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**KNOWING IS HALF THE BATTLE: HOW LATE IS TOO
LATE TO MEET THE KNOWLEDGE ELEMENT WHEN
PLEADING INDIRECT PATENT INFRINGEMENT?**

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ABSTRACT

The recent United States Supreme Court case Global-Tech Appliances, Inc. v. SEB S.A.¹ did much to clarify the pleading requirements of an adequate indirect infringement claim. In that case, for the first time, the Supreme Court made clear that both forms of indirect infringement—induced infringement as well as contributory infringement—require that the defendant have knowledge of the underlying patent.

However, for as much as the Supreme Court’s Global-Tech decision illuminates the indirect infringement knowledge requirement, it leaves open the important question of when the defendant must have knowledge of the patent. This remains a highly contentious and heavily divided issue among the district courts. Many district courts

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¹ Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 2060 (2011).

find that only pre-suit knowledge of the underlying patent is sufficient to maintain an indirect infringement suit. On the other hand, several other district courts find that post-suit knowledge alone is sufficient, but damages are available only for conduct that occurs after the defendant has the requisite knowledge of the patent. Both camps have heavy criticism for the other, and both camps have labeled their own position to be the “majority” position. This deep split screams for Federal Circuit review. In the interim, the district courts are left to their own devices to choose the side on which they fall.

This Article analyzes the merit of both schools of thought. It starts by providing a brief history of the knowledge element of an indirect patent infringement suit. It also provides a summary of several cases on each side of the fence and the reasoning the courts have employed in reaching their decisions.

I. INTRODUCTION

Under the doctrine of indirect infringement, a defendant is liable for merely inducing another to infringe on a patent² or, alternatively, for contributing to the infringement of a patent.³ This expansive ground for liability stands in stark contrast to the doctrine of direct infringement, which requires every single claim limitation to read on an allegedly infringing product.⁴ In other words, to prevail on a claim for direct infringement, “a patentee must supply sufficient evidence to prove that the accused product or process contains . . . every limitation of the properly construed claim.”⁵

However, unlike direct infringement, indirect infringement is not a strict liability tort.⁶ Thus, while a defendant can be liable for direct infringement without even knowing of the patent’s existence, liability for indirect infringement requires more. It requires *knowledge* that the infringing acts constitute patent infringement.⁷ Knowledge of patent infringement, in turn, requires knowledge that the underlying patent exists. But when must a defendant have this knowledge in order to be liable for indirect infringement? Can a claim for indirect infringement stand when the first time the defendant learns of the patent is in the same complaint alleging the defendant is liable for indirect infringement? District courts across the country are divided on this very question, and the issue is more than ripe for Federal Circuit review. While district courts appear to be evenly divided on the issue,

² 35 U.S.C. § 271(b) (2012) (stating: “Whoever actively induces infringement of a patent shall be liable as an infringer.”).

³ 35 U.S.C. § 271(c) (2012) (stating: “Whoever offers to sell or sells within the United States or imports into the United States 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.”).

⁴ 35 U.S.C. § 271(a) (2012) (stating “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . infringes the patent”).

⁵ *Seal-Flex, Inc. v. Athletic Track & Court Constr.*, 172 F.3d 836, 842 (Fed. Cir. 1999).

⁶ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011); *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1308 (Fed. Cir. 2012), *cert. dismissed sub nom*, *Epic Sys. Corp. v. McKesson Techs., Inc.*, 133 S. Ct. 1520, (2013), *and cert. dismissed sub nom*, *Epic Sys. Corp. v. McKesson Techs., Inc.*, 133 S. Ct. 1521 (2013), *cert. granted* *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 895 (2014).

⁷ *Global-Tech*, 131 S. Ct. at 2068; *Akamai*, 692 F.3d at 1308.

both approaches have been labeled as the majority approach.⁸

This Article explores the heavily divided question of whether a case for direct infringement requires defendant's pre-complaint knowledge of the patent. Part Two of this Article provides the background behind the indirect infringement knowledge requirement, including a brief history of the split and an analysis of the cases that have ruled on the issue. Part Three discusses the merit of each approach and emphasizes why Federal Circuit review is necessary to resolve this issue once and for all.

