When a company is sued for selling something patented by someone else, it does not matter if the company believed the patent is invalid.

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patent validity is not a defense to a claim of induced infringement. Writing for the majority, Justice Anthony Kennedy explained, “The scienter element for induced infringement concerns infringement; that is a different issue than validity.” Id. The Court noted the “long-accepted truth—perhaps the axiom—that infringement and invalidity are separate matters under patent law.” Id.


Only Actual Invalidity Is a Defense

Further, the Court explained if a company correctly believes a patent is invalid, it can get a ruling to that effect to protect itself. The company “can file a declaratory judgment action asking a federal court to declare the patent invalid [...] seek inter partes review at the Patent and Trial Board [...] or seek ex parte reexamination of the patent by the Patent and Trademark Office.” 135 S.Ct. at 1929 (cites omitted; italics in original); see also 35 U.S.C. §§ 302, 316. Moreover, the company can prove actual invalidity as an affirmative defense to patent infringement or inducement at trial. 35 U.S.C. § 282(b)(2).

A Good-Faith Defense Would Increase Litigation

Finally, the Court explained that allowing a defense of good-faith belief of invalidity to inducement would make litigation more burdensome. A company accused of inducement “would have an incentive to put forth a theory of invalidity and could likely come up with a myriad of arguments.” 135 S.Ct. at 1929–30. “The need to respond to the defense will increase discovery costs and multiply the issues the jury must resolve.” Id. at 1930. And the jury would have the difficult task of separating the defendant’s belief regarding validity from actual validity.

Tips for Patent Holders and Nonpatent Holders

The Supreme Court made a bright line rule: When a company is sued for selling something patented by someone else, patent invalidity is a defense, but a good-faith belief of invalidity is irrelevant. So what can the company or nonpatent holder do to avoid liability? Successfully challenge the validity of the patent before selling the item. Or if it is too late for that, confirm invalidity before the end of the lawsuit. What can the company do about a frivolous suit? Seek sanctions including attorney fees. Conversely, what can the patent holder do to protect the patent, but avoid sanctions and fees? Only bring bona fide cases of infringement and inducement of infringement.

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Notes

1. Economy, Innovation & Entrepreneurship, 2015 Silicon Valley Index, 30.
2. This case is so important in the field of patent infringement it was cited 169 times between the date it was decided, May 26, 2015, and the date this article was written, October 11, 2015.
3. Justice Clarence Thomas joined the majority opinion in part. But Justice Stephen Breyer took no part in the case. And Justice Antonin Scalia wrote a dissenting opinion in which Chief Justice John Roberts joined. According to Justice Scalia: “Because only valid patents can be infringed, anyone with a good-faith belief in a patent’s invalidity necessarily believes the patent cannot be infringed. And it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he knows will infringe it. A good-faith belief that a patent is invalid is therefore a defense to induced infringement of that patent.” Id. at 1931 (italics in original).