
SYMPOSIUM REVIEW

A BRIEF HISTORY OF INDIRECT LIABILITY FOR PATENT INFRINGEMENT

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ABSTRACT

The Patent Act of 1952 codified liability for active inducement of infringement and contributory infringement in 35 U.S.C. § 271. The patent law doctrines of active inducement of infringement and contributory infringement had developed out of a line of cases in the nineteenth century, but the United States Supreme Court eventually ruled that they conflicted with the doctrine of patent misuse. The enactment of § 271 overruled the Supreme Court's decisions that the defense of patent misuse prevailed over the doctrines of active inducement of infringement and contributory infringement. The Senate Report that accompanied the legislation indicated that active inducement of infringement was broader than contributory infringement and that contributory infringement was intended to cover the most common circumstance. The *Sony* and *Grokster* decisions make this history relevant to the indirect infringement of copyrights.

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I. INTRODUCTION

This Article surveys the historical development of the doctrines of contributory infringement and inducement of infringement in patent law. This history has a number of interesting twists and turns. Contributory infringement originated in case law as a way to enable a patentee to enforce a patent when it was being infringed by a large number of persons whom it was impractical to sue together. The doctrine of contributory infringement permitted the patentee to sue an entity that had instigated the collective infringement either by selling a product that had no use other than to infringe the patent, or using other means to encourage infringement, such as providing instructions on how to infringe the patent.

Shortly after the doctrine of contributory infringement developed in the courts, some patentees found ways to use it to extend their patent monopolies beyond the scope of their patents. This was accomplished primarily through the use of tying arrangements, which required purchasers of patented products to also purchase unpatented goods. Congress responded by enacting a special antitrust law, the Clayton Act, which included prohibiting the use of tying arrangements to create a monopoly in unpatented goods.¹ In addition, the Supreme Court developed the doctrine of patent misuse to bar a patentee from extending a patent monopoly beyond the scope of the patent.²

The doctrine of patent misuse expanded rapidly until in a remarkable pair of decisions the Supreme Court ruled that the patent misuse doctrine trumped the doctrine of contributory infringement and generally barred patentees from obtaining relief for contributory infringement.³ In response to the Supreme Court's decisions, Congress enacted 35 U.S.C. § 271 as part of the Patent Act of 1952.⁴ Section 271 codified the case law doctrine of contributory infringement in paragraphs (b) and (c) and also restricted the patent misuse doctrine in paragraph (d) so as not to interfere with proper uses of the doctrine of contributory infringement. Recently, the Supreme Court has extended the patent law doctrines of contributory

1. 15 U.S.C. § 14 (2000).

2. *See Carbice Corp. of Am. v. American Patents Dev. Corp.*, 283 U.S. 27 (1931).

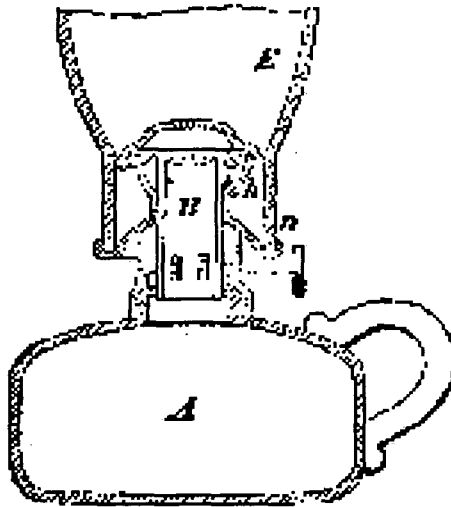
3. *Mercoird Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944); *Mercoird Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944).

4. Patent Act of 1952, ch. 950, 66 Stat. 792-814 (codified as amended at 35 U.S.C. §§ 1-290 (2000)).

infringement and inducement of infringement in paragraphs (b) and (c) of § 271 to copyright law.⁵

Section II of this Article traces the development of the doctrine of contributory infringement in the early federal cases. Section III describes how the doctrine of contributory infringement was used with tying arrangements and how this use led to the enactment of the Clayton Act. Section IV outlines the development of the doctrine of patent misuse and how it eventually undermined the doctrine of contributory infringement. Section V describes the enactment of 35 U.S.C. § 271 to codify the doctrine of contributory infringement. Section VI examines a number of cases decided by the Supreme Court and the Court of Appeals for the Federal Circuit that have interpreted § 271. Finally, Section VII discusses the Supreme Court cases that have extended § 271 to copyright law.

II. ORIGINS OF CONTRIBUTORY INFRINGEMENT



Picture of Lamp in *Wallace Case*

Wallace v. Holmes,⁶ decided in 1871, was the first case to recognize a claim for contributory infringement. The patent was for

5. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

6. 29 F. Cas. 74 (C.C.D. Conn. 1871) (No. 17,100). See *Thomson-Houston Elec. Co. v. Kelsey Elec. Ry. Specialty Co.*, 75 F. 1005, 1007 (2d Cir. 1896) (identifying *Wallace*, 29 F. Cas.

an oil lamp that included a burner and a glass chimney on top of the burner to keep the flame from being blown out. The particular improvement was a mechanism for attaching the chimney to the burner so that the bottom part of the chimney remained cool; but the patent claims included the combination of the burner and the glass chimney. The defendants in the *Wallace* case manufactured and sold burners that were substantially the same as the burner in the patented invention, except that the defendants never manufactured or sold any chimneys along with the burners. The Circuit Court recognized the general rule that there is no infringement of a combination patent unless all of its elements are made or used, but it ruled that the defendants had infringed the patent:

If, in actual concert with a third party, with a view to the actual production of the patented improvement in lamps, and the sale and use thereof, they consented to manufacture the burner, and such other party to make the chimney, and, in such concert, they actually make and sell the burner, and he the chimney, each utterly useless without the other, and each intended to be used, and actually sold to be used, with the other, it cannot be doubtful, that they must be deemed to be joint infringers of the complainants' patent.⁷

The court decided that it was a "certain inference from the nature of the case" that the defendants acted in concert with the users of the lamp to infringe the patent, because the burners that the defendants sold had no use except when combined with the chimneys.

Although the *Wallace* decision did not use the term "contributory infringement,"⁸ it established the framework for the doctrine of contributory infringement that was codified eighty years later in 35 U.S.C. § 271. The *Wallace* court imposed liability because of the defendants' joint participation in the infringement of the patent. There was no direct showing of the defendants' participation in the infringement other than their sale of a component for the patented invention, but the court decided that the defendants must have intended to cause infringement because the component that the defendants manufactured and sold had no use except to infringe the patent.

74, as the earliest case in the United States upon the subject of contributory infringement).

7. *Wallace*, 29 F. Cas. at 80.

8. The first case to use the term "contributory infringement" was *Snyder v. Bunnell*, 29 F. 47 (C.C.S.D.N.Y. 1886) (referring to *Wallace* as perhaps the "clearest illustration" of the doctrine).