II. BACKGROUND

A. History

35 U.S.C. § 271(c) “was designed to codify in statutory form principles of contributory infringement which had been part of our law for about 80 years.”⁹ “Before 1952, both the conduct now covered by § 271(b) (induced infringement) and the conduct now addressed by § 271(c) (sale of a component of a patented invention) were viewed as falling within the overarching concept of ‘contributory infringement.’”¹⁰ Indeed, induced infringement “was treated as evidence of contributory infringement, that is, the aiding and abetting of direct infringement by another party.”¹¹

“While both the language of § 271(b) and the pre-1952 case law that this provision was meant to codify are susceptible to conflicting interpretations”¹² regarding whether knowledge of the patent was required to be liable for contributory infringement, the Supreme Court's decision in *Aro Manufacturing Co. v. Convertible Top Replacement Co.* (“*Aro I*”) settled that question.¹³

In *Aro II*, plaintiff Convertible Top Replacement owned a patent covering a top-structure for convertible automobiles.¹⁴ Ford had no license or authority under Convertible Top Replacement's patent

⁸ See *Brandywine Commc'ns Techs., LLC v. T-Mobile USA, Inc.*, 904 F. Supp. 2d 1260, 1267 (M.D. Fla. 2012) (declaring that the “weight of authority” required pre-suit knowledge). *But see* *Rembrandt Soc. Media, LP v. Facebook, Inc.*, 950 F.Supp.2d 876, 881 (E.D. Va. 2013) (“[A] majority of district courts considering this issue have held that post-suit knowledge (i.e., knowledge provided by the filing of the lawsuit) satisfies the knowledge element for indirect infringement.”).

⁹ *Global-Tech*, 131 S. Ct. at 2065-66 (quotations omitted).

¹⁰ *Id.* at 2066.

¹¹ *Id.* at 2067.

¹² *Id.*

¹³ *Aro Mfg. Co. v. Convertible Top Replacement Co. (Aro II)*, 377 U.S. 476, 482 (1964).

¹⁴ *Id.* at 478.

during the relevant time period.¹⁵ Aro Manufacturing Company produced fabric components to replace worn-out convertible tops, and Aro's products were specially tailored for installation on particular vehicles, including those covered by Convertible Top Replacement's patent.¹⁶ Aro did not have a license under Convertible Top Replacement's patent.¹⁷ Convertible Top Replacement brought an action, which sought, among other things, to enjoin Aro's alleged infringement and contributory infringement.¹⁸ The Supreme Court granted certiorari to address the question of "whether Aro is liable for contributory infringement, under 35 U.S.C. § 271(c), with respect to its manufacture and sale of replacement fabrics for the Ford cars."¹⁹

The Supreme Court, in a splintered majority opinion, began its inquiry by determining whether the Ford car owners, by replacing the fabric on the top, committed direct infringement of Convertible Top Replacement's patent.²⁰ The Court noted that Ford had infringed the patent by making and selling cars infringing on the patent.²¹ The Court noted further that, because Ford lacked authority to use or sell the patented top, by selling the vehicles to its purchasers, Ford conferred no license to use the patent, and therefore the purchasers' use of the patented top structure was direct infringement under 35 U.S.C. § 271(a).²² Having established that the Ford owner's use of the top infringed on Convertible Top Replacement's patent, the Court elaborated that "[i]f the owner's *use* infringed, so also did his *repair* of the top-structure, as by replacing the worn-out fabric component. Where use infringes, repair does also, for it perpetuates the infringing use."²³

Next, the Court turned to the question of "whether Aro, as supplier

¹⁵ *Id.* at 478-79.

¹⁶ *Id.* at 479.

¹⁷ *Id.*

¹⁸ *Id.* In an earlier case, *Aro Mfg. Co. v. Convertible Top Replacement Co. (Aro I)*, 365 U.S. 336 (1961), the Supreme Court dealt with the question of whether replacement of the fabric portions of the convertible tops constituted infringing 'reconstruction' or permissible 'repair' of the patented combination when the automobile manufacturer—General Motors—had a license with the patentee. *Aro I*, 365 U.S. at 339-41. The Court held for Aro, concluding that their act was mere repair and not reconstruction. *Id.* However, *Aro I* did not prevent liability for Aro in *Aro II* because "when the structure is unlicensed, as was true of the Ford cars, the traditional rule is that even repair constitutes infringement." *Aro II*, 377 U.S. at 479-80.

¹⁹ *Aro II*, 377 U.S. at 481.

²⁰ *Id.* at 483.

²¹ *Id.* at 484.

