees of Columbia University v. Roche Diagnostics GMBH*, 272 F. Supp.2d 90 (D. Mass. 2002).

³⁰ *Id.* at 106.

³¹ It is possible that the Supreme Court’s recent decision in *Grokster* changes all this, eliminating the requirement for any affirmative conduct that encourages infringement. I discuss that possibility in the next section.

³² *TI Group Automotive Systems v. VDO North America*, 62 U.S.P.Q.2d 1599, 1601 (D. Del. 2002) (inducement requires “commission of an act . . . , not merely the power to act or the failure to act.”).

some affirmative act.”³³ But that begs the question of what should be put in the “affirmative act designed to infringe” category. For example, courts have split on the question of whether the mere act of selling a component can constitute active inducement.³⁴ The better rule is that merely selling a component cannot itself constitute inducement. Section 271(c), the section dealing with contributory infringement, punishes the mere sale of a component only when it is a non-staple article of commerce not capable of substantial noninfringing uses. To hold that the sale of a component without more constitutes inducement would permit section 271(b) to swallow section 271(c), rendering moot the limitations of the latter section. The Federal Circuit has warned against interpreting section 271(b) in this manner.³⁵

The Federal Circuit’s distinction between inducement and contributory infringement is extremely important for efforts to import patent law’s doctrine of inducement into copyright law.

³³ Tegal Corp. v. Tokyo Electron Co., 248 F.3d 1376 (Fed. Cir. 2001); *see also* Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1569 (Fed. Cir. 1994).

³⁴ Compare Oak Industries v. Zenith Elecs. Corp., 697 F. Supp. 988, 992 (N.D. Ill. 1988) (“mere sale, without more, of a device capable of such noninfringing use will not establish liability for inducement.”) with EWP Corp. v. Reliance Universal Inc., 221 U.S.P.Q. 542 (S.D. Ohio 1983), *rev’d on other grounds* 755 F.2d 898 (Fed. Cir. 1985) (accepting orders for a product knowing it would be used to infringe was sufficient to prove inducement, even without advertisement or recommendation of the product). Cf. Black & Decker (US) Inc. v. Catalina Lighting, 42 U.S.P.Q.2d 1254, 1255 n.3 (E.D. Va. 1997) (noting that inducement generally requires an affirmative act, but envisioning unusual situations in which failure to act might be tantamount to an affirmative act). EWP has been described as the “single precedent” supporting a passive inducement theory and as “an isolated aberration in the caselaw.” Shayana Kadidal, *Digestion as Infringement: The Problem of Pro-Drugs*, 78 **J. Pat. & Trademark Off. Soc’y** 241, 245 (1996). Permitting liability for passive inducement seems plainly inconsistent with the language of the statute.

³⁵ Warner-Lambert Co. v. Apotex Corp., 316 F.3d 1348 (Fed. Cir. 2003) (“Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be infringing the patent.”); cf. Joy Tech., Inc. v. Flakt, 6 F.3d 770, 773 (Fed. Cir. 1993) (engaging in similar reasoning with respect to direct infringement).

In *MGM v. Grokster*,³⁶ the Court created a cause of action for inducing copyright infringement, reasoning expressly from the patent analogy.³⁷ The court held that a company that provided peer-to-peer file sharing software to the public could be liable for inducement if it engaged in statements or actions that “clearly voiced the purpose” of promoting infringement.³⁸ The Court found “unmistakable” evidence of inducement based on evidence primarily of bad intent, rather than active conduct of the sort that patent law would traditionally consider inducement. Indeed, most of the Court’s discussion is directed at intent, not conduct. The Court does cite the following alleged evidence of conduct in support of its inducement claim: the names of the defendant’s systems (“Grokster,” and originally “Swaptor” and “OpenNap”, all plays on “Napster”), which it finds evidence of affirmative encouragement to former Napster users to infringe on the new system; links on the system to articles that mention use of the system for infringement; and the fact that the p2p companies provided tech support to users, including in a small number of cases users whose emails indicated they were infringing copyrights.³⁹

The Court’s opinion can be read merely to adopt the common-law patent principle that those who advertise or affirmatively encourage others to infringe are liable for inducement. Indeed, the test the Court sets out seems to do just that, requiring “clear expression or other affirmative steps taken to foster infringement.”⁴⁰ And the Court goes out of its way to say that “ordinary acts incident to product distribution, such as offering customers technical support or

³⁶ ___ U.S. ___ (June 27, 2005).

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.* at [slip op. at 20, sect. III.A]; *id.* (requiring “purposeful, culpable expression and conduct”).

⁴⁰ *Id.* at [slip op. at 19].

product updates,” would not give rise to inducement liability,⁴¹ a rule that would make no sense if the sale of the product being supported or updated itself were to give rise to such liability.

