

Roche Ruling Highlights High Bar For Induced Infringement

Law360 (April 15, 2022, 9:18 PM EDT) -- A recent Federal Circuit decision vacating a \$137 million patent verdict against Roche underscores the hurdles to proving induced infringement, namely by stressing it is closely tied to willful infringement and requires an element of intent to cause others to infringe.

In its April 8 [decision](#), the appeals court found that since Delaware Judge Leonard Stark ruled Roche was not liable for enhanced damages because it didn't willfully infringe medical diagnostics patents licensed to Meso Scale Diagnostics LLC, a jury's finding that the pharmaceutical giant induced its customers to infringe cannot stand.

Both willful infringement and induced infringement require subjective intent on the part of the accused infringer, the Federal Circuit noted. The judge's finding that Roche didn't willfully infringe — because it had a good faith, though incorrect, belief it had no liability under a contract — should have led to a ruling it didn't induce infringement either, the court said.

The lower court "did not apply the proper intent standard — resulting in an inducement determination irreconcilable with its willfulness and enhancement decisions," the Federal Circuit concluded.

"The court really tied together the standard for induced infringement to one of willfulness," said Jay Heidrick of [Polsinelli PC](#). "I think that you're going to see litigants in the future try to argue that you can't have induced infringement unless there's a willful act that would meet a willfulness standard as well."

The [U.S. Supreme Court](#) has explained intent is a necessary element of both induced and willful infringement. But the Federal Circuit's statement about how closely the two standards are related, while sinking such a large verdict, clarifies that holdings on one issue can be crucial to the outcome of the other, said Joseph Farco of [Norris McLaughlin PA](#).

Allegations of willfulness, which can result in damages awards being tripled if the infringement is found to be egregious, are often included in patent cases almost as a "knee-jerk reaction," he noted, but by doing that, "you open up what could be a Pandora's box in light of this decision."

The Federal Circuit illustrated that when willfulness claims are rejected because the intent, or scienter, requirement is not met, it could hamstring the patent owner's main case if it's based on allegations that the defendant induced others to infringe.

Should the court decide "there was no intent to infringe in finding no willfulness, you just shot yourself in the foot as the patentee," Farco said. "Because now that scienter requirement that's embedded in inducement ... will be negated, as was the situation here."

The holding means that when both willfulness and induced infringement are in play, "you could short-circuit the issue for one of those or the other," said **Alex Englehart** of [Obion McClelland Maier](#)

[& Neustadt LLP.](#)

"If you have a ruling on willfulness, you argue that compels the same result on inducement, and maybe vice versa," he said. "It could at least alleviate some of the burden of proving those issues separately."

Defining Intent

In addition to finding the decisions of inducement and no willfulness were irreconcilable, the Federal Circuit also highlighted the high bar to proving induced infringement by faulting two other decisions made in the case by then-U.S. District Judge Leonard Stark, who [joined the appeals court](#) last month.

First, the Federal Circuit said the judge incorrectly held that intent can be found if the alleged infringer "knew or should have known" its acts would induce others to infringe. Only knowledge is sufficient, the panel held.

Next, the appeals court addressed the statute saying patent owners cannot recover damages for infringement from more than six years before the complaint. Roche's alleged acts of inducement took place well over six years before the litigation and Judge Stark was wrong to find they gave rise to damages because they had a "continuing impact," the Federal Circuit ruled.

With regard to intent, the appeals court said that while in the past it had used a "should have known" test based on recklessness or negligence, the Supreme Court said that was incorrect [over a decade ago](#) in a case called [Global-Tech v. SEB](#).

Instead, the Federal Circuit said, intent requires knowledge that the induced acts constitute infringement, which can be established by showing the defendant willfully blinded themselves to that fact. Roche's good faith belief that it had no liability therefore meant it couldn't have induced infringement, the court concluded.

"One thing that I think is pretty clear from this ruling is if you're going to make an allegation of induced infringement in the future, you can no longer allege that the defendant should have known that the company's actions induced someone else to directly infringe the patent," Heidrick said.

Exactly what is sufficient to prove induced infringement is not defined by the opinion, he noted. But the analogy to willfulness suggests a letter from the patent owner alleging acts of inducement would be better evidence than an allegation that the infringer should have known it was inducing infringement because a due diligence search would have turned up the patent, Heidrick said.

Patentees alleging induced infringement have to be prepared to show the accused infringer was willfully blind or had a specific intent to induce others to infringe, said Cecilia Sanabria of [Finnegan Henderson Farabow Garrett & Dunner LLP](#).

"I don't think it's always a super easy or straightforward thing to prove, but it's also not impossible," she said.

Part of the Federal Circuit's holding was Roche was not liable for inducing its customer to infringe because it had a reasonable belief it had no liability under a convoluted series of transactions involving the patents. How reasonable a defendant's beliefs are will be an important part of the induced infringement analysis, Sanabria said.

If a company has an analysis "buried somewhere in a bunch of documents that says we don't infringe this patent ... but there's nothing to it, I don't know if that's enough," she said. "The reasonableness of that belief is also at play."

Damages Limit

The Federal Circuit's rejection of the idea there can be liability for acts committed outside the six-year damages period that induced others to infringe — here, it was a Roche press release and a letter it sent customers — even if the actions of the third parties continued during the period, is "an accused infringer-friendly ruling," Englehart said.

"It certainly clarified that they're making a bright-line rule that inducing acts have to occur within the six years," he said. "That wasn't as clear, at least before this case, as it is now."

Kenneth Weatherwax of [Lowenstein & Weatherwax LLP](#) said he didn't follow the court's reasoning on that point, which he said is "not the way proving infringement normally works."

The traditional analysis is that "you can look at acts that happened prior to the statute of limitations and then look at the acts within the limitations period in light of the prior acts," he said.

The Federal Circuit's holding that evidence can't be combined in that way "might make it significantly harder" to prove induced infringement, Weatherwax said.

The issue may not come up often, since most patent suits are filed sooner than six years after the alleged infringement, but with the right set of facts, the court's ruling could be key to the outcome.

The takeaway for patent owners alleging a company committed acts that induced others to infringe is to be sure "you have a very well-thought-out theory of when they happened, how they happened and what made them happen," and seek that causation evidence during discovery, Sanabria said.

The case is [Roche Diagnostics Corp. v. Meso Scale Diagnostics LLC](#), case numbers [21-1609](#) and [21-1633](#), in the [U.S. Court of Appeals for the Federal Circuit](#).

--Editing by Philip Shea and Lakshna Mehta.