AIPLA QUARTERLY JOURNAL

VOLUME 34, NUMBER 3 Page 265 SUMMER 2006

GROKKING *GROKSTER*: HAS THE SUPREME COURT CHANGED INDUCEMENT UNDER PATENT LAW?*

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* grok: *Slang,* To understand profoundly through intuition or empathy. Etymology: Coined by Robert A. Heinlein in his *Stranger in a Strange Land.* AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE 774 (4th ed. 2000).

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I. INTRODUCTION

In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*[1] (the "*Grokster* decision"), the United States Supreme Court purports to import patent law inducement doctrine into copyright law. The Court's decision emphasizes particularly stark evidence that it finds would support liability for active inducement. However, close examination of the Court's decision reveals that the Court has not straightforwardly transplanted patent law inducement doctrine into copyright law. Notably, the Court departed from any requirement that the party accused of inducing infringement actually have communicated with the direct infringer in a manner likely to induce infringement. The Court seemed to adopt the view that sale of a product that enables infringement, coupled with culpable subjective intent, can give rise to inducement liability. This departure from traditional patent law inducement doctrine raises the question whether *Grokster* has, at least implicitly, changed core aspects of that doctrine.

II. BACKGROUND AND LOWER COURT DECISIONS

At issue in the *Grokster* decision was electronic file sharing over the Internet, employing peer-to-peer software distributed by defendants Streamcast and Grokster (collectively referred to as "defendants").[2] This software allows users to exchange files, typically music or video, over a peer-to-peer network that connects computers together in the absence of a centralized server.[3] It is undisputed that the majority of the file exchanges involved copyrighted material.[4]

The plaintiffs were owners of various copyrights that allegedly were infringed through such file sharing.[5] Plaintiffs premised their claim on a theory

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1 Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 75 U.S.P.Q.2d (BNA) 1001 (2005).

2 *See id.* at 2770, 75 U.S.P.Q.2d (BNA) at 1005.

3 *Id.*

4 *Id.* at 2771, 75 U.S.P.Q.2d (BNA) at 1006.

5 *Id.* at 2771, 75 U.S.P.Q.2d (BNA) at 1005.

of contributory infringement, based on the fact that defendants had distributed the software that facilitated the infringing activity.[6]

The district court granted summary judgment in defendants' favor, finding that defendants' system fell under the safe harbor provision of the Supreme Court's *Sony Corp. of America v. Universal City Studios, Inc.*[7] decision because their system was capable of substantial non-infringing uses.[8] On appeal, the Ninth Circuit followed the same approach as the district court.[9] The Supreme Court reversed.[10] Rather than attempting to clarify what constituted a "substantial" non-infringing use under *Sony*, however, the Court premised liability on a theory of active inducement of infringement.[11] In doing so, the Court purported to apply patent law inducement doctrine to the copyright claim before it.[12]

III. THE SUPREME COURT DECISION

According to the Supreme Court, "[o]ne infringes contributorily by intentionally inducing or encouraging direct infringement[.]"[13] Although the lower courts had assumed that in the absence of specific knowledge of infringement, *Sony* should always apply to bar liability if the product is capable of substantial noninfringing uses, the Court clarified that *Sony* "did not displace other theories of secondary liability"[14] and "was never meant to foreclose rules of

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6 *Id.* at 2776, 75 U.S.P.Q.2d (BNA) at 1009.

7 Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 220 U.S.P.Q. (BNA) 665 (1984).

8 Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1029, 66 U.S.P.Q.2d (BNA) 1579, 1579 (C.D. Cal. 2003).

9 Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 380 F.3d 1154, 1154, 72 U.S.P.Q.2d (BNA) 1579, 1579 (9th Cir. 2004).

10 Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2783, 75 U.S.P.Q.2d (BNA) 1001, 1017 (2005).

11 *See id.* at 2779, 75 U.S.P.Q.2d (BNA) at 1012.

12 *Id.* at 2780, 75 U.S.P.Q.2d (BNA) at 1012.

13 *Id.* at 2776, 75 U.S.P.Q.2d (BNA) at 1009.

14 *Id.* at 2778, 75 U.S.P.Q.2d (BNA) at 1011.

fault-based liability derived from the common law."[15] Accordingly, "[f]or the same reasons that *Sony* took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule,"[16] the Court adopted the inducement rule, which is codified at 35 U.S.C. § 271(b), stating: "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties."[17]

To prove inducement of infringement, a plaintiff must show that a defendant had the intent to cause infringement, distributed a device suitable for infringing use, and that infringement actually occurred.[18] The last two requirements clearly were met given that the software distributed by the defendants was suitable for infringing use and infringement actually occurred.[19] Thus, the question of whether there was inducement liability turned on the Court's determination of whether the defendants had the intent to induce infringement.[20]

The standard articulated by the Court seems to have two alternative prongs: either "clear expression" or "other affirmative steps" can result in inducement liability.[21] While the patent law generally defines the sorts of

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15 *Id.* at 2779, 75 U.S.P.Q.2d (BNA) at 1011.