In other places, though, the Court’s opinion seems to go well beyond the patent law rule. The Court seems at various points to believe that it is only the defendant’s purpose that matters, and that evidence of advertisements and other conduct are merely evidence that can be used to show that purpose. Once that purpose is shown, “the culpable act is not merely the encouragement of infringement but also the distribution of the tool intended for infringing use.”⁴² And the evidence the Court relies upon to infer intent is itself troubling, since most of it involves conduct that is difficult to distinguish from the sale of a staple item of commerce: failing to redesign the product to minimize infringement, and the fact that the more people infringe, the more money the defendant will make.⁴³

In short, the *Grokster* Court’s new test for inducement in copyright law is unclear. There is strong support in the opinion for the idea that inducer must engage in advertisements or other affirmative conduct beyond the mere sale of the product designed to encourage infringement. This would be a holding narrowly tailored to the liability of the defendants before it under the facts the Court assumed to be true.⁴⁴ But there is also substantial support in the opinion for the idea that selling a staple item of commerce capable of substantial noninfringing

⁴¹ *Id.*

⁴² *Id.* at n. 13.

⁴³ *Id.* at [slip op. at 22-23]. To be sure, the Court emphasizes that neither piece of evidence standing alone would be enough to find intent. But if the Court is willing to use them to infer intent, and then to infer liability from intent without the need for any evidence of affirmative conduct, the new tort it has created will be broad indeed.

⁴⁴ Because inducement was never litigated in the courts below, the defendants have never had an opportunity to present evidence on the issues the Court addressed or to challenge the evidence the plaintiffs presented. Thus, the Court’s conclusion that the defendant’s intent was unmistakable was based only on the plaintiff’s statements to the Court of what they might be

uses is itself an act of inducement, notwithstanding the contrary rule in *Sony* and other contributory infringement cases, so long as it was done with bad intent. This would be a rather more dramatic holding. Reading inducement to apply even to the mere sale of a dual-use product with substantial noninfringing uses would have made Sony liable for selling the VCR, and would make internet service providers, telephone companies, and cable companies liable for providing broadband Internet service.

Because the Court drew on patent principles in establishing its copyright tort, it is possible that the Court's copyright standards will be used in establishing the patent standard as well. And if the broad rather than the narrow understanding of the Court's opinion prevails, the patent law standard would have to change. The sale of a product protected under section 271(c) would nonetheless give rise to liability under section 271(b),⁴⁵ notwithstanding the clear statement in *Tegal* that failing to prevent infringement cannot constitute inducement or the equally clear statement in *Warner-Lambert* against inferring inducement from the sale of a product capable of substantial noninfringing uses.

But I don't believe that is the right way to read the Court's opinion. First, the Court purports to be applying patent law cases by analogy, and all of those cases required some affirmative conduct designed to encourage infringement. It would be odd indeed if the result of applying the patent law cases was to change the very standard the Court said it was applying. Second, even if that is what the Court intended to do in creating its copyright standard, it does

able to prove below.

⁴⁵ This might indeed have been the intent of footnote 10 in the Court's opinion, which reads: "Nor does the Patent Act's exemption from liability for those who distribute a staple article of commerce, 35 U.S.C. § 271(c), extend to those who induce patent infringement, §271(b)." But if so, the Court is not only violating its own maxims of statutory construction by reading section 271(b) in a way that swallows section 271(c), but it is also engaged in bootstrapping. Inducement is indeed a separate tort from contributory infringement, but that fact does not tell us

not follow that the Federal Circuit should change the way it has interpreted patent law. Such an approach would leave the term “active” in the patent statute meaningless. The Court may be free to create a new common law rule in copyright cases, but it is not free to disregard the language of the patent statute. In the context of *Grokster*, where there are two equally plausible ways to read the opinion, courts should not lightly assume that the Court meant to disregard the statute and change the patent rules.

C. When Does One Intend to Assist Infringement?

Direct patent infringement is a strict liability offense.⁴⁶ While in theory the patent marking statute puts defendants on notice of infringement,⁴⁷ in practice it is so riddled with exceptions that defendants can be and in fact generally are unaware of the patent they are accused of infringing until they are threatened with suit.⁴⁸ Indirect infringement, by contrast, has always required some element of knowledge. This requirement probably derives from the common-law origin of indirect infringement in accessory liability, which required that the

what the elements of that tort are.

⁴⁶ See *Blair v. Westinghouse Elec. Corp.*, 291 F. Supp. 664, 670 (D.D.C. 1968) (“an infringement may be entirely inadvertent and unintentional and without knowledge of the patent”).