²² *Id.*

²³ *Id.*

of replacement fabrics for use in the infringing repair by the Ford car owners, was a contributory infringer under § 271(c) of the Patent Code.”²⁴ The Court found that Aro was a contributory infringer.²⁵ In doing so, the Court noted “the language of § 271(c) presents a question, apparently not noticed by the parties or the courts below, concerning the element of knowledge that must be brought home to Aro before liability can be imposed.”²⁶

The Court specifically reviewed whether knowledge of the infringed patent and the infringing activity must be known by the contributory infringer.²⁷ “On this question a majority of the Court [was] of the view that § 271(c) does require a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.”²⁸ The majority stated that a letter dated January 2, 1954 informed Aro of the relevant patent and that General Motors had a license, but no one else did.²⁹ Thus, the majority of the Court held Aro had “no defense with respect to replacement-fabric sales made after January 2, 1954,” but “[w]ith respect to any sales that were made before that date, . . . Aro [could not] be held liable in the absence of a showing that at that time it had already acquired the requisite knowledge that the Ford car tops were patented and infringing.”³⁰

The majority’s view regarding the requisite knowledge divided the Supreme Court and was joined by five of the nine Justices.³¹ The remaining four Justices “[were] of the view that the knowledge Congress meant to require was simply knowledge that the component was especially designed for use in a combination and was not a staple article suitable for substantial other use, and not knowledge that the combination was either patented or infringing.”³²

In *Global-Tech*, the Supreme Court noted that although *Aro II* involved a heavily divided Court on the question of whether

²⁴ *Id.* at 485.

²⁵ *Id.* at 485-88.

²⁶ *Id.* at 488.

²⁷ *Id.* (asking: “Was Aro ‘knowing’ within the statutory meaning because—as it admits, and as the lower courts found—it knew that its replacement fabrics were especially designed for use in the 1952-1954 Ford convertible tops and were not suitable for other use? Or does the statute require a further showing that Aro knew that the tops were patented, and knew also that Ford was not licensed under the patent so that any fabric replacement by a Ford car owner constituted infringement?”).

²⁸ *Id.*

²⁹ *Id.* at 489-90.

³⁰ *Id.* at 490-91.

³¹ *Id.* at 488 n.8.

³² *Id.*

knowledge of both the patent and its infringement was required and “there is much to be said in favor of both views expressed in *Aro II*, the ‘holding in *Aro II* has become a fixture in the law of contributory infringement.’”³³ Based on this and “the special force of the doctrine of *stare decisis* with regard to questions of statutory interpretation,”³⁴ the Court, in an opinion by Justice Alito, did not disturb “the premise that § 271(c) requires knowledge of the existence of the patent that is infringed.”³⁵

The *Global-Tech* Court extracted from the *Aro II* premise that “the same knowledge is needed for induced infringement under § 271(b).”³⁶ The Court put great weight on the fact that both induced infringement and contributory infringement “have a common origin in the pre-1952 understanding of contributory infringement, and the language of the two provisions creates the same difficult interpretive choice.”³⁷ The Court continued, “[i]t would thus be strange to hold that knowledge of the relevant patent is needed under § 271(c) but not under § 271(b).”³⁸ For that reason, the Court held “that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.”³⁹ Therefore, it is established that in order to survive a motion to dismiss on a claim for indirect infringement, a complaint must contain facts plausibly showing that the defendant “specifically intended their customers to infringe the [relevant] patent and knew that the customer’s acts constituted infringement.”⁴⁰

B. Case Analysis

While it is established that knowledge of the relevant patent is necessary in order to maintain a claim for indirect infringement of that patent, district courts across the country are split on whether post-suit knowledge of the patent, gained through receiving the complaint in the case, is sufficient to satisfy the knowledge requirement. While many courts answer that question in the negative, many others find that pre-suit knowledge is not required. Indeed, there is even a split as to

³³ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011).

³⁴ *Id.* (quotations omitted).

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1339 (Fed. Cir. 2012).

which view is the majority view.⁴¹ The following is a summary of the major cases for each stance.

I. Cases Finding Pre-Complaint Knowledge Not Required to Recover for Indirect Infringement

a. Groupon Inc. v. MobGob LLC

*Groupon Inc. v. MobGob LLC*⁴² is the first of three cases from the U.S. District Court for the Northern District of Illinois holding that defendant's pre-complaint knowledge of the patent is not required to maintain a suit for indirect infringement. Both plaintiff Groupon and defendant MobGob used their websites to promote the goods and services of others, and both Groupon's and MobGob's websites featured coupons and discounts.⁴³ Groupon sued MobGob, alleging that MobGob indirectly infringed Groupon's patent for an "On-Line Marketing System and Method."⁴⁴ MobGob filed a motion to dismiss, focusing on the knowledge and intent elements.⁴⁵ MobGob argued that Groupon's allegations were insufficient to establish the knowledge element because Groupon simply alleged that MobGob had knowledge of the patent "upon information and belief."⁴⁶ The court disagreed with MobGob.⁴⁷