16 *Id.* at 2780, 75 U.S.P.Q.2d (BNA) at 1012.

17 *Id.*

18 *See id.*; 5 DONALD S. CHISUM, CHISUM ON PATENTS § 17.04[2] (2005).

19 *Grokster*, 125 S. Ct. at 2782, 75 U.S.P.Q.2d (BNA) at 1013-14.

20 *Grokster* reached the Supreme Court on appeal from a grant of summary judgment in favor of the defendants. *Id.* at 2774, 75 U.S.P.Q.2d (BNA) at 1008. Thus, reversal depended only on the Court finding, as it did, that there was a genuine issue of material fact based on the evidence of record. *Id.* at 2782, 75 U.S.P.Q.2d (BNA) at 1014. The Court's discussion of the facts, and explication of a new doctrine of inducement liability in copyright law, however, were far more sweeping. *See id.* at 2780, 75 U.S.P.Q.2d (BNA) at 1012.

21 *Id.* at 2780, 75 U.S.P.Q.2d (BNA) at 1012.

"affirmative steps" that give rise to inducement liability,[22] there is no direct analog in patent law for liability based on "clear expression" of intent (especially uncoupled from other acts *vis-à-vis* the direct infringer).[23] Unfortunately, the Court's decision does not articulate a definite standard for what constitutes "clear expression" of intent to induce infringement by third parties.

Rather, the Court described what evidence would *not* be sufficient to constitute such "clear expression" of intent.[24] The Court first stated that "mere knowledge of infringing potential or of actual infringing uses" or "ordinary acts incident to product distribution, such as offering customers technical support or product updates," will not suffice.[25] Having explained what is insufficient, the Court moved on to suggest that it is also not necessary to prove any actual communication between the defendant and the direct infringers that encouraged infringement:

> Whether the messages were communicated is not to the point on this record. The function of the message in the theory of inducement is to prove by a defendant's own statements that his unlawful purpose disqualifies him from claiming protection (and incidentally to point to actual violators likely to be found among those who hear or read the message). Proving that a message was sent out, then, is the preeminent but not exclusive way of showing that active steps were taken with the purpose of bringing about infringing acts, and of showing that infringing acts took place by using the device distributed.[26]

As discussed further in Part IV below, the notion that inducement liability can arise in the absence of acts encouraging infringement, or even

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[22] The Court offers several examples of "affirmative steps," including advertising an infringing use, instructing how to engage in infringing use, demonstrating infringing uses, and recommending infringing uses, which are the types of acts that typically give rise to inducement liability in patent law. *See id.* at 2779-80, 75 U.S.P.Q.2d (BNA) at 1012.

[23] *See infra* Part IV.

[24] *See Grokster*, 125 S. Ct. at 2780-81, 75 U.S.P.Q.2d (BNA) at 1012-13.

[25] *Id.* at 2780, 75 U.S.P.Q.2d (BNA) at 1012.

[26] *Id.* at 2781, 75 U.S.P.Q.2d (BNA) at 1013 (internal cross-reference omitted).

communication with the direct infringer, appears to be a departure from inducement liability under patent law.

Equipped with these "guidelines," the Court moved on to apply the new copyright active inducement standard to the case at hand.[27] In addition to the evidence of user solicitation through advertising and other methods by implying that copyrighted material could be downloaded using the defendants' software,[28] the Court noted three other important types of evidence. First, the defendants could be shown to have directly aimed to satisfy a known source of demand for copyright infringement by attempting to replace Napster. This was demonstrated by, among other things, reference to such a goal in defendants' internal documents and the fact that Grokster's name is an apparent play on "Napster."[29] Second, the court noted that the fact that neither defendant attempted to redesign its software to diminish the infringing activity of copyrighted material also supported the inference of intent to induce infringement.[30] Third, the court highlighted the fact that the defendants' business model involved maximizing the number of its users to which it could stream advertisements and thus maximize advertising revenue.[31]

Although the Court clearly stated that much of this evidence alone would be insufficient to demonstrate unlawful intent,[32] it suggested that this evidence may be utilized to support a finding of intent if, in combination with other statements or actions, it demonstrated "purposeful, culpable expression and conduct[.]"[33] The Court held that the record as a whole allowed such a conclusion and that because the defendants had a "purpose to cause and profit from third-party acts of copyright infringement[,]" they may be held liable for those acts of infringement based upon the distribution of their products.[34]

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27 *See id.* at 2781-82, 75 U.S.P.Q.2d (BNA) at 1012-14.

28 *Id.* at 2780-81, 75 U.S.P.Q.2d (BNA) at 1012-13.

29 *Id.* at 2781, 75 U.S.P.Q.2d (BNA) at 1013.

30 *Id.*

31 *Id.* at 2781-82, 75 U.S.P.Q.2d (BNA) at 1013-14.

32 *Id.* at 2781 n.12, 2782, 75 U.S.P.Q.2d (BNA) at 1013 n.12, 1014.

33 *Id.* at 2780, 75 U.S.P.Q.2d (BNA) at 1012.

34 *Id.* at 2782, 75 U.S.P.Q.2d (BNA) at 1014.