⁴⁷ 35 U.S.C. § 287. For a discussion, see Roger D. Blair & Thomas F. Cotter, *Strict Liability and Its Alternatives in Patent Law*, 17 **Berkeley Tech. L.J.** 799 (2002).

⁴⁸ Indeed, people rarely investigate whether their conduct is covered by a patent, perhaps because they don’t want to know the answer, and perhaps because learning of a patent and continuing to infringe will make one liable for willful infringement. See Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law’s Willfulness Game*, 18 **Berkeley Tech. L.J.** 1085 (2003) (discussing this problem); Dennis Fernandez, *Move Over Letterman: Top 10 Most Common IP Management Mistakes for New Companies*, PAT. STRATEGY & MGMT., July 1, 2003, at 3. (“Additionally, in many cases it may be appropriate for companies, as a matter of policy, to discourage looking at issued patents owned by other entities so as to avoid awareness of potentially infringed patents.”). Indeed, recent research by Wes Cohen finds that in the academic setting, only 7.5% of researchers even inquire into whether there are patents that may affect their

defendant know that the behavior she aids is wrongful.⁴⁹

Early cases required only a relatively modest level of intent.⁵⁰ In *Thomson-Houston Electric v. Kelsey Electric Railway Specialty Co.*,⁵¹ for example, the court found sufficient intent in the defendant's willingness to sell to people it knew might be infringing, and even those who might or might not be: "It sufficiently appears from the defendants' advertisements and affidavits that it was ready to sell to any and all purchasers, irrespective of their character as infringers."⁵² The problems with inferring intent from a willingness to sell to all comers soon became evident, however. As the *Tubular Rivet* court explained in rejecting this theory, it would lead to unreasonable liability:

In a sense, a trespass is aided if the trespasser is fed during the trespass. Yet it can hardly be contended that an infringer's cook is liable as a contributory infringer. Probably she would not be liable even if she knew of her master's wrongdoing. Again, no aid is more potent than money. Is one who lends money to an infringer liable as co-infringer? Many patents cannot be infringed without a building in which to construct the infringing device. Is the landlord who lets the building to an infringer liable as a co-infringer?⁵³

research. [cite from Napa conference]

⁴⁹ Thus, the legislative history of the inducement standard referred to aiding and abetting, and seems consistent with a requirement that the defendant act intentionally. H.R. Rep. No. 82-1923, at 9 (1952); S. Rep. No. 82-1979, at 8 (1952). This history is discussed in *National Presto Indus. v. West Bend Co.*, 76 F.3d 1185, 1194 (Fed. Cir. 1996).

⁵⁰ See **Chisum**, *supra* note __, at 17-8 to 17-10.

⁵¹ 75 F. 1005 (2d Cir. 1896).

⁵² *Id.* at 1008.

⁵³ *Tubular Rivet & Stud Co. v. O'Brien*, 93 F. 200, 202-03 (C.C.D. Mass. 1898). Interestingly, in copyright law the answer to the last rhetorical question appears to be yes, at least in the Ninth Circuit. See *Fonovisa v. Cherry Auction*, 76 F.3d 259 (9th Cir. 1996). But cf. *MGM, Inc. v.*

A second, more modern objection to such a “willful ignorance” approach comes from the statutory division of indirect liability into contributory infringement and inducement. Having sharply limited the circumstances under which a defendant can be liable for contributory infringement by selling a product, it would make little sense to undermine those limits by holding that the very act of selling that product could give rise to liability for inducement. The Federal Circuit adopted this reasoning in a closely analogous context in *Joy Tech., Inc. v. Flakt*. There, the Federal Circuit refused to extend the scope of *direct* infringement to encompass providing a device that performs one step in a patented process. The court reasoned that “[t]o hold that the sale of equipment which performs a patented process is itself a direct infringement would make that portion of section 271(c) relating to the sale of an apparatus for use in practicing a patented process meaningless.”⁵⁴ Nor would the court permit the patent holder to “control the distribution of unpatented articles unless they are unsuited for any commercial non-infringing use” because the “sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller an infringer.”⁵⁵ Rather, section 271(c) requires that the defendant know that the combination to which it is contributing “was

Grokster Ltd., __ U.S. __, n. 9 (2005) (adopting the narrower Second Circuit formulation of vicarious copyright infringement, which requires proof of direct financial benefit from the infringement).

⁵⁴ 6 F.3d 770, 773 (Fed. Cir. 1993); *see also E.I. DuPont De Nemours and Co. v. Monsanto Co.*, 903 F. Supp. 680, 735 (D. Del. 1995) (“Similarly, in this case, it seems that if Monsanto were liable as a direct infringer under § 271(a) for making and selling a component of the claimed process, then § 271(c), which imposes liability for ‘sell[ing] a ... material ... for use in practicing a patented process’ would be superfluous.”). For a discussion, *see* Mark A. Lemley et al., *Divided Patent Claims*, __ **Am. Intell. Prop. L. Ass’n Q.J.** __ (forthcoming Summer 2005).