District Judge Hibbler explained that "[i]t is reasonable to infer that MobGob had actual knowledge of Groupon's public patent (or at the very least that it has such knowledge now and allegedly continues its activities)."⁴⁸ In other words, according to Judge Hibbler, general allegations of knowledge are sufficient to survive a motion to dismiss because, at the very least, the defendant had knowledge of the patent by learning of it in the complaint. While *Groupon* pre-dated the Supreme Court's decision in *Global-Tech*, as seen below, courts continue to rely heavily on the *Groupon* decision.

⁴¹ See generally *Brandywine Commc'ns Techs., LLC v. T-Mobile USA, Inc.*, 904 F. Supp. 2d 1260, 1271 (M.D. Fla. 2012); *Rembrandt Soc. Media, LP v. Facebook, Inc.*, 950 F. Supp. 2d 876, 881 (E.D. Va. 2013).

⁴² *Groupon Inc. v. MobGob LLC*, No. 10 C 7456, 2011 WL 2111986, at *1 (N.D. Ill. May 25, 2011).

⁴³ *Id.* at *1.

⁴⁴ *Id.*

⁴⁵ *Id.* at *3.

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.*

b. *Trading Technologies International, Inc. v. BCG Partners, Inc.*

In *Trading Technologies International, Inc. v. BCG Partners, Inc.*,⁴⁹ plaintiff Trading Technologies International sued numerous entities in the business of providing electronic trading software for indirectly infringing Trading Technologies' electronic trading patents.⁵⁰ Citing *Groupon*, the court denied the defendants' motion to dismiss Trading Technologies' indirect infringement claims based on lack of pre-suit knowledge.⁵¹ District Judge Kendall explained that she "believe[d] the *Groupon* approach [to be] the more practical one, assuming the plaintiff can plead that the defendant continues to sell its infringing product."⁵² The court explained further that it "[saw] no reason why a defendant who is directly infringing on a product should avoid liability for an indirect infringement claim when it continues to sell the allegedly infringing product and encourages others to infringe, simply because it happened to learn of the patent in connection with a lawsuit."⁵³

c. *Intellect Wireless Inc. v. Sharp Corp.*

In *Intellect Wireless Inc. v. Sharp Corp.*,⁵⁴ plaintiff Intellect Wireless brought a patent infringement suit based on apparatus and method patents that included features for displaying the photograph and phone number of the sender of cellular telephone messages.⁵⁵ The defendants—manufacturers of wireless communications devices—sought summary judgment on plaintiff's indirect infringement claim, because the plaintiff relied only on post-complaint activity.⁵⁶ In fact, the *only* evidence plaintiff presented as to indirect infringement was advertisements and user manuals that the defendants published and disseminated after the date of the complaint.⁵⁷ The court noted that "[t]he parties appear[ed] to agree that Defendants first became aware

⁴⁹ *Trading Techs. Int'l, Inc. v. BCG Partners, Inc.*, No. 10 C 715, 2011 WL 3946581 (N.D. Ill. Sept. 2, 2011).

⁵⁰ *Id.* at *1, *4.

⁵¹ *Id.* at *4-5.

⁵² *Id.* at *4.

⁵³ *Id.*

⁵⁴ *Intellect Wireless Inc. v. Sharp Corp.*, No. 10 C 6763, 2012 WL 787051 (N.D. Ill. March 9, 2012).

⁵⁵ *Id.* at *1.

⁵⁶ *Id.*

⁵⁷ *Id.* at *2.

of the patents-in-suit when [plaintiff] filed its complaint.”⁵⁸

Relying heavily on *Trading Technologies International, Inc. v. BCG Partners, Inc.*,⁵⁹ District Judge Pallmeyer’s order held that a defendant is liable for an indirect infringement claim when it “continue[s] to promote infringing uses of their products after learning about the patents,” even when the defendant learned of the patent from the complaint in the lawsuit.⁶⁰ Therefore, the court held that “[d]efendants’ knowledge of the patent as of the time of the suit’s commencement can satisfy the knowledge requirement for conduct that post-dates the date of the complaint.”⁶¹

d. Walker Digital, LLC v. Facebook, Inc.