The *Wallace* decision was distinguished in the 1886 case of *Snyder v. Bunnell*.⁹ The plaintiff had a patent for an improvement in an electromagnetic burglar alarm that caused the alarm to continue to sound after the break in the circuit that activated the alarm (such as the opening of a door or window) was closed. The defendants manufactured and sold a device called an “automatic drop” that concededly might have been used with other devices to infringe the patent, but also had noninfringing uses. There was no evidence, however, that the defendants had sold an automatic drop knowing that it was to be used to infringe the patent, or even that an automatic drop had ever been combined with other devices to infringe the patent. The court stated that the defendants would have been liable for contributory infringement if they had put a product on the market that “of necessity, to their knowledge” was to be used for infringing the patent.¹⁰ The court decided, though, that the evidence did not support such a conclusion, and that if the defendants were liable for selling an automatic drop, they might be equally liable for the sale of a galvanic battery or an electric bell, which were also necessary components in the patented invention. The court found that the doctrine from the *Wallace* case did not apply, because the defendants in *Wallace* knew that their burners could not be used without infringing the patent. The court concluded that “holding a party liable as an infringer solely because an article sold by him might be used by the purchaser as one element of a patented combination . . . would be too dangerous to be upheld.”¹¹

The case law also recognized that proof of direct infringement was required in order to impose liability on a defendant for contributory infringement. For example, in *Saxe v. Hammond*,¹² the defendant manufactured wooden fans that it sold to manufacturers of organs and other musical instruments. Although the defendant’s wooden fans might have been used by the organ manufacturers to infringe the plaintiff’s patent (which was for an attachment to a musical instrument that made it produce a continuous tremulous note, instead of a succession of notes), there was no proof that the defendant had sold any wooden fans to an organ manufacturer who was not licensed to use the patent. The court held that the defendant was not liable for contributory infringement because there had been

9. 29 F. 47 (C.D.S.D.N.Y. 1886).

10. *Id.* at 48.

11. *Id.*

12. 21 F. Cas. 593 (C.C.D. Mass. 1875) (No. 12,411).

no showing that the defendant's sales had caused the patent to be infringed.¹³

Similarly, the United States Supreme Court held in *Morgan Envelope Co. v. Albany Perforated Wrapper Paper Co.*,¹⁴ that there was no contributory infringement of a patent for the combination of a fixture for holding rolls of toilet paper and a roll of toilet paper on account of the defendant's sale of toilet paper rolls (which were not themselves patented) to purchasers of the fixtures. The Supreme Court distinguished *Wallace* and other contributory infringement cases on the grounds that the toilet paper should not be treated as an element of the combination patent, because it had to be replaced periodically and the patentee did not have the exclusive right to sell toilet paper to purchasers of the patented fixtures.¹⁵ Without direct infringement by the toilet paper purchasers, there could be no contributory infringement by the defendant for supplying the toilet paper rolls to them.

The Supreme Court distinguished the *Morgan Envelope* case and upheld a finding of contributory infringement in *Leeds & Catlin v. Victor Talking Machine Co.*¹⁶ The Victor Talking Machine Company had a patent on a gramophone that included a method claim for reproducing sounds from a record and stylus and a claim for a sound reproducing apparatus consisting of a record and a stylus.¹⁷ The Supreme Court held that the manufacturer of disc records that were used in the gramophone was liable for contributory infringement of the patent for the gramophone. The Court reasoned that the disc records differed from the toilet paper rolls in the *Morgan Envelope* case, because the disc records were not perishable and consumed in the operation of the invention.¹⁸ In addition, the distinctive feature of the invention was the joint action of the disc and stylus, which operated together to make the gramophone work.¹⁹

The *Morgan Envelope* case was an example of a patentee's attempting to use the contributory infringement doctrine to extend a patent beyond its proper scope in order to corner a market for supplies that were used in the operation of the patented invention. It was

13. *Id.* at 594.

14. *See* 152 U.S. 425 (1894).

15. *Id.* at 433.

16. 213 U.S. 325 (1909).

17. U.S. Patent No. 534,543 claims 5, 35 (filed Mar. 30, 1892) (issued Feb. 19, 1895).

18. *Leeds*, 213 U.S. at 335.

19. *Id.*

analogous to an attempt by the patentee in the *Wallace* case to extend its monopoly to cover glass chimneys, rather than the burner that was the distinctive feature of the patent. The *Victor Talking Machine* case, in contrast, was more analogous to the enforcement of the *Wallace* patent against the manufacturers and sellers of the burners.

In many of the early cases, liability for contributory infringement was based on the manufacture of products that had no noninfringing uses.²⁰ There was also a second branch of the doctrine of contributory infringement, though, in which liability for contributory infringement was based on other evidence that the defendant intended to cause infringement. For example, in *Westinghouse Electric & Mfg. Co. v. Precise Mfg. Corp.*,²¹ the defendants were found liable for contributory infringement for manufacturing and selling transformers and condensers that could be used to infringe the plaintiff's patents for superheterodyne radio receivers. Though the components sold also had noninfringing uses, the defendants advertised that they were perfect for superheterodyne reception. The cartons in which they were sold contained directions for using the components to construct superheterodyne receivers that would infringe the plaintiff's patents. The Second Circuit Court of Appeals found that there was little doubt that the defendants manufactured and sold their products to the public with the intent that their products would be used to build infringing radio receivers. The court held:

Many valuable patents are combinations of unpatentable elements. By furnishing parts it makes it possible for others to assemble and use the combination, and when a manufacturer, by so manufacturing and advertising, points out the way in which this can be done, and thus, intentionally so acting, promote [sic] infringements of patentee's rights, he becomes a contributory infringer. A device capable of an infringing use, and sold with the intent that it shall be so used, is an infringement of the patent, even though the same device is capable of a noninfringing use, and even though there may be a form of instructions that it shall be used in a noninfringing way. But where, as here, it appears that each of the appellants manufactured with knowledge of the contemplated infringement, contributory infringement is clear.²²

There was some uncertainty in the early cases as to what was required for a defendant to be liable for contributory infringement.

20. See, e.g., *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 723 (6th Cir. 1897).

21. 11 F.2d 209 (2d Cir. 1926).

22. *Id.* at 211-12 (citations omitted).

The *Westinghouse* court inferred an intent to cause infringement from the defendant's advertising and instructions. The last sentence in the above quotation however, suggests that mere knowledge of a contemplated infringement by another person was sufficient for a finding of contributory infringement. Moreover, in *Baldwin Rubber Co. v. Paine & Williams Co.*, the Sixth Circuit Court of Appeals found that the defendant was a contributory infringer because "it had knowledge that the part assembled by it was to be used in the completed combination."²³ It was not clear, however, whether the court was permitting the defendant's intent to cause infringement to be inferred from its knowledge of the contemplated infringement, or was basing liability for contributory infringement on knowledge alone. In contrast, in *Chas. H. Lilly Co. v. I. F. Laucks, Inc.*,²⁴ the Ninth Circuit Court of Appeals held that it must be affirmatively shown that a defendant furnishing a component to an infringer did so with the intent and purpose that it would be used to infringe a patent in order for the defendant to be liable for infringement. The Ninth Circuit also decided that a defendant had no duty to ascertain whether a purchaser of its products was using them to infringe a patent or for some other purpose.²⁵

Soon after courts recognized the doctrine of contributory infringement, ingenious patentees attempted to use the newly developed doctrine in conjunction with tying arrangements to leverage their exclusive patent rights beyond the scope of their patents to cover materials and supplies that were used in the operation of their patented inventions. These attempts are discussed in the next section.

III. TYING ARRANGEMENTS AND CONTRIBUTORY INFRINGEMENT

By the end of the nineteenth century, patentees had begun to use the contributory infringement doctrine to enforce tying arrangements for products associated with their inventions. The first case that upheld the use of tying arrangements to extend a patentee's exclusive rights to unpatented supplies was the Sixth Circuit's 1896 decision in

23. *Baldwin Rubber Co. v. Paine & Williams Co.*, 99 F.2d 1, 5 (6th Cir. 1938) (emphasis added). See also *Elevator Appliance Co. v. Brooks*, 101 F.2d 703, 704 (2d Cir. 1939) ("Before one can be held for contributory infringement . . . he must know the element he sells will be used in the patented combination or the element must be adapted for no other use.").