⁵⁵ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441-42 (1984) (citation omitted); *see also Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1276 (The “sale of a lawful product by lawful means, with the knowledge that an unaffiliated, third party may infringe, cannot, in and of itself, constitute inducement of infringement.”).

both patented and infringing.”⁵⁶

In part to avoid these problems, courts interpreting the 1952 Patent Act have uniformly interpreted section 271(b) to require not just knowledge, and certainly not mere willful blindness,⁵⁷ but a “specific intent and action to induce infringement.”⁵⁸ This requirement exists regardless of what conduct is alleged to constitute inducement, but it is particularly strong when the defendant sells a product that does not run afoul of section 271(c): “Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be infringing the patent.”⁵⁹

While the specific intent requirement is well established in the law,⁶⁰ the Federal Circuit has been unable to agree on precisely what it is that a defendant must intend. The disagreement stems from two Federal Circuit opinions delivered only a few weeks apart that set out radically different standards. In *Hewlett-Packard v. Bausch & Lomb*, defendant Bausch & Lomb had a

⁵⁶ *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964).

⁵⁷ *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed. Cir. 2003) (“mere knowledge of possible infringement by others does not amount to inducement”). The plaintiffs in that case alleged that the defendant should have known of infringement, because the off-label uses amounted to between 78% and 89% of total sales. *Id.* at 1363-64. Nonetheless, the court refused to find the relevant level of intent to promote patent infringement.

⁵⁸ *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed. Cir. 2003). Judge Giles Rich, who wrote the statute, explained in a law review article that “the evidence must establish active inducement and that involves intent.” Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 **Geo. Wash. L. Rev.** 521, 537 (1953).

⁵⁹ *Warner-Lambert*, 316 F.3d at 1364. The Supreme Court’s copyright decision in *MGM, Inc. v. Grokster Ltd.* seems consistent with this approach. ___ U.S. ___, [slip op. at 19] (2005) (“mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability.”).

⁶⁰ In addition to *Apotex*, see, e.g., *3M Co. v. Chemque*, 303 F.3d 1294, 1304-05 (Fed. Cir. 2002); *Water Tech. v. Calco, Ltd.*, 850 F.2d 660 (Fed. Cir. 1988); *Manville Sales Co. v. Paramount Sys.*, 917 F.2d 544 (Fed. Cir. 1990); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464 (Fed. Cir. 1990).

division that manufactured an infringing product. After Bausch & Lomb sold that division to a third party, indemnifying it for patent liability, Hewlett-Packard (“H-P”) sued it for inducing continued infringement by the new purchasers. The court said that Bausch & Lomb could be liable for inducement so long as H-P could prove it “actually intended to cause the acts which constitute the infringement.”⁶¹ This was a fairly low standard of intent, since most people do intend the natural consequences of their acts. The *Hewlett-Packard* court did not require that the defendant have any awareness of the patent, much less intend to infringe it,⁶² but simply that it intend to encourage the conduct that ultimately turned out to be infringing. Nonetheless, the court found that Bausch & Lomb didn’t satisfy even that minimal standard because it didn’t actually care whether the division produced the infringing product once it was sold.

By contrast, in *Manville Sales v. Paramount*, the plaintiff patented a lighting assembly. An officer of the defendant obtained a drawing of the device and circulated it within the company, which ultimately produced an infringing product. Manville sued the officer for inducing infringement. Under the *Hewlett-Packard* standard, the officer was unquestionably inducing infringement, since he surely intended that the company use the drawing when he circulated it. Nonetheless, the *Manville* court rejected the inducement claim. The court held that intentional inducement required not just intent to cause the acts that turn out to be infringing, but

⁶¹ *Hewlett-Packard*, 909 F.2d at ____.

⁶² Though it is worth noting that the defendant was aware of the patent, and had indemnified the buyer from liability. *Id.* at 1470. Given that *Aro* required knowledge of the patent for contributory infringement, it might be better to read *Hewlett-Packard* as requiring at least that level of knowledge for inducement as well.

