

Culpable Mental States in Intellectual Property Cases: An Emerging, Common Law-Like Uniformity

By David G. Barker

Last year, in *Therasense, Inc. v. Becton, Dickinson & Co.*,¹ the Federal Circuit took a step toward ending what had become a “plague” in patent litigation, by deciding that negligence was no longer sufficient to prove patent inequitable conduct. But the court also took another step toward creating a more uniform jurisprudence across intellectual property law for causes of action that require proof of a culpable mental state.

The Supreme Court² has spurred an evolution toward a more uniform, common law-like proof of a culpable mental state implicated by a cause of action. If a cause of action requires intent, for example, recklessness and negligence should not be sufficient for liability. Similarly, if a cause of action requires recklessness, negligence should not suffice.³ The common law of torts highlights the differences between intent, recklessness, and negligence:

A person acts with the *intent* to produce a consequence if:

- (a) the person acts with the purpose of producing that consequence, or
- (b) the person acts knowing that the consequence is substantially certain to result.⁴

A person acts *recklessly* in engaging in conduct if:

- (a) the person knows of the risk of harm created by the conduct or knows facts that make the risk obvious to another in the person’s situation, and
- (b) the precaution that would eliminate or reduce the risk involves burdens that are so slight relative to the magnitude of the risk as to render the person’s failure to adopt the precaution a demonstration of the person’s indifference to the risk.⁵

A person acts *negligently* if the person does not exercise reasonable care under all the circumstances. Primary factors to consider in ascertaining whether the person’s conduct lacks reasonable care are the foreseeable likelihood that the person’s conduct will result in harm, the foreseeable severity of any harm that may ensue, and the burden of precautions to eliminate or reduce the risk of harm.⁶

The Supreme Court recently confirmed that general tort law determines the level of culpability that applies for a tort created by Congress.⁷ Following the Supreme Court’s lead, the Federal Circuit has begun more uniformly requiring common law-like proof of the culpable mental state implicated in a cause of action.

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Perhaps, then, *Therasense* was predictable, if not inevitable. Possibly the Federal Circuit was motivated by the inconsistent culpable mental state decisions in other areas of intellectual property law. Possibly it was motivated by the plague inequitable conduct had become. Or maybe it was motivated by the Supreme Court’s recent penchant for patent cases.⁸ Regardless, the Federal Circuit had good timing. One week after *Therasense*, the Supreme Court, in *Global-Tech Appliances, Inc. v. SEB S.A.*,⁹ held that neither negligence nor recklessness was sufficient to prove the intent required for induced patent infringement. So in one week, culpable mental state law saw two more barriers to uniformity fall. This emerging uniformity requires common law-like proof of the culpable mental state implicated in a cause of action.

Part I discusses two Supreme Court decisions and two Federal Circuit decisions that elucidated this emerging uniformity. Part II discusses how *Therasense* contributes to further uniformity by requiring proof of intent for patent inequitable conduct, and not just proof of negligence. Part III discusses *Global-Tech* and the Supreme Court’s affirmation that common law-like proof should be required, and that negligence or recklessness cannot prove the knowledge required for induced patent infringement.

Part I: Uniform Common Law-Like Proof Emerges

The Supreme Court recently confirmed that “when Congress creates a federal tort it adopts the background of general tort law.”¹⁰ And where the federal tort is an intentional tort, “as distinguished from negligent or reckless torts, [it is generally required] that the actor intend the consequences of an act, not simply the act itself.”¹¹ Two Supreme Court and two Federal Circuit decisions elucidated an emerging uniformity: common law-like proof is required for a culpable mental state implicated in a cause of action.

Willful Violation of the Fair Credit Reporting Act

In *Safeco Insurance Co. v. Burr*,¹² the Supreme Court decided what proof sufficed for a “willful” violation of the Fair Credit Reporting Act (FCRA).¹³ Deciding the meaning of “willful,” the court relied on the general rule that “a common law term in a statute comes with a common law meaning, absent anything pointing another way.”¹⁴

The FCRA states, “any person [who] takes any adverse action with respect to any consumer that is based in whole or in part on any information contained in a consumer report” must notify the consumer.¹⁵ For negligent violations of the FCRA, the consumer may receive actual damages from the offending business.¹⁶ If the violation is willful, however, consumers may receive actual or statutory damages ranging from \$100–\$1,000, or even punitive damages.¹⁷ The Supreme Court held that a willful violation of the FCRA may be shown by proving the

defendant recklessly disregarded or recklessly violated the FCRA: “[W]here willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well.”¹⁸

The court found no reckless violation and stated that proof of recklessness involves an objective common law-like standard: “action entailing an unjustifiably high risk of harm that is either known or so obvious that it should be known.”¹⁹ Safeco’s reading of the FCRA was erroneous, but not objectively unreasonable, so there was no willful violation. A knowing violation of the FCRA, or objective proof of recklessness, is required to prove a “willful” culpable mental state under the FCRA.