In summary, the Court introduces a standard with unclear boundaries. While mere knowledge of infringing acts does not seem to be enough, communication of a message by an inducer to the direct infringer also apparently is not necessary. Thus, the most obvious and common bright line between permissible distribution of a product with both infringing and non-infringing uses, on the one hand, and illegal inducement of infringement on the other, has become remarkably blurry. The discussion that follows examines whether the Court has correctly transplanted patent law inducement doctrine into copyright law. More importantly, it attempts to evaluate whether lower courts might view the *Grokster* decision as an indirect change to patent law inducement doctrine.

IV. HAS THE SUPREME COURT CORRECTLY TRANSPLANTED PATENT LAW INDUCEMENT DOCTRINE INTO COPYRIGHT LAW?

The standard for inducement liability articulated in *Grokster* appears to deviate in several significant respects from the law of inducement as historically articulated in patent cases. First, patent law has never viewed failure to stop infringement or inaction as relevant to inducement.[35] Instead, patent inducement requires "active" steps to specifically encourage infringement.[36] *Grokster*, however, suggests that the defendants' failure to redesign their systems is significant, at least in light of initial evidence of intent to induce.[37] Second, patent law typically has required a causal connection between the inducer and direct infringer.[38] The inducer must communicate a message to the direct infringer, and the inducement must actually influence the direct infringer to commit an infringement.[39] In contrast, *Grokster* suggests that a mere intent to benefit from consumers' infringement, without any message encouraging such infringement, may be enough.[40] Third, patent law has not treated as relevant the relationship

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35 *See* Tegal Corp. v. Tokyo Electron Co., 248 F.3d 1376, 58 U.S.P.Q.2d (BNA) 1791 (Fed. Cir. 2001); CHISUM, *supra* note 18, § 17.04[4].

36 5 CHISUM, *supra* note 18, § 17.04[4].

37 *See Grokster*, 125 S. Ct. at 2781, 75 U.S.P.Q.2d (BNA) at 1013.

38 *See* cases cited *infra* note 67; *see generally* 5 CHISUM, *supra* note 18, § 17.04.

39 *See* 5 CHISUM, *supra* note 18, § 17.04[4].

40 *See Grokster*, 125 S. Ct. at 2780-82, 75 U.S.P.Q.2d (BNA) at 1012-14.

between infringement and a company's business model.[41] Put another way, the fact that the defendant profits from sales of products that third parties use to infringe does not, standing alone, give rise to inducement liability.[42] The Court in *Grokster*, however, seemed to view the fact that the defendants' business would fare best if there was heavy (infringing) use of their software as significant evidence of inducement.[43]

The discussion that follows provides a detailed analysis of patent law inducement doctrine, with an emphasis on its treatment of such evidence.

A. *General*

Title 35, Section 271(b) of the United States Code specifies that "[w]hoever actively induces infringement of a patent shall be liable as an infringer."[44] Section 271(b) codifies the case law developed prior to 1952 on contributory infringement other than through the sale of a component especially adapted for infringing use, and addresses those situations where the defendant has induced someone else to infringe the plaintiff's patent.[45]

To succeed on this theory,

> [i]t must be established that the defendant possessed specific intent to encourage another's infringement and not merely that the defendant had knowledge of the acts alleged to constitute infringement. The plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts *and* that he

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41 *See, e.g.*, Warner-Lambert Co. v. Apotex Corp., 316 F.3d 1348, 65 U.S.P.Q.2d (BNA) 1481 (Fed. Cir. 2003); Aventis Pharma Deutschland GmbH v. Cobalt Pharm., 355 F. Supp. 2d 586, 599 (D. Mass. 2005).

42 *See Warner-Lambert*, 316 F.3d 1348, 65 U.S.P.Q.2d (BNA) 1481; *see also Aventis*, 355 F. Supp. 2d at 599.

43 *See Grokster*, 125 S. Ct. at 2782, 75 U.S.P.Q.2d (BNA) at 1013-14.

44 35 U.S.C. § 271(b) (2005).

45 5 CHISUM, *supra* note 18, § 17.04.

knew or should have known his actions would induce actual infringements.[46]

Thus, the plaintiff needs to show that the defendant committed overt acts of inducement, that there were underlying infringing acts that were induced by the defendant, and that the defendant intended to induce such infringement.[47] Although proof of intent to induce another's infringement is necessary to state a claim for inducement, direct evidence is not required; rather, circumstantial evidence may suffice.[48]

Inducement of infringement, of course, necessarily is harder to prove than direct infringement because it requires a direct infringement along with intent to induce that infringement (and, at least under some of the cases, knowledge of defendant's patent).[49] This reflects the law's reluctance to impose indirect liability for every possible act.

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[46] Manville Sales Corp. v. Paramount Sys. Inc., 917 F.2d 544, 553, 16 U.S.P.Q.2d (BNA) 1587, 1594 (Fed. Cir. 1990).

[47] *See id.*

[48] Water Tech. Corp. v. Calco, Ltd., 850 F.2d 660, 668, 7 U.S.P.Q.2d (BNA) 1097, 1103 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 968 (1988); 5 CHISUM, *supra* note 18, § 17.04.

