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USA: Trends & Developments
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Trends and Developments

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Pleading Wilful and Indirect Infringement

Introduction

Pleading patent infringement in the US courts, at its most basic (ie, that someone without authorisation made, used, sold, offered to sell, or imported a patented invention), does not require alleging that the accused infringer had prior knowledge of the patent-in-suit. A complaint must merely put the defendant on notice of what activity is being accused, which may include identification of the infringing product and an exemplary claim from the patent along with an explanation of how that product infringes such claim. See, for example, *Align Tech., Inc. v 3Shape A/S*, 339 F. Supp. 3d 435, 444–46 (D. Del. 2018).

However, other potential allegations, such as wilful infringement and indirect infringement, do require expressly setting forth facts in the complaint to demonstrate that the accused infringer had prior notice of the patent-in-suit. For wilful infringement, which has the potential to expose an accused infringer to treble damages (see 35 U.S.C. Section 284; *Halo Elecs., Inc. v Pulse Elecs., Inc.*, 579 U.S. 93, 110 (2016)), a patentee must plead that the accused infringer proceeded despite *knowing* that the accused device infringed the patentee's patent. Likewise, indirect infringement, which also may exponentially increase potential damages, requires a patentee to plead that the accused infringer *knowingly* aided another's infringement. In light of the significant implications that wilful infringement and indirect infringement can have on potential damages, patentees should determine whether there are sufficient facts to plead pre-suit knowledge of the patent-in-suit. In the litigation, the

existence of such claims may influence what, if any, initial motions are filed and the scope of discovery. With respect to potential alternative dispute resolution, the existence and strength of such allegations, particularly wilfulness, may impact the parties' respective bargaining power at the settlement table.

The law related to the sufficiency of knowledge is in flux, including within the District of Delaware, one of the top US district courts for patent filings. The latest trends in the District of Delaware on these issues – trends that reflect the differing views among judges across the USA – are discussed below, as well as recommendations for best practice.

Wilful infringement

To state a claim for wilful infringement, a complaint must set out facts plausibly showing that the accused infringer had pre-suit knowledge of the patent-in-suit and, after acquiring that knowledge, acted despite knowing its actions would amount to patent infringement. For example, *Valinge Innovation AB v Halstead New England Corp.*, C.A. No 16-1082-LPS-CJB, 2018 WL 2411218, at *13 (D. Del. May 29, 2018).

Many courts, including those in the District of Delaware, recognise that knowledge of the patent-in-suit prior to the filing of a lawsuit is required to maintain a claim for wilful infringement. See, for example, *NetFuel, Inc. v Cisco Sys., Inc.*, C.A. No 5-18-cv-02352-EJD, 2018 WL 4510737, at *3 (N.D. Cal. Sept. 18, 2018). In fact, judges in the District of Delaware routinely grant motions to dismiss wilful infringement claims for failure to plead pre-suit knowledge.

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However, as detailed below, there is a split of authority as to whether and when knowledge of the patent-in-suit solely obtained from the filing of the lawsuit may suffice to overcome a motion to dismiss. See, generally, *Longhorn Vaccines & Diagnostics, LLC v Spectrum Sols. LLC*, C.A. No 2:20-827-DBB-JCB, 2021 WL 4324508, at *9-10 (D. Utah Sept. 23, 2021) (recognising split, including within the District of Delaware).

Actual knowledge, such as that gained through receiving an adequate pre-suit notice letter from the patentee, will generally satisfy the standard. In addition to notice letters, actual knowledge may involve patent prosecution, such as knowledge gained during prosecution of the defendant's own patent, *KOM Software Inc. v NetApp., Inc.*, C.A. No 18-160-RGA, 2018 WL 6167978, at *3 (D. Del. Nov. 26, 2018); or through attempts before a foreign patent office to invalidate foreign counterparts of the patents-in-suit, *BioMerieux v Hologic, Inc.*, C.A. No 18-21-LPS, 2018 WL 4603267, at *2, *5 (D. Del. Sept. 25, 2018). Courts have also considered what else beyond actual notice may suffice as an adequate substitute for the purposes of satisfying the pre-suit knowledge requirement. For example, parties have successfully overcome motions to dismiss wilful infringement claims on the basis of constructive knowledge, such as where the patentee pled that the defendant "monitors patent litigation against its competitors" and would therefore have been aware of the patent since suit was filed against a third party competitor. See *Groove Digital, Inc. v Jam City, Inc.*, C.A. No 18-1331-RGA, 2019 WL 351254, at * 4 (D. Del. Jan. 29, 2019).