Knowing Violation of the False Claims Act

The False Claims Act (FCA) defines a “knowing” violation by “actual knowledge,” “deliberate ignorance,” or “reckless disregard.”²⁰ These definitions in the FCA were enacted at least partially in response to the Supreme Court’s decision in *Allison Engine Co. v. United States ex rel. Sanders*.²¹ Previously, the FCA imposed liability on any person who “knowingly makes . . . a false record or statement to get a false or fraudulent claim paid or approved by the Government.”²² In *Allison Engine*, the court held that, for a knowing violation, a plaintiff must show the defendant possessed specific intent to “get the Government to pay [a] claim.” If the defendant made a fraudulent statement but did not expect the government to pay a claim, the FCA was not violated.²³ Now the “get the Government to pay” element is no longer in the FCA—the false statement must only be “material to a false claim”—and the FCA explicitly excludes “proof of explicit intent” from the definition of a knowing violation.²⁴ But *Allison Engine* furthered uniformity by requiring common law-like proof of the culpable mental states implicated in the FCA.

Fraud on the USPTO in Trademark Cases

The Federal Circuit signaled its intent to follow the Supreme Court’s lead in *In re Bose Corp.*²⁵ A party alleging fraud committed by a trademark applicant or registrant must show the applicant/registrant made a false statement of material fact with the intent to deceive the United States Patent and Trademark Office (USPTO).²⁶ Mere negligence—that the defendant “should have known” of the falsity—is not sufficient.

But until *Bose*, the intent element of fraud could be satisfied by proving negligence, in contrast to common law proof of intent. Under Trademark Trial and Appeal Board precedent in *Medinol Ltd. v. Neuro Vasx, Inc.*,²⁷ intent could be proven by showing the registrant knew or “should have known” he was making a false statement of material fact.²⁸ And after *Medinol*, this negligence standard resulted in virtually every registration being cancelled that was challenged based on an incorrect identification of goods or services, without any requirement to prove actual intent to deceive the USPTO.²⁹

Now, proof of fraud is more common law-like: specific, subjective intent must be shown in order to cancel a registration based on trademark fraud. The Federal Circuit held in *Bose* that a trademark is obtained fraudulently “only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the [USPTO].” Indeed, the Federal Circuit

stated that the “deception must be willful to constitute fraud”³⁰—simple or gross negligence is not sufficient to show an intent to deceive. The court continued, saying “intent can be inferred from indirect and circumstantial evidence. But such evidence must still be clear and convincing, and inferences drawn from lesser evidence cannot satisfy the deceptive intent requirement.”³¹ *Bose* signified that the Federal Circuit was following the Supreme Court’s lead in requiring common law-like proof of the culpable mental state implicated in a cause of action.

Willful Patent Infringement

The emerging common law-like uniformity also is evident in the context of willful patent infringement. A defendant who deliberately infringes a patent or infringes a patent in bad faith may be held liable for willfully infringing the patent. The plaintiff must show by clear and convincing evidence that the defendant acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.³²

In *In re Seagate Technology*, the Federal Circuit explained that a plaintiff alleging willful infringement must satisfy a threshold inquiry—that an objectively high likelihood of infringement existed. If the plaintiff meets this threshold showing, the plaintiff must then show that the risk of infringement was either known to the defendant or so obvious that the defendant should have known of the risk.³³ *Seagate*’s “known or so obvious” standard for proving a “willful” culpable mental state for patent infringement complies with the Supreme Court’s similar standard in *Safeco* for a willful violation of the FCRA. It also agrees with the Restatement’s definition of recklessness, contributing to common law-like uniformity for proof of culpable mental states.³⁴

Part II: Therasense Unifies Further and Ends the Patent Inequitable Conduct “Plague”

Until *Therasense*, Federal Circuit law regarding proof of the culpable mental state implicated in patent inequitable conduct represented a stark departure from common law-like proof.