[49] There exists some potential dispute in the Federal Circuit as to whether Section 271(b) requires specific intent to encourage another's infringement, or merely intent to cause the acts which constitute the infringement. *See generally* 5 CHISUM, *supra* note 18, § 17.04[2]. Analysis of this dispute is beyond the scope of this article. The Supreme Court did not address this issue directly, but seemed to assume some level of specific intent was required to find inducement in the copyright context. *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2780, 75 U.S.P.Q.2d (BNA) 1001, 1012 (2005) ("[O]ne who distributes a device *with the object of promoting its use to infringe copyright*, as shown by clear expression or other affirmative steps taken *to foster infringement*, is liable for the resulting acts of infringement by third parties.") (emphasis added). *But see* Golden Blount, Inc. v. Robert H. Peterson Co., Nos. 04-1609, 05-1141, 05-1202, 2006 WL 335607, at *7 n.4 (Fed. Cir. Feb. 15, 2006) (acknowledging that "there is a lack of clarity concerning whether the required intent must be merely to induce the specific acts [of infringement] or additionally to cause an infringement" and that the court "need not resolve that ambiguity in this case").

B. *Eligible Evidence of Intent to Induce Infringement Under Section 271(b)*

Section 271(b)'s prohibition on active inducement of infringement covers a wide variety of *acts*:

> [C]ivil culpability need not stop with the dealer who does the final act of making, using or selling. The prohibition of the law, now codified in § 271(b), extends to those who induce that infringement. Of course inducement has connotations of active steps knowingly taken—knowingly at least in the sense of purposeful, intentional, as distinguished from accidental or inadvertent. But with that qualifying approach, the term is as broad as the range of actions by which one in fact causes, or urges, or encourage[s], or aids another to infringe a patent.[50]

Moreover, courts explicitly noted that liability under Section 271(b) does not extend to the failure to take legal or other steps to prevent infringement by another. For example, in *Tegal Corp. v. Tokyo Electron Co. Ltd.*, a district court entered an injunction against the defendant.[51] The injunction prohibited the enjoined company from committing an infringing act, including "inducement to infringement, such as . . . facilitating infringing acts by related corporations[.]"[52] The patent owner argued that the company committed contempt by failing to take affirmative steps to prevent a related entity from servicing infringing machines, suggesting that the company could have sued the related entity for breach of contract or the tort of interference with contract.[53] The Federal Circuit disagreed, clarifying that:

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[50] Fromberg, Inc. v. Thornhill, 315 F.2d 407, 411, 137 U.S.P.Q. (BNA) 84, 87 (5th Cir. 1963) (emphasis added); *see also* C.R. Bard, Inc. v. Advanced Cardiovascular Sys. Inc., 911 F.2d 670, 675, 15 U.S.P.Q.2d (BNA) 1540, 1544 (Fed. Cir. 1990) ("A person *induces* infringement under § 271(b) by actively and knowingly aiding and abetting another's direct infringement.").

[51] Tegal Corp. v. Tokyo Electron Co., 248 F.3d 1376, 58 U.S.P.Q.2d (BNA) 1791 (Fed. Cir. 2001).

[52] *Id.* at 1377, 58 U.S.P.Q.2d (BNA) at 1792.

[53] *Tokyo Electron Co.*, 248 F.3d at 1378-80, 58 U.S.P.Q.2d (BNA) at 1792-93.

> Facilitation . . . entails some affirmative act; it is not enough to show that [a party] failed to take steps to prevent its . . . affiliates from servicing [infringing machines]. In the absence of a showing of control over another party, merely permitting that party to commit infringing acts does not constitute . . . "facilitating infringing acts."
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> . . . "Actively inducing," like "facilitating," requires an affirmative act of some kind[.][54]

The language of Section 271(b) and the cases interpreting it make clear that patent law requires active steps that in fact cause another to infringe a patent in order to find liability under the inducement doctrine; mere inaction does not suffice.[55]

In addition to active steps, patent law inducement doctrine requires that the inducer communicate a message to the direct infringer.[56] Pre-*Grokster* courts found infringement under the inducement doctrine only after causal connection between the inducer and direct infringer was established.[57] Specifically, courts found such causal connection only where the inducer communicated a message to the direct infringer.[58] This suggests that the function of communication of a message in inducement theory is not merely evidentiary, as the Court in *Grokster*

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[54] *Id.* at 1378, 58 U.S.P.Q.2d (BNA) at 1792; *see also* Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1569, 30 U.S.P.Q.2d (BNA) 1001, 1010 (Fed. Cir. 1994) (noting that jurisdiction for a claim of inducement cannot be premised on an omission because "active inducement of infringement requires the *commission* of an affirmative act"); A. Stucki Co. v. Worthington Indus., Inc., 849 F.2d 593, 596, 7 U.S.P.Q.2d (BNA) 1066, 1068 (Fed. Cir. 1988) (concluding that evidence of mere inaction did not constitute infringement).