Courts have also considered whether a patentee's invocation of the doctrine of "wilful blindness," in conjunction with facts supporting same, can substitute for actual knowledge. Wilful blindness is the concept, typically argued in the indirect infringement context, that a defendant

subjectively believes there is a high probability that a fact exists, and takes "deliberate actions to avoid learning of that fact." See *Global-Tech Appliances, Inc. v SEB S.A.*, 563 U.S. 754, 769 (2011). Several courts have concluded that wilful blindness may substitute for actual knowledge of a patent in a wilful infringement case, but in a more limited application. For example, "a defendant's wilful blindness to all of the patents in an entire field might not necessarily demonstrate culpability tantamount to the culpability demonstrated by a defendant's knowledge of a particular patent covering the product being sold, as is required for wilful infringement", *Ansell Healthcare Prods. LLC v Reckitt Benckiser LLC*, C.A. No 15-915-RGA, 2018 WL 620968, at *7 (D. Del. Jan. 30, 2018) (addressing availability of wilful blindness theory of knowledge but ultimately granting summary judgment of no wilfulness). But see *Intel Corp. v Future Link Sys., LLC*, 268 F. Supp. 3d 605, 623 (D. Del. July 31, 2017) (denying summary judgment of no wilfulness based, in part, on plaintiff's response that defendant's corporate atmosphere encouraged employees to "turn a blind eye" to patents). Even at the pleading stage, however, a patentee must do more than state conclusory, unsupported wilful blindness allegations in order to avoid dismissal. See, for example, *Malvern Analytical Ltd. v TA Instruments-Waters LLC*, C.A. No 19-2157-RGA, 2021 WL 3856145, at *4 (D. Del. Aug. 27, 2021) (rejecting wilful blindness theory for pre-suit knowledge of infringement that suffered from same deficiencies as allegations of direct knowledge and that otherwise simply recited wilful blindness standard).

As noted above, there is not unanimity across the courts, including among the Delaware courts, as to whether a patentee may assert knowledge based solely on the accused infringer having received notice based on the filing of the original complaint that initiated the lawsuit. In the absence of controlling guidance from appellate

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courts, some courts have found that pleading knowledge stemming solely from the filing of the original complaint will not suffice to withstand a motion to dismiss. See, for example, *ZapFraud, Inc. v Barracuda Networks, Inc.*, 528 F. Supp. 3d 247, 252 (D. Del. 2021) (a complaint fails to state a claim for wilful infringement where defendant's knowledge of the patent-in-suit is based only on service of the complaint); *Wrinkl, Inc. v Facebook, Inc.*, C.A. No 20-1345-RGA, 2021 WL 4477022, at *6–7 (D. Del. Sept. 30, 2021) (same). Some courts, however, have held that allegations of knowledge based on such circumstances are sufficient to overcome a motion to dismiss, while others have found that pleading post-suit knowledge in an amended complaint will suffice. See, for example, *IOENGINE, LLC v PayPal Holdings, Inc.*, C.A. No 18-452-WCB, 2019 WL 330515, at *7 & n. 4 (D. Del. Jan. 25, 2019) (knowledge stemming solely from filing of original complaint sufficient); *Midwest Energy Emissions Corp. v Arthur J. Gallagher & Co.*, C.A. No 19-1334-RGA-CJB, 2021 WL 2036671, at *20 (D. Del. May 20, 2021) (knowledge stemming solely from filing of amended complaint sufficient), adopted in relevant part, 2021 WL 4350591 (D. Del. Sept. 24, 2021).

It also bears noting that a patentee may plead “post-suit” knowledge to support wilfulness based on additional facts beyond mere notice of the lawsuit. Often such additional facts are difficult to discern at the pleading stage and, even later in the case, may be difficult to obtain discovery on sufficient to support amendment of the pleadings because such information may be privileged. See, generally, *Wrinkl*, 2021 WL 4477022, at *7 (observing difficulties in pleading post-suit wilfulness because evidence of accused infringer's post-suit knowledge may be protected by attorney-client privilege).

Indirect infringement

Claims for indirect infringement refer to claims for inducement and contributory infringement. To establish liability for inducement under 35 U.S.C. Section 271(b), a patentee must establish that the defendant had “knowledge that the induced acts [ie, the direct infringement of another] constitute[d] patent infringement.” *Global-Tech*, 563 U.S. at 766. Similarly, to establish liability for contributory infringement under 35 U.S.C. Section 271(c), a patent holder must prove “that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.” *Aro Mfg. Co. v Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964).