The patent regulations provide a basis for claims of inequitable conduct: “[N]o patent will be granted on an application in connection with which fraud on the [USPTO] was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct.”³⁵ A party asserting inequitable conduct must initially show a failure to disclose material information, or that materially false information was disclosed. Then it must prove that the patentee had an intent to deceive the USPTO.³⁶

Before *Therasense*, if the undisclosed or fraudulently disclosed information was material, that may have been the only inquiry. For if materiality was sufficiently high, intent to deceive could be inferred.³⁷ So intent was at least sometimes irrelevant in determining fraud on the USPTO.³⁸ If intent came into the analysis, it could be shown through negligence—that the patentee knew or “should have known” that the information was either material or materially false.³⁹ This balancing act departed from the common law definition of “intent,” going against the emerging uniformity.

And the result was costly to patent owners and the judicial system. More than 20 years ago, the Federal Circuit noted that

the “habit of charging inequitable conduct in almost every major patent case has become an absolute plague” in patent litigation.⁴⁰ Although attempts were made from time to time to ameliorate the plague,⁴¹ more recent Federal Circuit decisions had been exacerbating the problem.⁴²

But *Therasense* expressly rejected the “should have known” standard for proving intent, holding that “clear and convincing evidence must show that the applicant made a deliberate decision to withhold a known material reference[—]that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it.”⁴³ The court also did away with the “sliding scale” that had been applied to infer intent if the withheld evidence was sufficiently material. So inferring intent from materiality is no longer appropriate, but because “direct evidence of deceptive intent is rare,” circumstantial evidence of intent to deceive is acceptable. “[T]he specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence,” and “when there are multiple reasonable inferences that may be drawn, intent to deceive cannot be found.”⁴⁴

In *Therasense*, the patentee did not disclose arguments it had made to the European Patent Office (EPO) in a related European application. The district court inferred an intent to deceive based on materiality and the lack of a good faith explanation for failing to disclose the arguments submitted to the EPO. And the district court used the now-reversed “knew or should have known standard” for determining intent to deceive. The Federal Circuit vacated the finding of inequitable conduct, undid the “atomic bomb”⁴⁵ for the patent at issue, and further unified the law by requiring common law-like proof of the culpable mental state implicated in inequitable conduct.

Part III: *Global-Tech* Affirms that Common Law-Like Proof Should Be Required for Culpable Mental States, Clarifying Induced Patent Infringement

“Whoever actively induces infringement of a patent shall be liable as an infringer.”⁴⁶ To prove active inducement, the plaintiff must first show that there has been direct infringement of a patent. Second, the plaintiff must show that “the alleged infringer knowingly induced infringement.” Third, the plaintiff must show that the defendant “possessed specific intent to encourage another’s infringement.” The second and third elements implicate a culpable mental state of knowledge and intent, and the plaintiff bears the burden of proving these elements.⁴⁷ In *Broadcom Corp. v. Qualcomm, Inc.*, the Federal Circuit held the defendant “must have known or *should have known* tha[t] its action would cause the direct infringement.”⁴⁸ Thus, prior to *Global-Tech*, a plaintiff could show merely that the defendant was negligent—that the defendant “should have known” that its actions would cause the infringement—instead of proving knowledge and intent.

Then, in *SEB S.A. v. Montgomery Ward & Co.*, the Federal Circuit held that knowledge existed if the plaintiff proved the defendant “deliberately disregarded a known risk [of] a protective patent.”⁴⁹ In *SEB*, the defendant copied SEB’s product but did not attempt to find out if SEB had a patent that covered the product. The defendant requested a right-to-use opinion from counsel, but did not notify its counsel that the defendant

had copied SEB’s product. Intentionally copying of SEB’s product and failing to properly inform the opinion counsel of copying were sufficient for deliberate indifference.⁵⁰ So under *SEB*, induced infringement could have been shown by proving recklessness, rather than by proving knowledge and intent.

But, in *Global-Tech*, the Supreme Court affirmed that common law-like proof was required, rejecting *Broadcom*’s “knew or should have known”—negligence—standard and *SEB*’s “deliberate indifference”—recklessness—standard.⁵¹ The court first noted that the induced infringement statute did not specifically require intent. It also noted that the case law was “less clear than one might hope.”⁵² But utilizing law regarding “contributory infringement,” the court held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.”⁵³