24. 68 F.2d 175, 185 (9th Cir. 1933).

25. *Id.* at 188. See also *Individual Drinking Cup Co. v. Errett*, 297 F. 733, 740 (2d Cir. 1924) (refusing to impose duty on seller of paper cups to ascertain whether the purchaser would use them for purposes of infringing a patent).

*Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*²⁶ The patentee had several patents for inventions relating to the fastening of buttons to shoes with metallic fasteners. These patents were embodied in a machine that the patentee sold along with unpatented staples that were used in the machine's operation. Attached to each machine was a metal label that stated that its sale was subject to the condition that its purchaser would buy and use only staples that were made by the patentee and that title to the machine would immediately revert to the patentee upon violation of this condition. The patentee brought a contributory infringement action against other companies that made and sold staples to purchasers of the machines.

The Sixth Circuit Court of Appeals ruled that the tying arrangement for the staples was enforceable against the purchasers of the machine, because a patentee could make a license subject to any conditions that the patentee wanted and a violation of these could subject a licensor to a claim for patent infringement.²⁷ The court also found that the sellers of the staples could be found liable for contributory infringement. It distinguished the *Morgan Envelope* case, because the purchasers of the button-fastener machines had expressly agreed that their rights to use the machines did not extend beyond their use with staples supplied by the patentee.²⁸ Thus, the patentee in the *Button-Fastener* case was able to use a tying arrangement to extend its exclusive patent rights on a button-fastener machine to the unpatented staples that the machine needed to operate, and then use the contributory infringement doctrine to enforce its rights under the tying arrangement against the suppliers of staples.

The *Button-Fastener* decision led to widespread use of tying arrangements to extend patent monopolies.²⁹ In the 1912 case of *Henry v. A. B. Dick*,³⁰ the Supreme Court upheld the use of a license

26. 77 F. 288 (6th Cir. 1896) (*Button-Fastener*). See *Motion Picture Patents Co. v. Universal Film Mfg. Co. (Motion Pictures)*, 243 U.S. 502, 514 (1917) (noting that the *Button-Fastener* case was believed to have originated the construction of the patent laws that upheld restrictions in tying arrangements on the use of unpatented supplies for patented machines).

27. *Button-Fastener*, 77 F. at 292.

28. Compare *Morgan Envelope Co. v. Albany Paper Co.*, 152 U.S. 425 (1894) with *Button-Fastener*, 77 F. at 300.

29. See *Motion Pictures*, 243 U.S. at 515 (1917). Other cases in which tying arrangements to patented inventions were upheld include: *Rupp & Wittenfeld Co. v. Elliott*, 131 F. 730 (6th Cir. 1904); *Victor Talking Mach. Co. v. The Fair*, 123 F. 424 (7th Cir. 1903); *Cortelyou v. Lowe*, 111 F. 1005 (2d Cir. 1901); *Edison Phonograph Co. v. Pike*, 116 F. 863 (C.C.D. Mass. 1902); *Tubular Rivet & Stud Co.*, 93 F. 200 (C.C.D. Mass. 1898).

30. 224 U.S. 1 (1912), *overruled by Motion Pictures*, 243 U.S. at 515.

restriction that required purchasers of a patented mimeograph machine to use only stencil paper, ink, and other supplies made by the patentee. The Court also ruled that the sale of a can of ink to a purchaser of the mimeograph machine would constitute contributory infringement of the patent, if the seller had knowledge of the patentee's license restriction and expected the ink to be used in the mimeograph machine.³¹

The legal landscape was changing during the same period that the doctrine of contributory infringement was developing, however. The Sherman Act of 1890 declared "[e]very contract . . . in restraint of trade . . . to be illegal."³² The ink supplier in the *A.B. Dick* case had argued that the license restriction violated the Sherman Act, but the Supreme Court decided that the license restriction was reasonable. The Court reasoned that because the patentee had the right to suppress the patent entirely, it therefore could impose any condition it wished on the sale of its patented invention.³³ In 1914, Congress passed the Clayton Act, which made it unlawful:

to lease or make a sale or contract for sale of goods, . . . whether *patented or unpatented*, . . . on the condition . . . that the . . . purchaser thereof shall not use or deal in the goods . . . of a competitor . . . , where the effect of such . . . condition . . . may be to substantially lessen competition or tend to create a monopoly in any line of commerce.³⁴

The Senate debates on the Clayton Act included a discussion of the *Button-Fastener* and *A.B. Dick* cases, which were referred to in the Congressional Record as illustrations of the need for the legislation.³⁵

In 1917, the Supreme Court overruled the *A.B. Dick* case in *Motion Pictures Patents Co. v. Universal Film Manufacturing Co.*³⁶ The Motion Pictures Patents Company was formed in 1909 by movie producers and manufacturers of movie projectors for the purpose of controlling the movie industry. It represented the most audacious attempt yet to use a tying arrangement in conjunction with the doctrine of contributory infringement to enlarge exclusive patent rights beyond the scope of a patent. At the time, movie projectors were subject to a number of patents, including a fundamental one by

31. 224 U.S. at 49.

32. 15 U.S.C. § 1 (2000).

33. 224 U.S. at 31-32.

34. 15 U.S.C. § 14 (2000) (emphasis added).

35. 51 CONG. REC. 14091-92 (statement of Sen. Reed).

36. 243 U.S. 502 (1917).

Thomas Edison. In order to avoid expensive patent litigation, the movie producers and projector manufacturers transferred all their patents into the new company and agreed that the company would grant patent licenses only to the projector manufacturers who had formed the company.³⁷ Attached to each projector that the manufacturers sold was a plate containing the restriction that the projector could be used solely with motion pictures produced by the movie producers that had formed the company.

When a movie theater used a projector that had been purchased from one of the manufacturers to show a film made by an independent producer, the company sued both the movie theater and the independent producer for patent infringement.³⁸ Overruling the *A.B. Dick* case, the Supreme Court declared that the exclusive rights granted in a patent were limited to the patent claims. The Court also ruled that it was improper for a patentee to extend these rights by restricting the materials that could be used in the operation of the patented invention if the materials were not themselves part of the invention.³⁹ The Court stated that its conclusion was confirmed by the passage of the Clayton Act after the *A.B. Dick* case, but that it was unnecessary for it to apply the Clayton Act to the case before it, other than to note that its conclusion was consistent with the expression of public policy by Congress in the Clayton Act.⁴⁰

The *Motion Pictures* case rejected the use of tying arrangements to extend exclusive patent rights beyond the scope of a patent. Subsequent cases went further and developed the defense of patent misuse to overcome attempts to extend exclusive patent rights beyond the scope of a patent, even without the use of tying arrangements. The origins of the defense of patent misuse and its eventual superseding of the doctrine of contributory infringement are discussed in the next section.

IV. THE CONFLICT BETWEEN CONTRIBUTORY INFRINGEMENT AND PATENT MISUSE

The defense of patent misuse originated in the 1931 case of *Carbice Corp. of America v. American Patents Development Corp.*⁴¹

37. The background of the *Motion Pictures* case is described in IX PHILLIP E. AREEDA, ANTITRUST LAW ¶ 1701b (1991).

38. *Motion Pictures*, 243 U.S. at 506-08.

39. *Id.* at 516.

40. *Id.* at 517.

41. 283 U.S. 27 (1931).

The plaintiff manufactured dry ice, which it sold to its customers with a notice that they were not permitted to use the dry ice except in containers that were covered by its patent for a transportation package. The patented transportation package consisted of a casing of insulating material that surrounded a container of dry ice and a freezable product such as ice cream. The defendant was a competing manufacturer of dry ice that was charged with contributory infringement because it sold dry ice to the plaintiff's customers with the knowledge that they would use it in the patented transportation packages.