Some have suggested that indemnifying another for patent infringement can be evidence of an intent to induce infringement. See Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 **J. Pat. & Trademark Off. Soc’y** 86, 150-51 (1971). This seems a troubling inference, however, since indemnity is often nothing more than a normal part of risk apportionment in commercial transactions. The court in *Hewlett-Packard* properly rejected such an inference in the case before it.

an actual intent to infringe the patent. As the court put it,

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 infringement. 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.⁶³

In this case, the officer was not even aware of the patent until the suit was filed. Once the suit was filed, the defendant obtained a competent opinion of counsel and continued to sell the product in reliance on that opinion.⁶⁴ Without any knowledge of the patent, the officer couldn't know the defendant company was infringing. And once he did learn of the patent, he believed in good faith that the defendant was not infringing. For the *Manville* court, it is the knowledge of the legal consequence – infringement – that matters, not simply knowledge of the underlying act. As a result, the legal opinion of the inducer becomes central, at least as to infringement.⁶⁵

This division in authority has continued to plague the courts. Federal Circuit and district court opinions have variously followed both standards, though they lean heavily towards the

⁶³ *Manville Sales v. Paramount Sys.*, 917 F.2d 544, __ (Fed. Cir. 1990).

⁶⁴ *Id.*; see also *Micro Chemical v. Great Plains Chemical*, 194 F.3d 1250 (Fed. Cir. 1999); *Hoover Group v. Custom Metalcraft*, 84 F.3d 1408 (Fed. Cir. 1996); *Century Wrecker Corp. v. E.R. Buske Mfg. Co.*, 913 F. Supp. 1256, 1274 (N.D. Iowa 1996). *But see* *Symbol Tech. v. Metrologic Instruments, Inc.*, 771 F. Supp. 1390, 1405 (D.N.J. 1991); *Curtis Mfg. Co. v. Plasti-Clip Corp.*, 888 F. Supp. 1212, 1224-25 (D.N.H. 1994) (following *Hewlett-Packard* and accordingly concluding that advice of counsel was irrelevant).

⁶⁵ No case of which I am aware address the issue of whether a defendant that intentionally encourages infringement of a patent that it believes in good faith to be invalid is liable for inducement or not. Intent to infringe under the *Manville Sales* definition would logically seem to incorporate the concept of validity as well as infringement. If it does, one corollary of that result may be that inducement under the *Manville* standard will always be willful, since by definition it will have been done with knowledge of the patent and without a good faith belief that it was invalid or not infringed. See Rader, *supra* note __, at 331 (making this point, and arguing that the law should draw a distinction between inducement and willful infringement).

Manville approach.⁶⁶ The Federal Circuit has tried without success to reconcile the standards. In one case it has suggested a middle ground, in which knowledge of an infringement controversy is relevant but the standard is one of negligence – whether the inducer “knew or should have known that his actions would induce actual infringements.”⁶⁷ In another it tried to merge the *Hewlett-Packard* and *Manville* standards by requiring actual intent to encourage the acts, not just knowledge of the acts, but permitting just knowledge of infringement.⁶⁸ Most recently, the court

⁶⁶ Following *Hewlett-Packard*, see, e.g., *Hilgraeve, Inc. v. Symantec Corp.*, 272 F. Supp. 2d 613, 616-20 (E.D. Mich. 2003); *CVI/Beta Ventures 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); *Maxwell v. Kmart Corp.*, 851 F. Supp. 1343, 1349 (D. Minn. 1994); 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, 314-16 (2000). Following *Manville*, see, e.g., *3M v. Chemque*, 303 F.3d 1294, 1305 (Fed. Cir. 2002); *Micro Chemical v. Great Plains Chemical*, 194 F.3d 1250 (Fed. Cir. 1999); *Hoover Group v. Custom Metalcraft*, 84 F.3d 1408 (Fed. Cir. 1996); *Dynamis, Inc. v. Leepoxy Plastics, Inc.*, 831 F. Supp. 651 (N.D. Ind. 1993); *L.A. Gear, Inc. v. E.S. Originals, Inc.*, 859 F. Supp. 1294, 1300 (C.D. Cal. 1994); *Quantum Group v. American Sensor*, 48 U.S.P.Q.2d 1436, 1442 (N.D. Ill. 1998); *Mickowski v. Visi-Trak Corp.*, 36 F. Supp. 2d 171, 189 (S.D.N.Y. 1999); *Amersham Pharmacia Biotech v. Perkin-Elmer Corp.*, 2000 WL 1897300 (N.D. Cal. Dec. 22, 2000); *Trustees of Columbia University v. Roche Diagnostics*, 150 F. Supp. 2d 191, 205-06 (D. Mass. 2001); *Cybiotronics v. Golden Source Electronics*, 130 F. Supp. 2d 1152, 1164-65 (C.D. Cal. 2001); *OpenTV v. Liberate Technologies*, No. C 02-00655 SBA (N.D. Cal. Jan. 8, 2003). For academic discussion of the split, see, e.g., Note, *District Court Holds that Inducement Liability Requires Proof of Intent to Induce Violation of the Law*, 115 **Harv. L. Rev.** 1246 (2002); John R. Thomas, *Of Text, Technique, and the Tangible: Drafting Patent Claims Around Patent Rules*, 17 **J. Marsh. J. Comp. & Info. L.** 219, 228 (1998) (“the case law has not sparkled with clarity” on this issue); Robert O. Boaln & William C. Rooklidge, *Imputing Knowledge to Determine Willful Patent Infringement*, 24 **AIPLA Q.J.** 157, 163 n.13 (1996) (describing the standard as “totally unclear” given the conflict between the two cases).