The requirements for pleading knowledge here are similar to those for wilful infringement. As with wilfulness, there is some disagreement as to whether post-suit knowledge based on the filing of the complaint suffices when pled in the original complaint. Compare *ZapFraud*, 528 F. Supp. 3d at 250–52 (applying same rationale as to indirect infringement); *Wrinkl*, 2021 WL 4477022, at *6–7 (same); *Helios Streaming, LLC v Vudu, Inc.*, C.A. No 19-1792-CFC-SRF, 2020 WL 2332045, at *4–6 (D. Del. May 11, 2020) (distinguishing case law addressing amended pleadings to hold that filing of original complaint insufficient to establish post-suit knowledge), adopted, 2020 WL 3167641 (D. Del. June 15, 2020) with *IOENGINE*, 2019 WL 330515, at *4 & n. 1 (declining to require “the formality of... an amended complaint in order to be allowed to assert knowledge of the patents during the period following the filing of the original complaint”). But when a patentee pleads post-suit indirect infringement in an amended complaint, some judges in the District of Delaware have been more inclined to permit knowledge based solely on the lawsuit than when the same knowledge allegation is pled to support wilfulness. For example, *Wrinkl*, 2021 WL 4477022, at *6–7 (finding such post-suit

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allegations to suffice for indirect infringement and not for wilfulness due to differing standards of proof). See also *DoDots Licensing Sols. LLC v Lenovo Holding Co.*, C.A. No 18-098-MN, 2019 WL 3069773, at *3 (D. Del. July 12, 2019) (allegations in prior complaint sufficient to put accused infringer on notice of patents); *Softview LLC v Apple Inc.*, C.A. No 10-389-LPS, 2012 WL 3061027, at *7 (D. Del. July 26, 2012) (same). Still, other Delaware judges have applied the same pre-suit knowledge rationale as for wilfulness to reject these indirect infringement claims in an amended complaint. See *ZapFraud*, 528 F. Supp. 3d at 252.

Recommendations and conclusion

If you are the patentee, provide actual knowledge of the patent-in-suit by sending a pre-litigation notice letter identifying the specific patent-in-suit and the specific product accused of practising the patented invention. Send the letter sufficiently in advance of filing suit (ie, not hours or mere days before filing the complaint) and specifically tie the accused products to the patent-in-suit. It may also be helpful to send a follow-up notice letter and to send both in such a manner as to obtain a receipt of delivery. Of course, this approach must be weighed and balanced against the possibility that, upon receipt of the notice letter, the accused infringer races to a less desirable forum to file a declaratory judgment action.

It may also be helpful to collect circumstantial facts from which a court may infer knowledge, such as:

- the defendant is a sophisticated company that monitors patent litigation of competitors;
- the defendant was involved in prior prosecution activity during which the patent-in-suit was cited or that involved the patent-in-suit directly;

- the parties have an ongoing business relationship or are direct competitors;
- the relative market size in which the parties operate; and
- what other evidence may exist that the defendant tracks its competitors, such as attendance at industry conferences, publications, etc.

If addressing the issue after the initial pleadings stage, consider discovery targeted at pre-suit knowledge that could then support a motion to amend the initial complaint to add claims for at least wilful infringement, if not also indirect infringement (provided the other elements for indirect infringement can be adequately pleaded).

Finally, when negotiating a case schedule, consider proposing a deadline to amend pleadings that is late enough in time to permit investigation and discovery to assert wilfulness and/or indirect infringement claims. While parties may seek to amend a pleading after the deadline for doing so has passed, the movant will be subject to a higher, “good cause” standard.

If you are the accused infringer, the absence of factual allegations in the complaint regarding actual pre-suit knowledge may very well lead to the conclusion that a motion to dismiss is well worth the cost. In addition, even if some modicum of circumstantial evidence is pleaded in the complaint, it may not be sufficient to establish pre-suit knowledge. For example, the fact that the defendant cited the patent-in-suit during prosecution of its own patent or the fact that the defendant is a sophisticated company may not be sufficient to infer knowledge, without more. In addition, watch out for attempts to attribute the knowledge of one entity or person to another, or attempts to attribute knowledge to defendants collectively, rather than specifying knowledge for each entity.

USA TRENDS AND DEVELOPMENTS

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Young Conaway Stargatt & Taylor, LLP is one of Delaware's largest, most prestigious and multi-faceted law firms, offering clients sophisticated national bankruptcy, corporate, commercial and intellectual property practices along with local and regional tax, trusts, employment, business law, commercial real estate, tort, and environmental practices. The firm's intellectual property practice of 10–15 attorneys is primarily based in its Wilmington, Delaware, office and offers a broad range of intellectual property services to national and international corporate cli-

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