The Supreme Court ruled that the injunctive relief sought by the plaintiff was indistinguishable from the relief that was denied in the *Motion Pictures* case, because the plaintiff was seeking to extend the scope of its patent for a transportation package to cover the dry ice used in its operation. The Court articulated its holding as follows: "Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention."⁴²

The Supreme Court might have first determined that there was no direct infringement by the plaintiff's customers of the plaintiff's patent for the transportation package on account of their purchase of dry ice from the defendant, because dry ice was not an element of the patented invention. The Court could then have decided that in the absence of direct infringement by the plaintiff's customers, there could not have been contributory infringement by the defendant. Instead of focusing on the conduct of the alleged direct and contributory *infringers*, however, the Supreme Court created the defense of patent misuse, which was based on the *patentee's* conduct in attempting to secure a monopoly on unpatented material.

The Court in *Carbice* went out of its way to recognize the continued viability of the doctrine of contributory infringement. The Court distinguished its previous *Victor Talking Machine* case as "an ordinary case of contributory infringement,"⁴³ because the Victor Company was making its profits from the patented invention, rather than from unpatented supplies that were used in the patented invention. In contrast, the plaintiff in the *Carbice* case was seeking to secure exclusive rights in an unpatented staple commodity, the dry ice that it manufactured and sold.

42. *Id.* at 33-34.

43. *Id.* at 34.

The *Carbice* case was followed in *Leitch Manufacturing Co. v. Barber Co.*⁴⁴ The plaintiff and defendant in *Leitch* were competing manufacturers of bituminous emulsion, an unpatented staple commodity used in the construction of roads. The plaintiff had a patent for a method of retarding evaporation during the curing of concrete for roads using bituminous emulsion. The plaintiff charged the defendant with contributory infringement of its patent on account of the defendant's selling bituminous emulsion to a road builder, knowing that the road builder would use the bituminous emulsion to infringe the patent. The plaintiff argued that unlike the *Motion Pictures* and *Carbice* cases, it did not use a tying arrangement or notice to expand its patent monopoly beyond the scope of its patent. The Supreme Court rejected this argument, and broadly held that "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited."⁴⁵ Once again, though, the Supreme Court distinguished the *Victor Talking Machine* case.⁴⁶

The patent misuse defense was applied next in *Morton Salt Co. v. G. S. Suppiger Co.*⁴⁷ The plaintiff and defendant were competing manufacturers of salt tablets that were used in the food canning industry. The plaintiff had a patent on a machine for depositing salt tablets into cans of food, and it charged the defendant with direct infringement of its patent on account of the defendant's making and leasing its own salt deposition machines to the canning industry. The plaintiff argued that the patent misuse defense did not apply, because it was limited to suits for contributory infringement, but the Supreme Court rejected this argument. It held that public policy barred the plaintiff from using its patent on salt deposition machines to restrain competition in the market for salt tablets, which were unpatented staple commodities used in the patented salt deposition machines.⁴⁸

A companion case, *B. B. Chemical Co. v. Ellis*,⁴⁹ which was decided on the same day as the *Morton Salt* case, involved the sale of unpatented materials that were used to infringe a method patent. In the *B.B. Chemical* case, the owner of a method patent granted licenses to its customers permitting them to use its patent only with materials that it furnished to them. The patent owner sought an injunction

44. 302 U.S. 458 (1938).

45. *Id.* at 463.

46. *Id.*

47. 314 U.S. 488 (1942).

48. *Id.* at 493-94. The Seventh Circuit had previously reached the same conclusion in *American Lecithin Co. v. Warfield Co.*, 105 F.2d 207, 212 (7th Cir. 1939).

49. 314 U.S. 495 (1942).

against a defendant whom it charged not only supplied materials for use in infringement of the patent but also actively induced its customers to infringe the patent. The Supreme Court assumed that the defendant's infringing activity extended beyond the mere sale of the materials to the patent owner's customers. Nevertheless, it held that the patent owner's attempt to restrain competition in the sale of unpatented materials barred it from obtaining an injunction against the defendant's inducement of infringement.⁵⁰

Finally, the Supreme Court used the patent misuse defense to in effect eradicate the doctrine of contributory infringement in *Mercoid Corp. v. Mid-Continent Investment Co.*⁵¹ The plaintiff had a patent on a home heating system that had three main elements: a stoker for feeding fuel to a furnace, a room thermostat for controlling the stoker, and a combustion stoker switch for preventing the fire in the furnace from going out when the room thermostat shut off. The plaintiff charged the defendant with contributory infringement on account of the defendant's manufacturing and selling combustion stoker switches for use in the plaintiff's patented home heating system. The Supreme Court assumed for purposes of its decision that the combustion stoker switches had no noninfringing uses and that the defendant was indeed a contributory infringer.⁵² Nevertheless, it held that the patent misuse doctrine barred the plaintiff from obtaining injunctive relief against the defendant's contributory infringement. The Court ruled that the patent was for the combination of its three elements only, and that the individual elements of the combination were not protected by the patent monopoly. It stated that there was no difference in principle between supplies that were consumed in the operation of the patented invention and an element that was an integral part of the patented invention.⁵³ Accordingly, it overruled the *Victor Talking Machine* case, which had recognized this distinction.

The Supreme Court did not explicitly overrule the doctrine of contributory infringement, however. Instead, it decided that the defense of patent misuse barred a patentee from attempting to extend the patent monopoly beyond the scope of the patent, and that the scope of a combination patent was limited to the combination. The Court concluded its discussion of contributory infringement and patent misuse with the following:

50. *Id.* at 497-98.

51. 320 U.S. 661 (1944).

52. *Id.* at 664, 668.

53. *Id.* at 665.

Where there is a collision between the principle of the *Carbice* case and the conventional rules governing either direct or contributory infringement, the former prevails.

The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider. It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest. *Morton Salt Co. v. G. S. Suppiger Co.*, *supra*, p. 492.⁵⁴

In a separate opinion, Justice Black approved of the result on the ground that there was no statutory basis for the doctrine of contributory infringement.⁵⁵

The Supreme Court also decided a companion case, *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.*,⁵⁶ on the same day. The original case was brought by the patentee against the alleged contributory infringer, while the companion case was a declaratory relief action brought by the alleged contributory infringer against the exclusive licensee of the patent. The decision in the companion case reinforced the Court's statement that it made no difference in principle whether an unpatented element was an integral part of the patented invention as far as patent misuse was concerned. The Court explained:

The fact that an unpatented part of a combination patent may distinguish the invention does not draw to it the privileges of a patent. That may be done only in the manner provided by law. However worthy it may be, however essential to the patent, an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device.⁵⁷

The *Mercoïd* decisions caused consternation among the patent bar.⁵⁸ While the doctrine of contributory infringement was still recognized in a theoretical sense, it was always subject to being trumped by the defense of patent misuse whenever relief for

54. *Id.* at 669.

55. *Id.* at 673 (Black, J., concurring).

56. 320 U.S. 680 (1944).

57. *Id.* at 684.

58. See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 199 (1980) ("The *Mercoïd* decisions left in their wake some consternation among patent lawyers and a degree of confusion in the lower courts." (citation omitted)).

contributory infringement was sought. The effect of the *Mercoïd* decisions was to render combination patents, which comprise nearly all patents, unenforceable whenever it was impractical to bring individual actions against infringers who were widely dispersed. Finding no sympathy from the Supreme Court, the patent bar went to Congress to overrule the *Mercoïd* decisions through legislation.