⁶⁷ *Anton/Bauer, Inc. v. PAG, Ltd.*, 329 F.3d 1343, 1348 (Fed. Cir. 2003). This draws from the language in *Manville*, but doesn’t appear to actually require knowledge of the specific patent at all, so long as they are aware of a risk of infringement liability. Cf. *Symbol Techs. v. Metrologic Instruments*, 771 F. Supp. 1390, 1404 (D.N.J. 1991) (“Generally, knowledge has been construed as knowledge of an infringement controversy [S]pecific intent to infringe is not necessary for a finding of inducing infringement.”).

⁶⁸ *Warner Lambert v. Apotex*, 316 F.3d 1348 (Fed. Cir. 2003). Cf. *Sandisk Corp. v. Lexar Media*, 91 F. Supp. 2d 1327, 1335 (N.D. Cal. 2000) (requiring knowledge of the acts and knowledge of the existence of the patent, but no state of mind as to either validity or infringement of the patent).

abandoned any effort to reconcile the two standards, acknowledging forthrightly a “lack of clarity” in its intent standard but not resolving the conflict.⁶⁹

III. Reconciling the Conflicts in Inducement Law

The law of inducement, in short, has failed to coalesce in defining two of its three major elements – what acts can constitute inducement, and what the inducer must intend. And the one area in which there has been a consistent rule – the meaning of active inducement – has been thrown into some doubt by the Supreme Court’s decision in *Grokster*. The result is not only uncertainty, but a potential scope of inducement liability that can range from extremely broad (if any act that helps infringement is included, whether or not the inducer is aware of the patent) to extremely narrow (if only those who control infringement are liable, and then only if they are aware of the patent, believe it valid, and intend to infringe it).

In my view, the right way to understand this seeming morass is not to choose either a single category of forbidden acts or a proper level of intent, but rather to recognize that these two variables should interact. The more significant the defendant’s conduct, the less intent should be required for liability. At one extreme, direct infringers – those who actually practice the patented invention – are strictly liable even for acts they could not possibly have known were infringing.⁷⁰ Indirect infringement, by contrast, is less closely connected to the goals of the patent statute and therefore requires some element of knowledge (in contributory infringement) or intent.

Within the inducement standard, the more integrally involved a defendant is in causing or encouraging the infringement, the closer in culpability he should logically be considered to the

⁶⁹ *Insituform Techs. v. CAT Contracting*, 385 F.3d 1360 (Fed. Cir. 2004).

⁷⁰ *See, e.g.,* ROBERT P. MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 24 (3d ed. 2003).

direct infringer. Thus, it seems to make sense to hold inducers liable on a theory of respondeat superior on a lesser showing of intent than we might otherwise require. After all, the defendant's agent – the direct infringer – is held liable without any knowledge of the patent or proof of intent. Holding a defendant who directs the agent's behavior liable based on intent only to encourage the acts, rather than intent to infringe a known patent, avoids letting the mastermind escape while punishing the servant.⁷¹ At the same time, proof of some level of knowledge seems appropriate, because it is possible the defendant has delegated the decision of how to design or make a product to the direct infringer, and therefore does not in fact intend to cause an act that turns out to be infringing. The application of the lesser standard of intent established in *Hewlett-Packard* fits this more active form of inducement.

By contrast, where inducement consists merely of helping another in some way, a greater showing of culpability should be required. Lots of people help infringers – the landlord who rents them space, the power company that provides them with electricity, the babysitter who permits them to work late, and countless others. Those who do not actually cause (“induce” in the literal sense) infringement might still be liable for encouraging or assisting an act of infringement. But it makes little sense to hold them liable if they did not in fact know that the act they were encouraging was wrong.⁷² Thus, it seems logical to hold these facilitators liable

⁷¹ Cf. *Meyer v. Holley*, 537 U.S. 280, 283 (2003) (“traditional vicarious liability rules ordinarily make principals or employers vicariously liable for acts of their agents or employees in the scope of their authority or employment.”).