The U.S. District Court for the District of Delaware is much more divided on the topic. The first time the court found that pre-suit knowledge was not required was in *Walker Digital, LLC v. Facebook, Inc.*⁶² There, plaintiff Walker Digital sued numerous website operators including Fandango, Amazon, eBay, and Zappos.com under its patent entitled “Method and Apparatus for Facilitating Electronic Commerce Through Providing Cross-Benefits During a Transaction.”⁶³ Walker Digital claimed that Amazon and Zappos indirectly infringed on their patent by “making, using, offering for sale, selling and/or importing apparatuses and/or practicing methods that provide cross-benefits during a transaction including, but not limited to, that provide [defendants’] users/customers the ability to receive a benefit in connection with a purchase via a cross-promotion.”⁶⁴

Amazon and Zappos moved to dismiss Walker Digital’s claims, and District Judge Robinson denied the motion to dismiss, concluding that Walker Digital’s allegations satisfied the requirements of *Global-Tech*.⁶⁵ The court reasoned “there is no legal impediment to having an indirect infringement cause of action limited to post-litigation conduct” and found it instructive that “the fundamental purpose of

⁵⁸ *Id.* at *11.

⁵⁹ *Trading Techs. Int’l, Inc. v. BCG Partners, Inc.*, No. 10 C 715, 2011 WL 3946581 (N.D. Ill. Sept. 2, 2011).

⁶⁰ *Intellect Wireless Inc. v. Sharp Corp.*, No. 10 C 6763, 2012 WL 787051, at *11 (N.D. Ill. March 9, 2012).

⁶¹ *Id.*

⁶² *Walker Digital, LLC v. Facebook, Inc.*, 852 F. Supp. 2d 559, 560-61 (D. Del. 2012).

⁶³ *Id.* at 565.

⁶⁴ *Id.* at 561.

⁶⁵ *Id.* at 565.

asserting indirect infringement [is] . . . to ensure that the patentee can recover full compensation for any damages suffered as a result of infringement.”⁶⁶ Therefore, Judge Robinson found that “the only substantive consequence of allowing [indirect infringement claims based on post-suit knowledge] to go forward” was “[t]he fact that Walker Digital would be prohibited from collecting damages related to indirect infringement for any pre-knowledge (e.g., pre-filing) conduct.”⁶⁷ The court also noted that “it is important to keep in mind that the Supreme Court was reviewing *Global-Tech* post-trial and did not speak to the pleading requirements for indirect infringement under Rule 8 [of the Federal Rules of Civil Procedure].”⁶⁸

e. SoftView, LLC v. Apple Inc.

In *SoftView, LLC v. Apple Inc.*,⁶⁹ plaintiff SoftView sued multiple mobile device manufacturers for infringement of patents entitled “Scalable Display of Internet Content on Mobile Devices.”⁷⁰ The defendants filed a motion to dismiss, contending that SoftView’s indirect infringement claims should be dismissed for failure to state a claim because SoftView had not plausibly alleged defendants’ pre-suit knowledge of the patents-in-suit.⁷¹ District Judge Stark held that SoftView adequately alleged pre-suit knowledge of the patents-in-suit by most defendants, but found that SoftView had failed to plausibly allege such knowledge by defendant Kyocera.⁷²

In determining whether an indirect infringement claim required pre-suit knowledge of the patent, Judge Stark noted that there was divided precedent, even within the U.S. District Court for the District of Delaware.⁷³ Ultimately, the court sided with the plaintiff, concluding “[o]n balance, the Court agrees with SoftView’s position that the filing of a complaint is sufficient to provide knowledge of the patents-in-suit for purposes of stating a claim for indirect infringement occurring after the filing date.”⁷⁴ The court explained that “[i]n the

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Softview LLC v. Apple, Inc.*, Civ. No. 10-389-LPS, 2012 WL 3061027 (D. Del. July 26, 2012).

⁷⁰ *Id.* at *1.

⁷¹ *Id.* at *5.

⁷² *Id.* at *6-7.

⁷³ *Id.* at *7.

⁷⁴ *Id.* (quoting *Apple Computer, Inc. v. Unova, Inc.*, No. Civ.A. 03-101-JJF, 2003 WL 22928034, at *5 (D. Del. Nov. 25, 2003) (“In its Amended Complaint, Apple has alleged that, since the initial pleading, Intermec and Unova were aware of

continued . . .

Court's view, an accused infringer is on notice of the patent(s)-in-suit once an initial pleading identifies the patents-in-suit, and a patentee that successfully proves the remaining legal elements of indirect infringement [sic] is entitled to recover for any post-filing indirect infringement of those patents."⁷⁵

f. Apeldyn Corp. v. Sony Corp.