V. THE ENACTMENT OF SECTION 271

The bill that eventually became 35 U.S.C. § 271 was initially drafted by a committee of the Patent Law Association of New York that was chaired by Giles S. Rich, a prominent patent attorney who later became a judge and served with great distinction on both the Court of Customs and Patent Appeals and its successor, the Court of Appeals for the Federal Circuit.⁵⁹ As finally enacted as part of the recodification of Title 35 in the Patent Act of 1952,⁶⁰ 35 U.S.C. § 271 provided:

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

59. *Hearings on H.R. 5988, 4061, and 5248 Before Subcomm. on Patents, Trademarks, and Copyrights of the House Comm. on the Judiciary*, 80th Cong., 2nd Sess., ser. 21, at 3 (1948) (statement of Giles Rich, primary draftsman of 5988). Judge Rich served on the Court of Appeals for the Federal Circuit until his death at the age of 95 in 1999. He has been recognized as “the single most important figure in twentieth century intellectual property law.” *Patent and Trademark Office Mourns Death of Judge Giles S. Rich*, USPTO Press Release #99-14, June 10, 1999 (quoting Q. Todd Dickinson, a former Acting Assistant Secretary of Commerce and Acting Commissioner of Patents and Trademarks), available at <http://www.uspto.gov/web/offices/com/speeches/99-14.htm>.

60. Patent Act of 1952, ch. 950, 66 Stat. 792-814 (codified as amended at 35 U.S.C. §§ 1-290 (2000)).

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.⁶¹

The Senate Report accompanying the Patent Act of 1952 explained the purpose of § 271 as follows:

Section 271, paragraph (a), is a declaration of what constitutes infringement in the present statute. It is not actually necessary because the granting clause creates certain exclusive rights and infringement would be any violation of those rights.

Paragraphs (b), (c), and (d) relate to the subject referred to as contributory infringement. The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion. Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer. The principle of contributory infringement is set forth in the provisions of the next paragraph which is concerned with the usual situation in which contributory infringement arises. This

61. 35 U.S.C. § 271 (1952) (current version at 35 U.S.C.A. § 271 (2001 & Supp. 2005)). Section 271 has been amended numerous times since 1952. Subparagraphs (4) and (5) have been added to paragraph (d), and new paragraphs (e)-(g) have been added. Paragraphs (b) and (c) have not been amended, though. See Tom Arnold & Louis Riley, *Contributory Infringement and Patent Misuse: The Enactment of § 271 and its Subsequent Amendments*, J. PAT. & TRADEMARK OFF. SOC'Y, 357, 378-83 (1994) (discussing the amendments to 35 U.S.C. § 271 through 1994).

latter paragraph is much more restricted than many proponents of contributory infringement believe should be in [sic] the case. The sale of a component of a patented machine, etc., must constitute a material part of the invention and must be known to be especially made or especially adapted for use in the infringement before there can be contributory infringement, and likewise the sale of staple articles of commerce suitable for noninfringement use does not constitute contributory infringement. The last paragraph of this section provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent. These paragraphs have as their main purpose clarification and stabilization.⁶²

Possibly because the statute was drafted by a committee of patent lawyers, the structure of paragraphs (b) and (c) bears some similarity to the independent and dependent claims of a patent. Paragraph (c) covers the sale of a component of a patented invention that has no substantial noninfringing use, and as noted in the Senate Report above, it is intended to cover the usual situation in which contributory infringement arises. Thus, contributory infringement under paragraph (c) is limited to circumstances like those in *Wallace v. Holmes*, where there is a sale of a component that has no substantial use other than in an infringing combination.⁶³ No showing of intent is required for liability under paragraph (c) if the defendant sold a component of a patented invention that was a material part of the invention and had no substantial noninfringing use, and in addition, the defendant knew that the component was especially made for use in infringing the patent.

The statute also imposes liability if the patentee offers evidence that the defendant actively induced infringement. As in *Wallace v. Holmes*, a defendant's intent to induce infringement might be inferred from the circumstance that a component that the defendant sold had no substantial noninfringing uses, but paragraph (b) also covers cases where the defendant's actively inducing infringement is proved by other evidence. Actively inducing infringement corresponds to the second branch of the former judge-made doctrine of contributory infringement as exemplified by such cases as *Westinghouse Electric & Mfg. Co. v. Precise Mfg. Corp.*, where there was evidence that a component with both infringing and noninfringing uses was sold with the intent that it would be used to infringe a combination patent.⁶⁴

62. S. REP. No. 82-1979, at 8 (1952), as reprinted in 1952 U.S.C.C.A.N. 2394, 2402.

63. See *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871) (No. 17,100).

64. See *Westinghouse Elec. & Mfg. Co. v. Precise Mfg. corp.*, 11 F.2d 209 (2d Cir. 1926).

Shortly after the Patent Act of 1952 went into effect, Judge Rich published a law review article on the newly adopted 35 U.S.C. § 271 and its background.⁶⁵ After discussing the development of the doctrines of contributory infringement and patent misuse, Judge Rich emphasized the need for paragraph (d), which provides an exemption from the doctrine of patent misuse for a patentee who is entitled to relief under paragraphs (b) or (c).⁶⁶ Paragraph (d) legislatively overruled the *Mercoid* cases, but Judge Rich added that it left intact the *Carbice* holding concerning patent misuse since the patentee in the *Carbice* case would not have been entitled to relief under paragraphs (b) or (c). In other words, the statute makes a distinction between the burner and the glass chimney in the *Wallace* case: the patentee's rights would extend to the burner because the burner constitutes the heart of the patented oil lamp, but they would not extend to the glass chimney and the patent misuse doctrine would continue to bar the patentee from attempting to extend the patent to the glass chimney.

Judge Rich also noted that a significant difference between paragraphs (b) and (c) was that paragraph (b) requires proof of active inducement, which involves intent, while liability under paragraph (c) requires only proof of its elements without any additional proof of inducement or intent.⁶⁷ In addition, Judge Rich urged that paragraph (b) should be construed so that the mere sale of staples would not be sufficient by itself for the imposition of liability even if the sale was made with the knowledge or expectation that the staples would be used in infringement of a patent. He declined, however, to specify precisely what showing was required for liability under paragraph (b), stating that "problems will arise . . . where the vendor's acts go

65. Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 GEO. WASH. L. REV. 521 (1953). Judge Rich's insights with respect to 35 U.S.C. § 271 are especially significant because of his prominent role in its enactment. Besides chairing the committee that drafted the proposed statute, Judge Rich testified at all of the hearings of the subcommittees of the House Judiciary Committee that were held in 1948, 1949, and 1951 to consider the bills for the proposed statute. See *Hearings on H.R. 5988, 4061, and 5248 Before Subcomm. on Patents, Trademarks, and Copyrights of the House Comm. on the Judiciary*, 80th Cong., 2nd Sess., ser. 21, 3-12 (1948); *Hearings on H.R. 3866 Before Subcomm. No. 4 of the House Comm. on the Judiciary*, 81st Cong., 1st Sess., ser. 17, 1-20 (1949); *Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82nd Cong., 1st Sess., ser. 9, 150-62 (1951). Judge Rich's participation in the enactment of 35 U.S.C. § 271 is also described in *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 206-12 (1980).