⁷² One could take this argument further, rejecting strict liability in patent law altogether. Cf. Dane S. Ciolino & Erin A. Donelon, *Questioning Strict Liability in Copyright*, 54 RUTGERS L. REV. 351 (2002); R. Anthony Reese, *Historical Development of Mental State Considerations in Copyright Infringement* (2004) (unpublished manuscript, on file with authors) (making related arguments in copyright law). Patent law has not gone that route, largely because doing so would turn the statute from a quasi-property right to a tort like misappropriation of trade secrets, which does not protect the idea directly but only forbids certain uses deemed improper. In any event, patent law is a strict liability tort, and I won't pursue that approach further here.

only if they in fact intend to assist in an act of patent infringement. But because so many patents are invalid,⁷³ and the scope of even valid patents is impossible to determine with precision,⁷⁴ a patent is an inherently probabilistic right.⁷⁵ As a result, it is not reasonable to assume that merely because a defendant is aware of the existence of a patent he intended to infringe it. He may believe the patent invalid, believe he has successfully designed around it, or simply not think it covers what he is helping another to do. Of necessity, litigated inducement decisions are all cases in which those beliefs turn out to be wrong; there can be no inducement if there is no direct infringement of a valid patent. But that doesn't mean that the beliefs weren't reasonable or sincerely held. To have intended to encourage or aid infringement, a defendant must in fact understand that he is encouraging an act of patent infringement.

Thus, it seems to me that a sliding (or at least stepped) scale is appropriate, trading off greater involvement in the acts that constitute direct infringement against a mental state of greater culpability.⁷⁶ The clearer the defendant's intent to facilitate patent infringement, the less direct his contribution need be. But the law correctly requires a threshold showing on each element below which liability cannot be established. For conduct, that threshold is set by the active inducement requirement. The defendant must take some affirmative act;⁷⁷ simply being

⁷³ See John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 **AIPLA Q.J.** 185 (1998) (46% of litigated patents are held invalid).

⁷⁴ See Dan L. Burk & Mark A. Lemley, *Quantum Patent Mechanics*, 9 **Lewis & Clark L. Rev.** 29 (2005).

⁷⁵ See Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 **J. Econ. Persp.** 75 (2005).

⁷⁶ Cf. *Knorr-Bremse v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc) (noting in the context of willfulness that intent is “not an all-or-nothing trait, but one of degree.”).

⁷⁷ There is an abundant legal and philosophical literature debating whether there is any logical distinction that can be drawn between acts and omissions. See, e.g., Larry Alexander, *Affirmative Duties and the Limits of Self-Sacrifice*, 15 **L. & Phil.** 65 (1996); Richard Epstein, *A Theory of Strict Liability*, 2 **J. Leg. Stud.** 151, 189-204 (1973). I am inclined to believe that the distinction is in fact of significance. But whether it is or not as a philosophical matter, the patent

aware of an act of infringement by another will not suffice, no matter how delighted the defendant is by the infringement. Similarly, the requirement of intent sets a floor below which no amount of conduct short of direct infringement will suffice. Only those who intend at least the physical acts that constitute infringement will be liable; neither those who merely know of infringement without intending to encourage it nor those who idly suggest a course of action without any desire that it actually occur will be held liable under the law. The resulting balancing of conduct and intent above certain minimum levels is similar to the current legal standard applied to inequitable conduct.⁷⁸ Table 1 offers a stylized depiction of how this approach might work.

Table 1

Conduct	Level of Intent Required
Direct infringement	None
Causing infringement	Knowledge of acts caused
Assisting infringement	Knowledge plus intent to infringe patent
Mere sale of product	No inducement liability

This framework leaves us only with the puzzle of what to do about corporate officers and directors.⁷⁹ So far, no case has found them liable on a theory of vicarious infringement merely for the acts of the companies they run. Officers can be liable for direct infringement if they themselves infringe a patent, and for inducement if they in fact intentionally take specific steps to

statute seems clearly to distinguish between activity and passivity in defining inducement, and courts are not free to ignore that distinction.

⁷⁸ See *J.P. Stevens v. Lex Tex, Ltd.*, 747 F.2d 1553 (Fed. Cir. 1984).

⁷⁹ See Oswald, *supra* note ___, at 1.

cause another to infringe,⁸⁰ but their status within the company does not seem to subject them to liability for its acts absent specific intent to infringe a patent.⁸¹ This seems a reasonable application of the doctrine of the corporate veil. Holding an officer liable for the acts of the corporation is generally impermissible in tort and contract law so long as the corporation is a legitimate one.⁸² Where the officer herself has acted to cause or encourage the company to infringe, liability is possible, but ought to be circumscribed where the officer acts reasonably – an approach akin to the “business judgment” rule in corporate law.⁸³ Where the officer deliberately causes the corporation to infringe a patent of which she is aware, by contrast, there seems less reason to protect her.⁸⁴ The Federal Circuit decisions that discuss the issue seem to

⁸⁰ See *Orthokinetics v. Travel Safety Chairs*, 806 F.2d 1565, 1578-79 (Fed. Cir. 1986) (finding liability for both direct infringement and inducement on the part of corporate employees who actually designed the infringing device, and who were the only ones who stood to benefit from its sale); *Insituform v. CAT Contracting*, 385 F.3d 1360, 1375 (Fed. Cir. 2004).