District Judge Robinson cemented her previous *Walker Digital* decision in *Apeldyn Corp. v. Sony Corp.*⁷⁶ There, plaintiff Apeldyn sued Sony for infringement of a patent directed to the response time of liquid crystal material in Liquid Crystal Display modules ("LCDs").⁷⁷ In opposing Sony's motion to dismiss Apeldyn's indirect infringement claim, Apeldyn asserted that "Sony knew of the '382 patent at least as of the filing of the complaint [in a previous case between Sony and Apeldyn] and, armed with that knowledge, has continued to indirectly infringe by making and/or selling infringing LCD products in the United States."⁷⁸

After a copy-and-paste recitation of the court's reasoning in *Walker Digital*, the court denied Sony's motion to dismiss.⁷⁹ The court summarized its ruling as follows: "if a complaint sufficiently identifies, for purposes of Rule 8, the patent at issue and the allegedly infringing conduct, a defendant's receipt of the complaint and decision to continue its conduct despite the knowledge gleaned from the complaint satisfies the requirements of *Global-Tech*."⁸⁰

g. InMotion Imagery Technologies v. Brain Damage Films

In *InMotion Imagery Technologies v. Brain Damage Films*,⁸¹ plaintiff InMotion accused thirteen defendants of infringing a patent for a "Picture-Based Video Indexing System."⁸² Defendant Galaxy

Apple's patents. In this regard Apple has plead a claim for inducement of infringement and contributory infringement.")).

⁷⁵ *Softview LLC v. Apple Inc.*, No. 10-389-LPS, 2012 WL 3061027, at *7 (D. Del. July 26, 2012).

⁷⁶ *Apeldyn Corp. v. Sony Corp.*, 852 F. Supp. 2d 568 (D. Del. 2012).

⁷⁷ *Id.* at 570.

⁷⁸ *Id.* at 573.

⁷⁹ *Id.* at 573-74.

⁸⁰ *Id.* at 574.

⁸¹ *InMotion Imagery Techs. v. Brain Damage Films*, No. 2:11-CV-414-JRG, 2012 WL 3283371 (E.D. Tex. Aug. 10, 2012).

⁸² *Id.* at *1.

filed a motion to dismiss the induced infringement claims based on their lack of knowledge of the patents.⁸³ District Judge Gilstrap denied the motion and explained “[f]ailing to allege pre-suit knowledge of the patent is not a basis to dismiss Plaintiff’s indirect infringement claims; as it cannot be disputed that Plaintiff *does* sufficiently plead that the Moving Defendants had knowledge of the asserted patent for at least some time during the infringing period.”⁸⁴

h. Symantec Corp. v. Veeam Software Corp.

*Symantec Corp. v. Veeam Software Corp.*⁸⁵ involved plaintiff Symantec and defendant Veeam—competitor providers of backup and recovery software.⁸⁶ Symantec alleged that Veeam had infringed its patents for “distinct, remote backup” of a machine on a separate storage device and “for backup and restoration of an entire machine on a network in the event that the client should become incapable of booting up on its own.”⁸⁷ District Judge Illston, quoting the *Intellect Wireless* and *Trading Technologies* line of cases from the Northern District of Illinois, rejected Veeam’s motion to dismiss for insufficient allegations of knowledge.⁸⁸ “The Court f[ound] that plaintiff ha[d] adequately pled knowledge of alleged infringement *as of* the date of the complaint . . . [and] construe[d] the complaints as covering contributory infringement for post-filing conduct, where the defendant’s knowledge ha[d] been adequately alleged.”⁸⁹

2. *Cases Requiring Pre-Complaint Knowledge to Recover for Indirect Infringement*

a. Proxyconn Inc. v. Microsoft Corp.

In *Proxyconn Inc. v. Microsoft Corp.*,⁹⁰ District Judge David O. Carter of the U.S. District Court for the Central District of California granted defendants’ motion to dismiss plaintiff Proxyconn’s claim that

⁸³ *Id.* at *3.

⁸⁴ *Id.* (quoting *Lochner Techs., LLC v. AT Labs Inc.*, No. 2:11-CV-242-JRG, 2012 WL 2595288, *3 (E.D. Tex. July 5, 2012)) (internal marks omitted).

⁸⁵ *Symantec Corp. v. Veeam Software Corp.*, No. C 12-00700 SI, 2012 WL 1965832 (N.D. Cal. May 31, 2012).