66. Rich, *supra* note 65, at 536.

67. *Id.* at 537-39.

beyond mere selling.”⁶⁸ Foreseeing issues that continue to arise today (even in copyright law), Judge Rich made the following comments:

Suppose in advertising the product a use involving infringement is suggested or advocated. Suppose that the sales force promotes such uses. An infinite variety of promotional activities calculated to result in infringement to a greater or less degree, can be envisaged. The courts will have to solve the problems as they arise in the light of the purpose of Section 271, which is to afford adequate protection to valid patents against those who are clearly seeking to benefit from piracy, especially in situations where enforcement against direct infringers is impractical.⁶⁹

The next section traces the case law developments with respect to contributory infringement and actively inducing infringement in patent law since the enactment of 35 U.S.C. § 271.

VI. INDIRECT INFRINGEMENT UNDER SECTION 271

One of the first cases to arise under 35 U.S.C. § 271 was concerned with the requirement for contributory infringement in paragraph (c) of knowledge on the part of a defendant that a component it sold was especially made for use in the infringement of a patent. Shortly after section 271 went into effect, the owner of a patent for automobile convertible tops sued Aro, a maker of fabric replacements for wornout convertible tops, for contributory infringement with respect to the fabric replacements Aro made and sold for use in both General Motors and Ford cars in the 1952-1954 model years. In the first case that went up to the Supreme Court, *Aro Manufacturing Co. v. Convertible Top Replacement Co. (Aro I)*, the Supreme Court decided that Aro was not liable for contributory infringement because the car owners' replacement of the fabric in the convertible tops constituted a permissible "repair," as opposed to an infringing reconstruction, of the convertible tops, and therefore, there was no direct infringement of the patent.⁷⁰

In the second case, *Aro Manufacturing Co. v. Convertible Top Replacement Co. (Aro II)*, however, the Supreme Court ruled that its decision in *Aro I* dealt only with the General Motors cars, and not with the Ford cars.⁷¹ Unlike General Motors, Ford had not obtained a license from the owner of the patent. Consequently, Ford's

68. *Id.* at 542.

69. *Id.*

70. 365 U.S. 336 (1961) (*Aro I*).

71. 377 U.S. 476 (1964) (*Aro II*).

manufacture and sale of its cars with convertible tops infringed the patent, and the car owner's replacement of the fabric in the infringing convertible tops likewise constituted direct infringement. Even though the Supreme Court ruled in *Aro II* that there was direct infringement on account of the car owner's repair of the convertible tops for the Ford cars, the majority of the Court nevertheless determined that Aro would not necessarily be liable as a contributory infringer.⁷² Focusing on the language in paragraph (c) that contributory infringement required sale of a component of a patented combination "knowing the same to be especially made or especially adapted for use in an infringement of such patent," the Court held that there must be a showing that an alleged infringer not only knew of the patent, but also that the use of the component would infringe the patent.⁷³ Thus, Aro would be liable for contributory infringement only for sales of its fabric replacements after it became aware that Ford was not licensed under the patent. Accordingly, the Supreme Court remanded the case for a determination of when Aro became aware that use of its fabric replacements on Ford cars was infringing.

While the *Aro* cases were concerned with contributory infringement under paragraph (c) of section 271, most of the cases that have arisen since the statute's enactment have dealt with the ways in which liability under paragraph (b) may be established. As Judge Rich predicted,⁷⁴ liability for inducing infringement has been predicated on a variety of promotional activities, including advertising infringing uses of the defendant's products,⁷⁵ and providing demonstrations,⁷⁶ training,⁷⁷ articles,⁷⁸ instructions,⁷⁹

72. *See id.*

73. *Id.* at 488.

74. *See supra* text accompanying note 69.

75. *See, e.g.,* Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc., 145 F.3d 1303, 1312 (Fed. Cir. 1998) (advertisements); Snuba Int'l, Inc. v. Dolphin World, Inc., 250 F.3d 761, 2000 WL 961363, at *7 (Fed. Cir. (unpublished table decision) (sales information and promotional materials included directions for use in an infringing manner); Chisum v. Brewco Sales & Mfg., Inc., 726 F. Supp. 1499, 1513 (W.D. Ky. 1989) (sales brochure instructions as to product's sole use for infringement).

76. *Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*, 467 F. Supp. 391, 428 (S.D.N.Y. 1979) (demonstrations to customers and distributors).

77. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) (training customers to use the infringing method).

78. *Metabolite Labs., Inc. v. Laboratory Corp. of Am. Holdings*, 370 F.3d 1354, 1365 (Fed. Cir. 2004) (publication of articles targeted to customers that promote infringement).

79. *Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1305 (Fed. Cir. 2002) (supplying infringing products with instructions on how they were to be used to infringe); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (instruction sheet

labeling on products,⁸⁰ or data sheets⁸¹ that explain how the defendant's products may be used to infringe a patent. In addition, liability for inducing infringement has been based on the exercise of control over a third party's direct infringement⁸² and on agreements to indemnify customers against patent infringement claims.⁸³

The leading case involving active inducement of infringement under 35 U.S.C. § 271(b) is probably *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, in which the Court of Appeals for the Federal Circuit held that proof of actual intent was required for liability.⁸⁴ The patentee alleged that a division of the defendant that the defendant had sold had infringed its patent. The patentee charged the defendant with direct infringement for the period before the sale and with actively inducing infringement under paragraph (b) for the period after the sale during which the infringement by the division continued. The Federal Circuit decided that although the defendant was liable for direct infringement, the defendant was not liable for inducing infringement because there was no proof that the defendant intended to induce infringement by the division after the division's sale. The court reasoned as follows:

On its face, § 271(b) is much broader than § 271(c) and certainly does not speak of any intent requirement to prove active inducement. However, in view of the very definition of "active inducement" in pre-1952 case law and the fact that § 271(b) was intended as merely a codification of pre-1952 law, we are of the opinion that proof of actual intent to cause the acts which

taught how to solve patented puzzle); *Sing v. Culture Prods., Inc.*, 469 F. Supp. 1249, 1255 (E.D. Mo. 1979) (method of use set forth in the instructions resulted in infringement); *Johnson & Johnson v. W. L. Gore & Assocs., Inc.*, 436 F. Supp. 704, 727 n.41 (D. Del. 1977) (instructions on packaging and advertising materials).

80. *R2 Med. Sys. Inc. v. Katecho, Inc.*, 931 F. Supp. 1397, 1440-41 (N.D. Ill. 1996) (labeling on components indicated their use to infringe the patented system).

81. *VLT Corp. v. Unitrode Corp.*, 130 F. Supp. 2d 178, 200 (D. Mass. 2001) (data sheets for integrated circuits provided detailed description of how to use chips in infringing devices).

82. *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (control exerted by owner of trademark for infringing product through licensing agreements); *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990) ("corporate officers who actively assist with their corporation's infringement may be personally liable for inducing infringement *regardless* of whether the circumstances are such that a court should disregard the corporate entity and pierce the corporate veil") (emphasis in original); *SunTiger, Inc. v. Scientific Research Funding Group*, 194 F.3d 1335, 1999 WL 379140 (Fed. Cir. 1999) (unpublished table decision) (control of product development under contract with advertiser); *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 726 F. Supp. 1525 (N.D. Ill. 1989).

83. *H.B. Fuller Co. v. National Starch & Chem. Corp.*, 689 F. Supp. 923, 945 (D. Minn. 1988); *Sing v. Culture Prods., Inc.*, 469 F. Supp. 1249, 1255 (E.D. Mo. 1979).

