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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When a company invents something new, it may register a patent for it. A United States patent is the right to exclude others from making, using, selling, or importing the invention into the United States for a limited time, usually twenty years. Patent registration tracks the generation and dissemination of new ideas. With visionary and commercial giants like Apple and Google in our backyard, and innovative startups in our garages, it is not surprising that 16,975, or 52.3 percent, of California's patents were registered in Silicon Valley and San Francisco in 2013 alone.[1] With so many registrations each year, it is inevitable companies will bump up against each other's patents.

When a company makes or uses an invention patented by another without license or permission, the company infringes on the patent. 35 U.S.C. § 271(a). When the company sells the invention to others to use, the company is inducing infringement on the patent. 35 U.S.C. § 271(b). When the patent holder sues the company for infringement or inducing infringement, the patent is presumed valid. But if the company can prove the patent was invalid, it is a complete affirmative defense to the lawsuit. This raises the question: is a good-faith belief a patent is invalid also a defense? The answer is no. The United States Supreme Court recently addressed this in a case of first impression, *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S.Ct. 1920, 1928 (2015).[2]

Commil USA, LLC, is the patent holder for a method of implementing short-range wireless networks. Commil sued Cisco Systems, Inc., for patent infringement and inducement, claiming Cisco made and used the patented equipment and sold it to others to use. As a defense to the claim of inducement, Cisco argued it had a good-faith belief Commil's patent was invalid. However, the district court excluded the evidence to support the good-faith defense. A jury returned a verdict for Commil on both counts, and awarded more than $63 million in damages. The court of appeal reversed and remanded in part, holding the district court erred in excluding Cisco's good-faith evidence. But the Supreme Court reversed the court of appeal and affirmed the district court's exclusion of evidence.

A Patent Is Presumed Valid

The Supreme Court held a defendant's belief regarding

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."[3] *Id*. The Court noted the "long-accepted truth—perhaps the axiom—that infringement and invalidity are separate matters under patent law." *Id*. The Court found the Patent Act separates the issues of infringement and validity. "Under the Patent Act and the case law before it, a patent is 'presumed valid.'" *Id*.; see also 35 U.S.C. § 282(a).

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).