[55] This seems to stand in contrast to the Supreme Court's suggestion that failure to redesign software so as to diminish infringing activity could, at least in part, support inducement liability. *Grokster*, 125 S. Ct. at 2781, 75 U.S.P.Q.2d (BNA) at 1013.

[56] *See* cases cited *infra* note 67.

[57] *See* cases cited *infra* note 67.

[58] *See* cases cited *infra* note 67.

suggests,[59] but is substantive, because communication of a message constitutes an integral part of the *basis for liability* under patent law inducement doctrine.

Prior to the enactment of Section 271(b) in 1952, the history of the doctrine of inducement reveals that early lower court decisions developed the doctrine by analogy to the tort principle of aiding and abetting.[60] The theory was that a third party is liable for the tortious conduct of another if that third party purposefully assists the first party in the infringement despite having no direct control over that party.[61] For example, in *Thomson-Houston Electric Co. v. Ohio Brass Co.*, the court explained:

> An infringement of a patent is a tort analogous to trespass or trespass on the case. From the earliest times, all who take part in a trespass, either by actual participation therein or by aiding and abetting it, have been held to be jointly and severally liable for the injury inflicted. *There must be some concert of action between him who does the injury and him who is charged with aiding and abetting, before the latter can be held liable.* When that is present,

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[59] Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2781, 75 U.S.P.Q.2d (BNA) 1001, 1013 (2005) ("The function of the message in the theory of inducement is to prove by a defendant's own statement that his unlawful purpose disqualifies him from claiming protection (and incidentally to point to actual violators likely to be found among those who hear or read the message).").

[60] *See* Hewlett-Packard Co. v. Bausch & Lomb Inc., 909 F.2d 1464, 1469, 15 U.S.P.Q.2d (BNA) 1525, 1528 (Fed. Cir. 1990) (noting that "liability was under a theory of joint tortfeasance, wherein one who intentionally caused, or aided and abetted, the commission of a tort by another was jointly and severally liable with the primary tortfeasor"); Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l Inc., 246 F.3d 1336, 1361, 57 U.S.P.Q.2d (BNA) 1953, 1968 (Fed. Cir. 2001) ("A party that induces or contributes to infringement is jointly and severally liable with the direct infringer for all general damages.").

[61] *See* cases cited *infra*, note 67.

> however, the joint liability of both the principal and the accomplice has been invariably enforced.[62]

Additionally, some courts analogized Section 271(b) liability to that of an "accessory before the fact."[63] For example, in *Sims v. Western Steel Co.*, the court explained that Section 271(b) "contemplates that the inducer shall have been an active participant in the line of conduct of which the actual infringer was guilty. Thus he should be in the nature of an accessory before the fact."[64]

The tort law principle of aiding and abetting and the criminal law principle of accessory before the fact do not find one liable in the absence of a showing of causal connection between the one who aided and abetted and the tortfeasor or the accessory and the principal, respectively. Viewed in this light, it seems only natural to require a causal connection between the inducer and her target, the direct infringer.[65]

Moving beyond the historical origins of patent law inducement doctrine, numerous decisions find active inducement only where a defendant selling products capable of either innocent or infringing use suggests the infringing path through communications to the direct infringer such as labels, advertising, sales

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62 Thomson-Houston Elec. Co. v. Ohio Brass Co., 80 F. 712, 721 (6th Cir. 1897) (emphasis added).

63 An accessory before the fact is not a principal because he was not present at the time the crime was being committed. Nevertheless, he did counsel, procure, and/or encourage the commission of the crime.

64 Sims v. W. Steel Co., 551 F.2d 811, 817, 194 U.S.P.Q. (BNA) 71, 75-76 (10th Cir. 1977); *see also* Trustees of Columbia Univ. v. Roche Diagnostics GmbH, 272 F. Supp. 2d 90, 104 (D. Mass. 2002) ("In effect, this statute is analogous to a criminal statute imposing liability for one who acts as an accessory before the fact.").

65 Of course, in searching for causal connections, it is important to remember that the mere sale of a product capable of substantial non-infringing uses, without more, cannot provide the requisite causation. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2780, 75 U.S.P.Q.2d (BNA) 1001, 1012 (2005) ("[O]rdinary acts incident to product distribution" would not "support liability in themselves.").

methods, instructions or directions.[66] Similarly, all the patent law cases that the Supreme Court relied upon in *Grokster* dealt with circumstances in which the inducing infringer communicated a message to the direct infringer.[67]

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[66] *See, e.g.*, Biotec Biologische Naturverpackungen GMBH v. Biocorp, Inc., 249 F.3d 1341, 1351, 58 U.S.P.Q.2d (BNA) 1737, 1744 (Fed. Cir. 2001) (finding the accused infringer liable, *inter alia*, under inducement theory since there was evidence that he instructed his customers to process an imported product in a way that infringed upon the patentee's process claims); Vesture Corp. v. Thermal Solutions, Inc., 284 F. Supp. 2d 290, 317 (M.D.N.C. 2003) (finding provision of "user manuals that specifically instruct the user how to perform infringing methods" to support liability under the inducement doctrine).