84. 909 F.2d 1464, 1469 (Fed. Cir. 1990).

constitute the infringement is a necessary prerequisite to finding active inducement.⁸⁵

Although the Federal Circuit ultimately found that there was no showing of an intent to induce infringement, the court was troubled by an indemnification clause in the agreement for the sale of the division, which provided that the defendant would indemnify the purchaser if the division's product was found to have infringed the plaintiff's patent. The Federal Circuit noted that cases had held that an intent to induce infringement could be inferred from an indemnification clause when the primary purpose was to overcome the deterrent effect of the patent laws. It concluded, however, that the purpose of the indemnification clause in the case before it was to obtain the highest sales price for the division, rather than to induce infringement after the sale.⁸⁶

Direct evidence of a defendant's "actual intent to cause the acts which constitute the infringement" is usually not available in the absence of admissions by the defendant. Thus, as in other legal contexts, proof of intent will usually be by inference from circumstantial evidence.⁸⁷

The Federal Circuit has recently acknowledged a lack of clarity⁸⁸ as to whether the required intent is to merely cause the infringing acts to occur (as stated *supra* in the quotation from the *Hewlett-Packard* case)⁸⁹ or the required intent is to cause an infringement. The Federal Circuit's lack of clarity is the result of an intra-circuit conflict within the Federal Circuit (which was established to avoid inter-circuit conflicts in patent law) between *Hewlett-Packard* and *Manville Sales Corp. v. Paramount Systems, Inc.*,⁹⁰ which was decided several

85. *Id.*

86. *Id.* at 1470.

87. See *Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377 (Fed. Cir. 2005) ("A patentee may prove intent through circumstantial evidence."); *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed. Cir. 2004) ("Intent is a factual determination particularly within the province of the trier of fact and may be inferred from all the circumstances); *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) ("While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice.").

88. *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005); *Mercexchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1332 (Fed. Cir.), *cert. granted*, 126 S. Ct. 733 (2005); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377 (Fed. Cir. 2005); *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed. Cir. 2004).

89. See *supra* text accompanying note 85.

90. 917 F.2d 544 (Fed. Cir. 1990).

months later. The plaintiff in the *Manville* case charged the defendant corporation with direct infringement and two of its officers with inducing infringement on account of their control over the defendant corporation. The Federal Circuit reversed the trial court's ruling that the officers were liable for inducing infringement on the grounds that there was neither compelling evidence nor any findings that the officers had the specific intent to cause the corporation to infringe the plaintiff's patent. The Federal Circuit held:

The alleged infringer must be shown, however, to have *knowingly* induced infringement. [Citation omitted]. It 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 inducement. The plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.⁹¹

The Federal Circuit ruled that the trial court's finding of inducement of infringement was negated by the fact that the corporate officers were not aware of the plaintiff's patent until after the suit was filed, and that the corporation's subsequent infringement of the patent was the result of the officers' good faith belief, based on advice of counsel, that the corporation's product did not infringe.

The differences between the *Hewlett-Packard* and *Manville* cases may be more apparent than real. It was unnecessary for the Federal Circuit in *Hewlett-Packard* to address whether the defendant knew or should have known that its actions would induce infringement because the court decided that the defendant was not liable for inducing infringement on account of the defendant's lack of intent to induce the acts constituting infringement. Therefore, the *Hewlett-Packard* and *Manville* cases can be reconciled by interpreting them as requiring that the defendant must have both intended to induce the acts that constituted infringement and also known or should have known that those acts would induce infringements.

While the Federal Circuit has noted a lack of clarity with respect to the intent requirements in the *Hewlett-Packard* and *Manville* decisions in four recent cases, in each of the cases it nevertheless has found it unnecessary to resolve the discrepancy because it ruled that the outcomes would be the same regardless of which intent requirement was used. In *Institutform Technologies, Inv. v. Cat*

91. *Id.* at 553.

Contracting, Inc.,⁹² the Federal Circuit decided that there was sufficient evidence to support the trial court's finding of inducement of infringement under either the *Hewlett-Packard* or *Manville* standards. The court based its decision on evidence in the record that the defendants had full knowledge that the process they were licensing to their customers had been accused of infringing the plaintiff's patent. Similarly, in *MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.*,⁹³ the Federal Circuit decided that the defendant's intent to cause an infringement could be presumed from the defendant's knowledge of the patent if the plaintiff could prove that the defendant had the intent to induce the specific acts constituting an infringement. Moreover, in *Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.*,⁹⁴ the Federal Circuit decided that substantial evidence supported the trial court's finding of inducement of infringement under either standard, because the defendant was aware of the plaintiff's contentions regarding infringement. In *Mercexchange, L.L.C. v. eBay, Inc.*,⁹⁵ however, the Federal Circuit decided that there was not sufficient evidence to support the trial court's finding of inducement of infringement under either standard, because the defendant had no knowledge of any acts of infringement.

While *Manville* and the other cases spoke of a discrepancy with respect to the *intent* requirement, they were all decided on the basis of whether the defendants had *knowledge* of either the existence of the patent, the plaintiff's contentions that it was being infringed, or the alleged acts of infringement. A defendant's knowledge and intent are closely linked. In the *Manville* and *Mercexchange* cases, the defendants' lack of knowledge of the patent negated their intent to induce infringement. Conversely, in the *Insituform*, *MEMC*, and *Fuji Photo* cases, the defendants' knowledge of the plaintiffs' accusations of infringement supplied the basis for an inference of their intent to induce infringement.⁹⁶ Although a showing of knowledge may provide a basis for inferring an intent to induce infringement, intent does not necessarily follow from knowledge. For example, in the *Hewlett-Packard* case, the indemnification provision established that the defendant had knowledge of the patent and the prospect that the

92. 385 F.3d 1360, 1378 (Fed. Cir. 2004).

93. 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005).

94. 394 F.3d 1368, 1377 (Fed. Cir. 2005).

95. 401 F.3d 1323, 1332 (Fed. Cir.), *cert. granted*, 126 S. Ct. 733 (2005).

96. See also *SEB, S.A. v. Montgomery Ward*, 412 F. Supp. 2d 336, 334 (S.D.N.Y. 2006) ("If a defendant knows about a patent yet continues to sell the infringing product, a reasonable jury can find the defendant liable under § 271(b).").

buyer might infringe the patent; nevertheless the Federal Circuit affirmed the trial court's conclusion that the defendant did not have the intent to infringe the patent.

In *Aro II*, the Supreme Court decided that liability for contributory infringement required proof that the defendant knew both that there was a patent and that the product it sold would be used to infringe the patent.⁹⁷ The Federal Circuit has already ruled that liability for inducing infringement requires proof that the defendant knew that there was a patent.⁹⁸ Proving that the defendant knew that its product would be used for infringement of the patent may be considerably more difficult, because it would appear to require proof that the defendant not only knew how the product would be used but also knew that the patent was valid and infringed by the use. Since it is possible to challenge the validity of almost any patent and the issue of infringement is often unclear, proof the defendant was aware of a reasonably serious accusation of infringement ought to be sufficient for liability for actively inducing infringement, as the Federal Circuit decided in the *Insituform* and *Fuji Photo* cases. Exactly how the Federal Circuit will articulate the requirements for active inducement of infringement in future cases remains to be seen, however.

The next section examines the application of 35 U.S.C. § 271 to the contributory infringement and active inducement of infringement of copyrights.

VII. APPLICATION OF SECTION 271 TO COPYRIGHT INFRINGEMENT

The legislative history of 35 U.S.C. § 271 shows clearly that the statute was enacted for reasons that were peculiar to patent law.⁹⁹ As a result of the *Mercoïd* decisions, the doctrine of contributory infringement that had developed since 1871 was jeopardized by the doctrine of patent misuse, and § 271 was adopted to codify the doctrine of contributory infringement in patent law. Although there is no hint that § 271 was ever intended to apply to copyrights, the Supreme Court nevertheless has decided as a practical matter that the statute governs copyright law as well as patent law.

