



DATE DOWNLOADED: Sun Sep 6 16:39:08 2020

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Citations:

Bluebook 21st ed.

Nicolas Neilsen, *Commil USA, LLC v. Cisco Systems, Inc.*, 20 INTELL. PROP. L. BULL. 119 (2016).

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Nicolas Neilsen, "Commil USA, LLC v. Cisco Systems, Inc." (2016) 20 *Intell Prop L Bull* 119

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Commil USA, LLC v. Cisco Systems, Inc. 135 S. Ct. 1920 (2015)

NICOLAS NEILSEN*

BACKGROUND

This case centers on liability for patent infringement under 35 U.S.C. § 271(b). Section 271 imposes liability upon any party who “actively induces infringement of a patent”¹ Plaintiff-Petitioner Commil USA, LLC, (“Commil”) is the patent holder of patent no. 6,430,395 (“patent”) for a method which implements faster and more reliable communications between various electronic devices, by way of short-range wireless networks. Defendant-Respondent Cisco Systems, Inc. (“Cisco”) produces and sells similar wireless networking equipment. In 2007, Commil brought this action against Cisco, alleging both direct and induced infringement. The direct infringement claim stemmed from Cisco’s development and use of networking equipment that allegedly directly infringed Commil’s patent. Commil also alleged that Cisco induced others to infringe the patent when it sold the infringing equipment to other users.

PROCEDURAL HISTORY

In 2007, Commil filed suit against Cisco in the United States District Court for the Eastern District of Texas, alleging that Cisco manufactured and used network equipment that implemented short-range wireless networks, directly infringing Commil’s patent. In addition to direct infringement, Commil alleged Cisco induced others to infringe its patent by selling the infringing equipment. At the district court trial, the jury found that Commil had a valid patent and that Cisco directly infringed the patent. The jury awarded Commil \$3.7 million in damages for the direct infringement, but did not find Cisco liable for induced infringement. Commil moved for a new trial regarding induced infringement and also sought damages for inappropriate comments made during the trial by Cisco’s counsel.

The new trial (“second trial”) was granted in 2011 to address induced infringement and damages. In the second trial, Cisco sought to introduce evidence of a good-faith belief that Commil’s patent was invalid. However, the district court did not admit Cisco’s evidence. In the second trial, the district court instructed the jury that it could find induced infringement based on a negligence standard instead of a knowledge standard,

* Mr. Neilsen is a 2018 JD/ MBA candidate at the University of San Francisco.

1 35 U.S.C. 271(b) (2010).

specifically that Cisco “knew or should have known that its actions would induce actual infringement.”² Using the negligence standard, the jury found Cisco liable for induced infringement and awarded Commil \$63.7 million in damages.

During this time, the Supreme Court decided *Global-Tech v. SEB*,³ holding knowledge on the part of the alleged infringer was required for the induced acts to constitute patent infringement. Cisco appealed to the United States Court of Appeals for the Federal Circuit with this holding in mind and argued that the district court erred when it instructed the jury to find induced infringement with a negligence standard. The Federal Circuit held that the district court erred in its instructions and that Cisco’s evidence of a “good-faith belief of invalidity may negate the requisite intent for induced infringement.”⁴

Commil then appealed to the United States Supreme Court. The Court granted certiorari to decide the validity of the Federal Circuit’s holding.

ISSUE

The Supreme Court previously held, in *Global-Tech v. SEB*,⁵ that induced patent infringement requires knowledge that the induced acts constitute patent infringement. However, the Court granted certiorari to decide if a defendant’s good-faith belief in the invalidity of a patent is a defense to a claim of induced infringement.

DECISION

Justice Kennedy wrote the majority opinion which vacated and remanded the Federal Circuit’s holding. The Supreme Court found Cisco liable for induced infringement and held that an accused infringer’s good-faith belief of patent invalidity is not a defense to induced infringement. In its decision, the majority outlined four considerations for not allowing a good-faith belief defense. Justice Scalia, joined by Chief Justice Roberts, dissented, writing that it is impossible to induce actions to infringe a patent when there is a good-faith belief that the patent cannot be infringed. Justice Breyer took no part in the consideration or decision of the case.

REASONING

The Supreme Court held that an accused infringer’s good-faith belief that a patent is invalid is not a defense to a claim of induced infringement. In an attempt to reaffirm the knowledge requirement of *Global-Tech*, the Court provided four reasons for its decision:

First, the knowledge requirement (“scienter”) for induced

2 *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1925 (2015).

3 *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011).

4 *Commil USA, LLC*, 135 S. Ct. at 1925.

5 563 U.S. 754 (2011).

infringement, concerns knowledge of infringement – not validity of the patent. Rather, a patents validity should be decided before the infringement stage. The Court acknowledged that infringement and validity are separate matters under patent law. It would conflate the issues of infringement and validity if the Court were to interpret § 271(b)⁶ to permit a defense against infringement based on a belief in invalidity.

Second, the crux of the separation between infringement and validity is that patents are presumed valid and defendants must meet a clear and convincing standard set by Congress to rebut this presumption. Furthermore, the Court reasoned that a claim of infringement requires patent validity. The alternative, to require knowledge of patent validity as a predicate for infringement, would undermine the long-held belief that patents are presumed valid until proven invalid by clear and convincing evidence. Allowing a good-faith defense to negate the required scienter element of infringement would drastically undermine Congress' intent in creating the clear and convincing standard to show patent invalidity.

Third, and arguably most important, the Court reasoned that alleged infringers have numerous avenues to obtain a ruling of patent invalidity. A party can request a declaratory judgment from a federal court declaring a patent invalid. A party can also seek inter partes review at the Patent Trial and Appeal Board and receive a validity decision shortly thereafter. Finally, a party can also seek ex parte reexamination of the patent by the U.S. Patent and Trademark Office, as Cisco did in this case a month before the second trial. The Court reasoned that the multiple avenues accused inducers have to obtain an invalidity ruling for a patent solidifies Congress' expressed separation between infringement and validity.

Lastly, the Court expressed its concern that adopting a different standard would add an undue burden on litigation by incentivizing defendants to argue all possible theories of patent invalidity. Due to this substantial burden of proving invalidity, accused inducers would rely on the good-faith belief, rather than defend against infringement, which could lead to increased discovery costs and multiple issues for juries to decide. Further, the Court recognized that the American legal system can hold a party liable even if the actor lacked knowledge that the conduct violated the law.

Due to these considerations, the majority decided that a good-faith belief of invalidity is not a defense against a claim of induced infringement.

Justice Scalia, joined by Chief Justice Roberts, dissented, writing that only valid patents can be infringed, and that “it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he knows will infringe it.”⁷ Induced infringement requires knowledge that the induced act constitutes patent infringement. Therefore, if a party believes

6 35 U.S.C. 271(b) (2010).

7 *Commil USA, LLC*, 135 S. Ct. at 1931. (emphasis added).

that it cannot infringe a patent because it is invalid, they would lack the requisite mental state. Only valid patents can be infringed. In the eyes of the dissent, a good-faith belief that a patent is invalid is therefore, a proper defense to induced infringement.