[67] *See* Henry v. A.B. Dick Co., 224 U.S. 1, 48-49 (1912) (finding contributory liability for patent infringement where the sale of an article was accompanied by an advertisement that endorsed an infringing use of the article); Water Tech. Corp. v. Calco, Ltd., 850 F.2d 660, 668, 7 U.S.P.Q.2d (BNA) 1097, 1103 (Fed. Cir. 1988) (relying "*inter alia*, on Gartner's having given all of the resin formulas to Calco, help[ing] Calco make the infringing resins, and prepar[ing] consumer use instructions" as well as "exert[ing] control over Calco's manufacture of the infringing resins" in finding defendant Gartner's intent to induce infringement); Fromberg, Inc. v. Thornhill, 315 F.2d 407, 412-413, 137 U.S.P.Q. (BNA) 84, 87 (5th Cir. 1963) (relying on the defendant's personal demonstrations to several dealer-customers "how [the] [p]lug could be inserted in an empty Fromberg tube to recreate the original device which he knew to be patented" in finding liability for inducement); Thomson-Houston Elec. Co. v. Kelsey Elec. Ry. Specialty Co., 75 F. 1005, 1007-08 (2d Cir. 1896) (relying on displays and advertisements of the defendant's product in finding intent of the defendant "to aid other persons in any attempts which they may be disposed to make towards [patent] infringement"); Haworth Inc. v. Herman Miller Inc., 37 U.S.P.Q.2d (BNA) 1080, 1088 (W.D. Mich. 1994) (finding the defendant's provision of "promotional material and installation instructions with its product demonstrating both infringing and non-infringing configurations" to "constitute enough evidence that [the defendant] intended its customers to install the EK 400 system in a directly infringing manner at least some of the time, and that the customers did so at least some of the time"); Oak Indus. Inc. v. Zenith Elec. Corp., 697 F. Supp. 988, 994, 9 U.S.P.Q.2d (BNA) 1138, 1143 (N.D. Ill. 1988) (finding the defendant not liable under inducement theory because "[i]t is, perhaps, an unwarranted extension of § 271(b) to use it as a basis for ascribing liability in the absence of active

A particularly instructive Federal Circuit case on the communication requirement is *Warner-Lambert Co. v. Apotex Corp.*, in which a generic drug maker filed an ANDA seeking FDA approval to market a generic version of a patent owner's drug product known as gabapentin.[68] The drug was FDA-approved only for treating epilepsy and the ANDA sought approval only for that use.[69] The patent owner's patent on gabapentin itself had expired, as had another patent claiming the use of gabapentin to treat epilepsy.[70] However, the patent owner owned another method patent that claimed use for gabapentin to treat neurodegenerative diseases.[71] The use to treat neurodegenerative diseases was not FDA-approved.[72]

Despite the fact that the ANDA sought approval only for epilepsy treatment, the patent owner sued the ANDA applicant, alleging infringement under Section 271(e)(2) on an active inducement theory.[73] The patent owner asserted that doctors typically prescribed its product for uses other than treating epilepsy, including treating neurodegenerative diseases, and that health care organizations would substitute a generic product for that of the patent owner's branded product.[74] Thus, reasoned the patent owner, some of the generic gabapentin would in fact be used to treat neurodegenerative diseases, as covered

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solicitation. . . . The supplier of a staple will be liable for active inducement if it *tells its purchaser, 'Here is how we can help you infringe.'*") (emphasis added); Sims v. Mack Trucks, Inc., 459 F. Supp. 1198, 1215 (E.D. Pa. 1978) (finding inducement where the use "depicted by the defendant in its promotional film and brochures infringing the . . . patent"), *rev'd on other grounds*, 608 F.2d 87 (3d Cir. 1979); Rumford Chem. Works v. Hecker, 20 F. Cas. 1342, 1346 (C.C.N.J. 1876) (No. 12,133) (finding demonstrations of infringing activity along with "avowals of the [infringing] purpose and use for which it was made in [*the defendant's*] *communications to the community*" to support liability for patent infringement) (emphasis added).

68 Warner-Lambert Co. v. Apotex Corp., 316 F.3d 1348, 1352, 65 U.S.P.Q.2d (BNA) 1481, 1482 (Fed. Cir. 2003).

69 *Id.*

70 *Id.*

71 *Id.*

72 *Id.*

73 *Id.* at 1353, 65 U.S.P.Q.2d (BNA) at 1483.