⁸¹ See *Ferguson Beauregard/Logic Controls v. Mega Systems, LLC*, 350 F.3d 1327 (Fed. Cir. 2003); *Manville Sales v. Paramount Sys.*, 917 F.2d 544 (Fed. Cir. 1990); *Hoover Group v. Custom Metalcraft*, 84 F.3d 1408 (Fed. Cir. 1996).

⁸² This is the so-called “corporate veil,” which the law will pierce only if the corporation is not validly formed or if the officer has personally participated in the unlawful acts. For a general discussion in the context of patent law, see *Braintree Labs, Inc. v. Nephro-Tech, Inc.*, 81 F. Supp. 2d 1122, 1132 (D. Kan. 2000); Lynda J. Oswald, *The Personal Liability of Corporate Officers for Patent Infringement*, 44 **IDEA** 1 (2003); Kevin Flannery & Gary Levin, *Personal Liability of Corporate Officers for Patent Infringement by Their Corporations*, 65 **Pa. B. Ass’n Q.** 33, 34 (1994).

⁸³ That rule establishes a presumption that, in making business decisions, the disinterested directors of a corporation act on an informed basis, in good faith and in the honest belief that the action taken is in the best interests of the company. See *Aronson v. Lewis*, 473 A.2d 805, 812 (Del.1984).

Oswald notes that part of the confusion in these cases stems from the fact that most cases involving officer liability have been small, closely-held corporations in which the officers were also participants in the act of infringement. Oswald, *supra* note __, at 30. This makes it more difficult to sort out an individual’s liability for direct infringement, her liability for inducing the company to infringe, and her liability for the acts of the company notwithstanding the corporate veil. And the cases have not always been clear in drawing these distinctions.

⁸⁴ *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 481 (Fed. Cir. 1985).

require the higher, *Manville* level of intent to hold corporate officers liable, regardless of how connected they are to the act of infringement.⁸⁵ Corporate insider cases, then, seem to fall outside the framework of the stepped scale, and require greater evidence of intent in order to protect the corporate form and insulate officers and directors from unreasonable risk of liability.⁸⁶

This balancing approach may have the virtue of explaining many of the cases that have come down on one side or the other of the Federal Circuit's divided jurisprudence. For example, in *OpenTV v. Liberate Technologies*, the court applied the stricter standard of *Manville Sales*.⁸⁷ That approach made sense in the context of that case, where the defendant was accused only of participating in a demonstration of a video-on-demand system. The demonstration was orchestrated by others, and the fact that OpenTV provided technical assistance, standing alone, was insufficient connection to the infringement to warrant reducing the level of intent required.

Whether my approach succeeds in explaining district court cases or not, however, I think it is the right approach. The Federal Circuit will one day soon have to face the apparent conflicts in its inducement caselaw. It is not enough to "look away from precedents and let your

⁸⁵ See, e.g., *Micro Chemical Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250, 1261 (Fed. Cir. 1999) ("Officers of an allegedly infringing corporation can be held personally liable for actively inducing infringement . . . only if they 'knew or should have known their actions would induce actual infringements [quoting *Manville*]."); *Ferguson Beauregard/Logic Controls v. Mega Systems, LLC*, 350 F.3d 1327, 1342 (Fed. Cir. 2003) (relying on *Manville* and distinguishing *Hewlett-Packard* to reject an officer's liability).

⁸⁶ See Oswald, *supra* note __, at 2-3 (arguing that the Federal Circuit instinctively sees this point, and its opinions reach that result, though its language doesn't make the standard clear). *Orthokinetics* might be an exception. The court there disparaged the idea that an officer must act willfully to face liability for infringement. 806 F.2d at 1578. But in that case the court found the officers liable for direct infringement as well as inducement, so it may be understandable that it set a lower threshold for intent.

⁸⁷ *OpenTV v. Liberate Technologies*, No. C 02-00655 SBA (N.D. Cal. Jan. 8, 2003).

conscience be your guide.”⁸⁸ The stepped-scale balancing approach can reconcile the Federal Circuit’s caselaw in a way that makes logical sense, and that doesn’t require repudiating its existing decisions. Clarifying the law in this way would help both litigants and courts.

⁸⁸ Rich, *supra* note ___, at 538.