97. See *supra* text accompanying note 73.

98. See *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 161 F.3d 688, 695 (Fed. Cir. 1998) ("A crucial element of induced infringement is that the inducer must have actual or constructive knowledge of the patent."). See also *Cybiotronics, Ltd. v. Golden Source Elecs., Ltd.*, 130 F. Supp. 2d 1152, 1165-66 (C.D. Cal. 2001) ("A finding of actual knowledge of the patent is clearly a prerequisite to finding that an accused infringer 'actively induced' infringement of that same patent.").

99. See *supra* text accompanying notes 58-66.

The Supreme Court first applied the principles in § 271 to copyright cases in *Sony Corp. of America v. Universal City Studios, Inc.*¹⁰⁰ The Supreme Court noted that in contrast to the Patent Act, the Copyright Act did not expressly impose liability for infringement committed by another person. It continued that the absence of an express provision in the copyright statute did not preclude the imposition of liability on persons who did not themselves engage in copyright infringement, however.¹⁰¹

The *Sony* Court gave *Kalem Co. v. Harper Brothers*¹⁰² as an example of a case where liability for contributory infringement of a copyright had been imposed. The Court concluded, however, that the *Kalem* case did not support imposing liability for contributory infringement on Sony. The contributory infringer in *Kalem* had an ongoing relationship with the direct infringers while the infringement was occurring—so that it was able to exercise control over their use of the copyrighted work—and it authorized the use of the copyrighted work without permission from the copyright owners. In contrast, there was no ongoing relationship between Sony and the consumers who purchased its videotape recorders.¹⁰³

Finding no basis for imposing liability on Sony under the *Kalem* case, the Supreme Court then turned to patent law “because of the historic kinship between patent law and copyright law.”¹⁰⁴ In a footnote, the Supreme Court explained that it had consistently rejected the proposition that a similar relationship existed between copyright law and trademark law. The Court then described the narrow standard for contributory trademark infringement as being limited to circumstances where a manufacturer or distributor intentionally induced a merchant to infringe a trademark or continued to supply a product to one whom it knew or had reason to know was engaging in trademark infringement. The Court explained that if the narrow standard for contributory trademark infringement was applied, the claim against Sony for contributory copyright infringement would merit little discussion. It stated: “Sony certainly does not ‘intentionally induce[]’ its customers to make infringing uses of respondents’ copyrights, nor does it supply its products to identified

100. 464 U.S. 417 (1984).

101. *Id.* at 435.

102. 222 U.S. 55 (1911).

103. *Id.* at 437-38.

104. *Id.* at 439.

individuals known by it to be engaging in continuing infringement of respondents' copyrights."¹⁰⁵

After this cursory reference to inducing infringement, the Court went on to discuss at length contributory infringement by analogy to § 271(c). The Court ultimately concluded that Sony was not liable for contributory copyright infringement because the videotape recorders it sold were capable of substantial noninfringing uses.¹⁰⁶ The *Sony* Court evidently found that it was unnecessary to address Sony's potential liability for inducing infringement using an analogy to § 271(b) because of the conclusion in its footnote that Sony did not intentionally induce its customers to infringe the copyrights on the television programs that the plaintiffs owned.¹⁰⁷

Ever since the *Wallace* decision in 1871, liability for contributory infringement in patent law has been based on an intent to cause infringement by third persons. While this intent was often inferred from a defendant's making or selling products with no substantial noninfringing uses, it could also be inferred from the defendant's advertising or other conduct that promoted infringing uses of products that also had noninfringing uses. When the doctrine of contributory infringement was codified in § 271, liability for inducing infringement was included in paragraph (b) along with liability for contributory infringement in paragraph (c), and the Senate Report accompanying the legislation explained that contributory infringement under paragraph (c) was intended to be a special case of inducing infringement under paragraph (b).¹⁰⁸ Thus, it would have been peculiar for the Supreme Court to have incorporated the principles of contributory infringement in paragraph (c) into copyright law without also incorporating the principles of inducement of infringement. Accordingly, it should have come as no great surprise that the Supreme Court would apply the principles of inducement of

105. *Id.* at 439 n.19 (internal citation omitted).

106. *Id.* at 456.

107. *See also* *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.* 125 S. Ct. 2764, 2777 (2005) (“[W]ith no evidence of stated or indicated intent to promote infringing uses, the only conceivable basis for imposing liability was on a theory of contributory infringement arising from [Sony’s] sale of VCRs to consumers with knowledge that some would use them to infringe.”).

108. S. Rep. No. 82-1979, *supra* note 62 (“Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer. The principle of contributory infringement is set forth in the provisions of the next paragraph which is concerned with the usual situation in which contributory infringement arises.”).

infringement to copyright law in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*.¹⁰⁹

The Supreme Court expressed its holding in the *Grokster* case as follows:

For the same reasons that *Sony* took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that 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.¹¹⁰

The Supreme Court went on to limit the scope of liability for inducing infringement by excluding cases where a distributor merely had knowledge of potential or actual copyright infringement or provided customer support. The Court stated: “mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves.”¹¹¹ The Court then examined the evidence that had been presented of the defendants’ objective in distributing their software products and concluded: “The unlawful objective is unmistakable.”¹¹² The Court therefore reversed the summary judgment for the defendants, finding that there was substantial evidence of inducement of infringement, and remanded for reconsideration of the plaintiffs’ motion for summary judgment.

Whether the patent law principles of contributory infringement and inducement of infringement belong in copyright law is questionable. Certainly, there is nothing in the legislative history of § 271 that suggests that the statute was intended to be applicable to copyright law. Moreover, the contexts in which indirect infringement claims arise in patent law differ from the contexts in copyright law. Indirect infringement in patent law typically arises when an alleged infringer copies nearly, but not quite, all of the elements of a combination product claim in a specific patent, or else makes a product that can be used to perform a specific patented process. In contrast, indirect infringement in copyright law often will not be associated with a specific copyrighted work, but instead will arise

109. 125 S. Ct. 2764 (2005).

110. *Id.* at 2780.

111. *Id.*

112. *Id.* at 2782.

from the development of technology that is capable of violating one or more of the exclusive rights in 17 U.S.C. § 106, such as making or distributing copies of copyrighted works or performing or displaying copyrighted works publicly. Thus, a developer of technology that can be used for copyright infringement may be exposed to open-ended liability for indirect infringement, while liability for indirect infringement in patent law will generally be limited to a specific patent.

Nevertheless, the Supreme Court has declared that the patent law principles of both contributory infringement and inducement of infringement are applicable to copyright law.

VIII. CONCLUSION

The doctrines of contributory infringement and inducement of infringement have had a bumpy ride over their 130-year lifetime. From its humble origins in the *Wallace* decision, the doctrine of contributory infringement expanded rapidly as creative patentees ingeniously sought to extend their patent monopolies to corner additional markets. Congress responded by enacting the Clayton Act, but even this was not enough to curb the abuses that arose out of the doctrine of contributory infringement. And so, the Supreme Court developed the patent misuse doctrine, which succeeded in reining in the doctrine of contributory infringement only by essentially destroying it. Congress resurrected contributory infringement in the Patent Act of 1952. Even after being codified, the precise extent of the branch of contributory infringement that is now known as inducement of infringement remains unclear, as it has produced an intra-circuit conflict within the Federal Circuit that the Federal Circuit has noted in four cases but has yet to resolve. Nevertheless, the doctrines of contributory infringement and inducement of infringement are stronger than ever, having been extended by the Supreme Court to cover copyright infringement through the use of VCR's and file sharing on the Internet.