74 *Id.*

in the remaining method patent.[75] The district court granted summary judgment of non-infringement.[76]

On appeal, the patent owner argued that the district court (1) erred in requiring that the accused infringer must have "known" that physicians were prescribing gabapentin for the patented off-label use (treatment of neurodegeneration) and (2) should have applied a "should have known" standard.[77] It is important to point to the evidence introduced by the patent owner in support of its argument that the accused infringer should have known that physicians were prescribing gabapentin for off-label use. The patent owner pointed to the fact that by October 1999, the percentage of uses other than for epilepsy treatment had risen to "more than 89%."[78] In addition, it argued that (1) it is common knowledge that physicians routinely prescribe approved drugs for purposes other than those listed on the drug's label; (2) various publications and databases provide information to the public regarding on- and off-label prescriptions; (3) pharmacists commonly substitute generic drugs for brand name drugs whenever possible, and in many states such substitution is required by statute; (4) the generic company expected to get an "A-B rating" for its drug, which allows physicians and pharmacists to substitute the generic drug for the brand name drug regardless of labeling indications; and (5) relying on data that "about 2.1% of the prescriptions written for gabapentin from August 1999 to July 2000 were for neurodegenerative diseases" and "that 2.1% represents $50 million[,]"[79] "[the accused infringer] should be assumed to have considered the market size and growth potential of gabapentin when it made the strategic decision to file an ANDA and enter the gabapentin market."[80]

The Federal Circuit affirmed the district court's judgment that there was no infringement.[81] First, it held that, under Section 271(e)(2)(A), "it is not an act of infringement to submit an ANDA for approval to market a drug for a use

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[75] *Id.*

[76] *Id.* at 1354, 65 U.S.P.Q.2d (BNA) at 1483.

[77] *Id.* at 1363, 65 U.S.P.Q.2d (BNA) at 1490.

[78] *Id.* at 1364, 65 U.S.P.Q.2d (BNA) at 1491.

[79] *Id.* at 1365, 65 U.S.P.Q.2d (BNA) at 1491.

[80] *Id.* at 1364, 65 U.S.P.Q.2d (BNA) at 1491.

[81] *Id.* at 1366, 65 U.S.P.Q.2d (BNA) at 1492.

when neither the drug nor that use is covered by an existing patent, and the patent at issue is for a use not approved under the NDA[,]"[82] reasoning that "Congress clearly intended to limit actions for infringement of method-of-use patents under § 271(e)(2)(A) to 'controlling use patents,' or patents that claim an approved use of a drug."[83]

Second, the Federal Circuit concluded that the district court did not err in granting summary judgment dismissing the patent owner's claim for active inducement of infringement by the accused infringer, explaining that:

> Whether or not these statements [regarding the extent of off-label use and the financial benefit of such sales to the accused infringer] are true, and for the purposes of deciding whether or not summary judgment was proper we must assume they are, we have already observed that precedent holds that mere knowledge of possible infringement by others does not amount to inducement; specific intent and action to induce infringement must be proven. *Thus, if a physician, without inducement by [the accused infringer], prescribes a use of gabapentin in an infringing manner, [the accused infringer's] knowledge is legally irrelevant. In the absence of any evidence that [the accused infringer] has or will promote or encourage doctors to infringe the neurodegenerative method patent, there has been raised no genuine issue of material fact.*[84]

The court also clarified that

> [e]ven viewing the evidence in the light most favorable to [the patent owner], and assuming that [the accused infringer] is 'counting on' sales for off-label uses, it defies common sense to expect that [the accused infringer] will actively promote the sale of its approved gabapentin, in contravention of FDA regulations,

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82 *Id.* at 1354-55, 65 U.S.P.Q.2d (BNA) at 1484.

83 *Id.* at 1362, 65 U.S.P.Q.2d (BNA) at 1490.

84 *Id.* at 1364, 65 U.S.P.Q.2d (BNA) at 1491 (citation omitted) (emphasis added).

> for a use that (a) might infringe [the patent owner's] patent and (b) constitutes such a small fraction of total sales.[85]

The court's decision clearly requires that the plaintiff establish that the inducer communicated a message to the direct infringer.[86] Additionally, the court's decision implicitly suggests that even if the inducing infringer's business model is "counting on" sales of the drug for infringing off-label uses, such evidence cannot support a finding of intent to actively induce infringement.[87]

Cases like *Warner-Lambert* suggest that the evidence that the *Grokster* Court found persuasive, such as internal documents indicating that the infringer desired to profit from sales to direct infringers, would not support inducement liability had the claim been one for patent infringement rather than copyright infringement. This analysis begs the question whether the Court's decision can (or should) be read as indirectly changing patent law inducement doctrine.

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85 *Id.* at 1365, 65 U.S.P.Q.2d (BNA) at 1491.

86 *See also* ICN Pharm. Inc. v. Geneva Pharm. Tech. Corp., 272 F. Supp. 2d 1028, 1049-51 (C.D. Cal. 2003), *appeal dismissed*, 101 F. Appx. 335 (Fed. Cir. 2004) (finding that manufacturers of generic version of drug ribavirin did not induce infringement by physicians of patents directed to methods of administering ribavirin, as physicians were not encouraged by manufacturers' proposed labels to administer ribavirin in dosages encompassed by patents, even if physicians might do so on their own); Oak Indus. Inc. v. Zenith Elec. Corp., 697 F. Supp. 988, 994, 9 U.S.P.Q.2d (BNA) 1138, 1143 (N.D. Ill. 1988) (holding that "[i]t is, perhaps, an unwarranted extension of § 271(b) to use it as a basis for ascribing liability in the absence of active solicitation .... The supplier of a staple will be liable for active inducement if it tells its purchaser, 'Here is how we can help you infringe.'").