⁸⁶ *Id.* at *1.

⁸⁷ *Id.*

⁸⁸ *Id.* at *4.

⁸⁹ *Id.*

⁹⁰ *Proxyconn Inc. v. Microsoft Corp.*, No. SACV 11-1681 DOC (ANx), 2012 WL 1835680 (C.D. Cal. May 16, 2012).

the defendants indirectly infringed on their method patent through defendants' making and selling computer systems.⁹¹ Proxyconn alleged that each defendant had knowledge of the underlying patent "[s]ince at least the filing of the complaint" and conceded that it could "only specifically allege that [d]efendants had knowledge of the patent-in-suit as of the filing of the original complaint."⁹² In granting the defendants' motion to dismiss Proxyconn's indirect infringement claim, the court explained:

Plaintiff's argument requires this Court to bootstrap the knowledge Defendants *now* have based on Plaintiff's filing of the Complaint onto defendant's acts *before* Plaintiff filed its complaint. Yet, a defendant can not be held liable because it induced or contributed to another's acts *before* the defendant had knowledge, because to do so effectively holds a defendant liable for acts it did without knowledge.⁹³

The court further reasoned that "requiring a [p]laintiff to plead knowledge based on facts other than the filing of the present lawsuit furthers judicial economy and preserves parties' resources by encouraging resolution prior to filing a lawsuit" and also explained that "[p]re-litigation attempts at resolution are especially desirable in patent cases, which are often expensive and thus resolved by settlement."⁹⁴ The court stated further that "Plaintiff could have notified Defendants of their alleged infringement and sought an amicable resolution at any time prior to filing this suit" and the defendants "should not be punished for Plaintiff's failure to do so."⁹⁵ The *Proxyconn* court next distinguished *Trading Technologies* and *Groupon*.⁹⁶

The court found *Trading Technologies* factually distinguishable because "the complaint [in *Trading Technologies*] alleged additional facts *other than the filing of the complaint* that established the defendants' knowledge."⁹⁷ The court found *Groupon* factually distinguishable because "the [*Groupon*] complaint alleged that the defendant had knowledge but did not specify when it was acquired; the courts reasoned that allegations without a time period were

⁹¹ *Id.* at *1, *2-7.

⁹² *Id.* at *2, *5.

⁹³ *Id.* at *5.

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Id.* at *6.

⁹⁷ *Id.*

sufficient because a motion to dismiss requires all inferences to be drawn in the plaintiff's favor."⁹⁸

The court also criticized the cases that hold pre-complaint knowledge of the patent by the defendant is not required to maintain a suit for indirect infringement as being "based on an incorrect understanding of the consequences of granting a motion to dismiss."⁹⁹ The court explained that "[i]n *Trading Technologies*, the court denied the motion to dismiss because it feared that granting the motion would allow a defendant to avoid liability for an indirect infringement claim simply because it happened to learn of the patent in connection with a lawsuit."¹⁰⁰ However, the *Proxyconn* court found this concern "completely unfounded."¹⁰¹ Judge Carter went on to explain that "nothing prevents a plaintiff from filing a new lawsuit alleging that the knowledge requirement is established because the [d]efendant is aware of the previous lawsuit, . . . [and] Federal Rule of Civil Procedure 15(d) provides a procedure for pleading post-suit facts."¹⁰²

The *Proxyconn* court also criticized the reasoning from *Walker Digital* that the interests of judicial economy favor denying a motion to dismiss because by the time the motion to dismiss has been filed, the defendant in fact has the requisite knowledge.¹⁰³ Judge Carter explained that "[s]uch a view gives too little weight to the judicial inefficiencies and parties' expenses in litigating potentially meritless claims."¹⁰⁴ Judge Carter argued that, under the alternative system, even if a defendant ceased all infringing activity on the day the complaint is filed, the unfortunate defendant would have to expend vast resources to come to the summary judgment stage of litigation before the expensive and meritless indirect infringement claim could be dismissed.¹⁰⁵ Thus, in dismissing *Proxyconn's* indirect infringement claim, the court adopted the rule that "a complaint fails to state a claim for indirect patent infringement where the *only* allegation that purports to establish the knowledge element is the allegation that the complaint itself or previous complaints in the *same* lawsuit establish the defendant's knowledge of the patent."¹⁰⁶

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Id.* (internal quotation marks omitted).

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.* at *7 (quoting *Walker Digital, LLC v. Facebook, Inc.*, 852 F. Supp. 2d 559, 566 n. 11 (D. Del. 2012)).