The court then went on to affirm the result in *SEB*, while rejecting its “deliberate indifference” alternative to proving intent. The court first found that the alleged inducer “was indisputably aware that its customers were selling its product in this country.”⁵⁴ Then the court found the alleged inducer “willfully blinded itself to the infringing nature of the sales.”⁵⁵ The court stated that “willful blindness is well established in criminal law,” and, “[g]iven the long history of willful blindness and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement.”⁵⁶ Although Justice Kennedy, the sole dissenter, agreed that induced infringement required knowledge of patent infringement, he disagreed that willful blindness was sufficient to supplant knowledge: “Willful blindness is not knowledge; and judges should not broaden a legislative proscription by analogy.”⁵⁷

The court thus required common law-like proof that “surpasses recklessness and negligence.” For willful blindness to exist, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” In other words, “a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.”⁵⁸

Evidence of willful blindness in this case included direct copying of a successful product, extensive market research regarding the product, and deliberate copying of a non-U.S. model of the successful product, where the copier was “well aware that products made for overseas markets usually do not bear U.S. patent markings.” But the court found “[e]ven more telling” the fact that the infringer requested a right-to-use opinion for the copied product without telling the attorney that the product had actually been copied from another product. This evidence was “more than sufficient” to find the infringer “subjectively believed there was a high probability” the copied product was patented, that the infringer “took deliberate steps to avoid knowing that fact, and that it therefore willfully blinded itself to the infringing nature of” the copied product.⁵⁹

The court affirmed that common law-like proof should be required for culpable mental states. For induced infringement that mental state is intent or knowledge, and neither negligence nor recklessness is sufficient to show intent or knowledge. And, based on the seemingly broad analogy to criminal law, it

will be interesting to see whether “willful blindness”—which “surpasses recklessness and negligence”⁶⁰—is adopted in other areas of federal civil litigation where knowledge and intent are the implicated culpable mental states.

Conclusion

The Supreme Court’s decisions in *Safeco* and *Allison Engine* showed an emerging uniformity in common law-like proof of culpable mental states. The Federal Circuit has contributed to that uniformity in the context of willful patent infringement, trademark fraud, and—more recently—patent inequitable conduct. Specifically, *Seagate* requires proof of recklessness for willful patent infringement, *Bose* requires proof of specific intent for trademark fraud, and *Therasense* requires proof of intent and knowledge for patent inequitable conduct. In these cases, the Federal Circuit adopted common law-like proof of the implicated culpable mental states.

Most recently, the Supreme Court strengthened the uniformity by clarifying the proof required for induced patent infringement. In *Global-Tech*, the Supreme Court said neither a negligence—“knew or should have known”—standard, nor a recklessness—“deliberate indifference”—standard, was sufficient to prove knowledge or intent. Rather, if actual knowledge cannot be shown, a plaintiff must at least show willful blindness.⁶¹ This emerging uniformity agrees with the common law of torts that distinguishes between elements of proof required for intent, recklessness, and negligence. ■

Endnotes

- 649 F.3d 1276, 1289 (Fed. Cir. 2011) (en banc).
- David G. Barker & Scott C. Sandberg, Update on Culpable Mental States and Related Ethical and Privilege Implications in Federal Civil Litigation, Address at ABA Business Law Section Spring Meeting, Denver, Colo. (Apr. 23, 2010).
- In re Bose Corp.*, 580 F.3d 1240, 1243–45 (Fed. Cir. 2009) (rejecting negligence where intent required to prove fraud).
- RESTATEMENT (THIRD) OF TORTS: LIAB. FOR PHYSICAL & EMOTIONAL HARM § 1 (2010) (emphasis added).
- Id.* § 2 (emphasis added).
- Id.* § 3 (emphasis added).
- Staub v. Proctor Hosp.*, 131 S. Ct. 1186, 1191 (2011); *Safeco Ins. Co. v. Burr*, 551 U.S. 47, 58 (2007).
- See, e.g., Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238 (2011); *Bilski v. Kappos*, 130 S. Ct. 3218 (2010); *Prometheus Labs. v. Mayo Collaborative Servs.*, 628 F.3d 1347 (Fed. Cir. 2010), *cert. granted*, 131 S. Ct. 3027 (2011); *Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010), *cert. granted*, 131 S. Ct. 3064 (2011).
- 131 S. Ct. 2060 (2011).
- Staub*, 131 S. Ct. at 1191.
- Id.* (emphasis and internal quotation marks omitted).
- 551 U.S. 47 (2007).
- 15 U.S.C. §§ 1681a(k)(1)(B)(i), 1681m(a), 1681n(a) (2006).
- Safeco*, 551 U.S. at 58.
- 15 U.S.C. § 1681m(a).
- 15 U.S.C. § 1681o(a).
- 15 U.S.C. § 1681n(a).
- Safeco*, 551 U.S. at 57.
- Id.* at 68–69 (internal quotation marks omitted).
- 31 U.S.C. § 3729(b)(1); *see United States ex rel. K&R Ltd. P’ship v. Mass. Hous. Fin. Agency*, 530 F.3d 980, 983 (D.D.C. 2008) (citing *Safeco*; discussing “reckless disregard” under the FCA).
- 553 U.S. 662 (2008); *see United States v. Sci. Applications Int’l*