87 *See also* Aventis Pharma Deutschland GmbH v. Cobalt Pharm., Inc., 355 F. Supp. 2d 586, 599 (D. Mass. 2005) (holding, in response to plaintiff's "evidence suggesting that [the defendant] expects to generate some sales revenue associated with" an infringing use of a drug, that "this only proves [the defendant's] knowledge that some physicians will prescribe generic ramipril for treating heart attacks" and that the "Federal Circuit has deemed this knowledge 'legally irrelevant' to an active inducement analysis").

V. HAS THE SUPREME COURT'S DECISION INDIRECTLY CHANGED PATENT LAW INDUCEMENT DOCTRINE?

A useful way to evaluate whether the standard articulated by the Court in *Grokster* potentially has changed patent law inducement doctrine is to apply it to a patent case and see whether it changes the case's result. The *Warner-Lambert* case will serve as our case study. As discussed in Part III above, the standard articulated by the Court in *Grokster* is at best unclear and fails to provide guidance as to what constitutes clear expression or other affirmative steps that can serve as evidence for intent to induce infringing acts. While mere knowledge of infringing acts does not seem to be enough, communication of a message by an inducer to the direct infringer apparently is not necessary, and ambiguous evidence may be used to support a finding of intent.

Applying this standard to the facts of *Warner-Lambert*, the case may well have come out the other way. In *Warner-Lambert*, there was no communication of any message to doctors who were prescribing the drug. However, there was evidence (accepted as true for purposes of opposing summary judgment) that it was common knowledge that gabapentin was prescribed for infringing uses, that such infringing uses represented $50 million in sales, and that the defendant was "counting on" infringing uses.[88] These facts closely parallel the types of evidence the *Grokster* Court found sufficient for inducement liability.

Granted, in *Warner-Lambert* the evidence suggested that the percentage of sales that would be used in infringing treatments was relatively small—2.1%.[89] Thus, one certainly could distinguish *Grokster* from *Warner-Lambert* on the basis of the extent of non-infringing uses.[90] There is precious little, if anything, in the *Grokster* opinion, however, that would support tying the need for a communication, *vel non*, to the extent of infringing use. This is particularly true

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88 *Warner-Lambert*, 316 F.3d at 1365, 65 U.S.P.Q.2d (BNA) at 1491.

89 *Id.* at 1348, 65 U.S.P.Q.2d (BNA) at 1491.

90 The plaintiffs in *Grokster* suggested the ratio in that case was 90% infringing uses to only 10% non-infringing uses. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764, 2778, 75 U.S.P.Q.2d (BNA) 1001, 1011 (2005).

given that the *Grokster* Court went to pains to preserve the rule of *Sony*.[91] Under *Sony*, liability does not attach to the mere sale of a product so long as the product has "commercially significant noninfringing uses."[92] While the percentage of infringing use in *Warner-Lambert* was a modest 2.1%, it is difficult to argue that the resulting $50 million is not "commercially significant."[93]

VI. CONCLUSIONS

While it remains to be seen whether lower courts will embrace *Grokster* in patent cases, it seems likely that at least some courts (particularly at the district court level) will take as gospel the Supreme Court's description of the patent law it purports to borrow.[94] If so, then we may see inducement liability in cases similar to *Warner-Lambert*, notwithstanding the absence of any communication by the defendant that actually suggests or encourages direct infringement.

Moreover, given *Grokster*'s apparent abandonment of the requirement of communication to the direct infringer, it likely will become considerably more difficult to predict outcomes where inducement is alleged in copyright cases (or patent cases that follow *Grokster*). The Supreme Court's opinion seems to have converted a relatively bright line rule into an exercise of weighing intent evidence, without any firm benchmarks against which to test such evidence. At

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91 Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 220 U.S.P.Q. (BNA) 665 (1984).

92 *Id.* at 442, 220 U.S.P.Q. (BNA) at 699.

93 *Warner-Lambert*, 316 F.3d at 1365, 65 U.S.P.Q.2d (BNA) at 1491.

94 Of course, it is of most interest to see how the Federal Circuit will deal with the issue of communication to the direct infringer post-*Grokster*. A recent decision from the Federal Circuit cites *Grokster* but does not provide any direction in this regard. *See* MEMC Elec. Materials Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369, 1379, 76 U.S.P.Q.2d (BNA) 1276, 1285 (Fed. Cir. 2005) (quoting from *Grokster*, in a case that found intent to induce infringement based on direct communications between the inducer and direct infringer, for the proposition that "[e]vidence of active steps taken to encourage direct infringement, such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe"); *see also* Aventis Pharm. Inc. v. Barr Labs. Inc., 411 F. Supp. 2d 490 (D.N.J. 2006) (finding guidance in *Grokster* with regard to the question of what actions may induce infringement).

a minimum, in a post-*Grokster* world there would seem to be a premium on discovery directed to a defendant's internal memoranda, emails, business plans, and the like, in hopes of finding evidence that the defendant "clearly expressed," at least to itself, a desire to profit from sales that might be used to infringe.