Corp., 653 F. Supp. 2d 87, 104–09 (D.D.C. 2009) (discussing revisions to the FCA in response to *Allison Engine*).

- Allison Engine*, 553 U.S. at 666.
- Id.* at 671–72.
- 31 U.S.C. § 3729(a)(1)(B), (b)(1).
- 580 F.3d 1240 (Fed. Cir. 2009).
- See id.* at 1243.
- 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).
- Id.* at 1211–10.
- See Jennifer Lee Taylor, New Fraud Standard for Trademark Proceedings*, INTELL. PROP. TODAY, Oct. 2009, at 21.
- Bose*, 580 F.3d at 1243–45.
- Id.* at 1245.
- In re Seagate Tech.*, 497 F.3d 1360, 1370–71 (Fed. Cir. 2007) (en banc).
- Id.* at 1371.
- RESTATEMENT (THIRD) OF TORTS: LIAB. FOR PHYSICAL & EMOTIONAL HARM § 2 (2010) (“the person knows of the risk of harm created by the conduct or knows facts that make the risk obvious to another in the person’s situation”).
- 37 C.F.R. § 1.56(a).
- See, e.g., Kingsdown Med. Consultants v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988).
- See McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 918 (Fed. Cir. 2007).
- See Kate McElhone, Inequitable Conduct: Shifting Standards for Patent Applicants, Prosecutors, and Litigators*, 17 TEX. INTELL. PROP. L.J. 385, 389 (2009).
- See Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1184 (Fed. Cir. 2006).
- Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).
- See, e.g., Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008) (cautioning that “courts must be vigilant in not permitting the defense [of inequitable conduct] to be applied too lightly”); *Kingsdown*, 863 F.2d at 872 (noting that intent to deceive must be proven by clear and convincing evidence).
- See, e.g., McKesson*, 487 F.3d at 913–18.
- Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc) (emphasis omitted).
- Id.* at 1290–91 (internal quotation marks omitted).
- Id.* at 1288 (noting that “the remedy for inequitable conduct is the ‘atomic bomb’ of patent law . . . [because] inequitable conduct regarding any single claim renders the entire patent unenforceable”).
- 35 U.S.C. § 271(b) (2006).
- Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683, 697–98 (Fed. Cir. 2008).
- Id.* at 698 (alteration in original) (emphasis added).
- SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1376–77 (Fed. Cir. 2010) (noting that “‘deliberate indifference’ is not necessarily a ‘should have known’ standard”).
- Id.* at 1377.
- Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2071 (2011).
- Id.* at 2065–66.
- Id.* at 2068. Prior to the 1952 Patent Act, which codified induced infringement in 35 U.S.C. § 271(b) and contributory infringement in 35 U.S.C. § 271(c), both types of infringement were “viewed as falling within the overarching concept of ‘contributory infringement.’” *Global-Tech*, 131 S. Ct. at 2066. In *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (“*Aro II*”), the Supreme Court held that Congress intended to codify pre-1952 law regarding intent for contributory infringement into the 1952 Patent Act. *Global-Tech*, 131 S. Ct. at 2067–68. Relying on the fact that both types of infringement were treated under the same umbrella before 1952, the Supreme Court concluded that *Aro II* and stare decisis dictated the same intent for contributory and induced infringement. *Global-Tech*, 131 S. Ct. at 2068.

54. *Global-Tech*, 131 S. Ct. at 2070.

55. *Id.* at 2071.

56. *Id.* at 2068–69.

57. *Id.* at 2072 (Kennedy, J., dissenting).

58. *Id.* at 2070–71; compare RESTATEMENT (THIRD) OF TORTS: LIAB. FOR PHYSICAL & EMOTIONAL HARM § 1 (“A person acts with the intent to produce a consequence if . . . the person acts knowing that the consequence is substantially certain to result.”).

59. *Global-Tech*, 131 S. Ct. at 2071–72.

60. *Id.* at 2070.

61. *Id.* at 2070–71.