¹⁰⁴ *Proxyconn Inc. v. Microsoft Corp.*, No. SACV 11-1681 DOC (ANx), 2012 WL 1835680, at *7 (C.D. Cal. May 16, 2012).

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

b. *Brandywine Communications Technologies, LLC v. T-Mobile USA, Inc.*

*Brandywine Communications Technologies, LLC v. T-Mobile USA, Inc.*¹⁰⁷ involved a patent for a “Simultaneous Voice/Data Answering Machine.”¹⁰⁸ There, plaintiff Brandywine alleged that T-Mobile indirectly infringed on the patent by making, using, selling, and offering for sale certain mobile phone models such as the “Comet, G2x, Sidekick 4G, and the HTC Wildfire S.”¹⁰⁹ Plaintiff alleged that T-Mobile had knowledge of the patent since at least the day it was served with the original complaint in the case.¹¹⁰ The court, in an order by Judge Honeywell, granted T-Mobile’s motion to dismiss.¹¹¹ The court reasoned that “because notice of the patent is necessarily provided by a complaint, finding that a complaint provides sufficient knowledge for induced infringement would vitiate the Supreme Court’s holding in *Global-Tech* that an allegation of knowledge of the patent is required to state a claim for induced infringement.”¹¹² The order characterized this as the majority approach, stating that “[t]he weight of authority addressing the knowledge required for indirect infringement, especially following the Supreme Court’s decision in *Global-Tech*, requires a plaintiff to allege that defendant had pre-suit knowledge of the patents-in-suit.”¹¹³

c. *Xpoint Technologies, Inc. v. Microsoft Corp.*

*Xpoint Technologies, Inc. v. Microsoft Corp.*¹¹⁴ dealt with a patent for “a direct data-delivery system and method for program-controlled, direct transfer of data along a bus or data pathway between peer input/output (‘I/O’) devices in a data-processing apparatus or data-processing network.”¹¹⁵ Such a direct data transfer allegedly “optimizes the speed and efficiency of an apparatus or network by allowing data to bypass the central processing unit (‘CPU’) and thereby preserve the CPU’s capacity for other applications.”¹¹⁶ This

¹⁰⁷ *Brandywine Commc’ns Techs., LLC v. T-Mobile USA, Inc.*, 904 F. Supp. 2d 1260 (M.D. Fla. 2012).

¹⁰⁸ *Id.* at 1262.

¹⁰⁹ *Id.* at 1262-63.

¹¹⁰ *Id.* at 1263.

¹¹¹ *Id.* at 1262.

¹¹² *Id.* at 1268-69.

¹¹³ *Id.* at 1267 (citations omitted).

¹¹⁴ *Xpoint Techs., Inc. v. Microsoft Corp.*, 730 F. Supp. 2d 349 (D. Del. 2010).

¹¹⁵ *Id.* at 351 (internal marks omitted).

¹¹⁶ *Id.*

technology could be used on “electronic devices like cell phones, personal media players, personal computers, and global positioning system (‘GPS’) devices.”¹¹⁷ Xpoint sued multiple technology companies alleging indirect infringement and “argue[d] that defendants had knowledge of the [relevant] patent at least since the date of the suit.”¹¹⁸ The court, in an order by Judge Robinson, found this insufficient and granted defendants’ motion to dismiss, explaining that “knowledge after filing of the present action is not sufficient for pleading the requisite knowledge for indirect infringement.”¹¹⁹ Notably, Judge Robinson also presided over *Apeldyn*, where she switched sides and held that post-suit knowledge was sufficient.¹²⁰

d. Aguirre v. Powerchute Sports, LLC

In *Aguirre v. Powerchute Sports, LLC*,¹²¹ plaintiff Aguirre alleged the indirect infringement of his patent concerning a physical conditioning aid for golfers and sued defendant sellers of allegedly infringing products.¹²² Citing *Xpoint*, the court held that knowledge of the patent was insufficiently pled and “[t]o the extent Aguirre relies on knowledge of [his] patent after the lawsuit was filed, such knowledge is insufficient to plead the requisite knowledge for indirect infringement.”¹²³

e. Select Retrieval, LLC v. Bulbs.com Inc.

*Select Retrieval, LLC v. Bulbs.com Inc.*¹²⁴ went even further than *Proxycorr* and the other cases requiring pre-suit knowledge of the patent. There, defendant Bulbs.com argued that plaintiff Select Retrieval’s complaint did not adequately state a claim for indirect infringement because the complaint relied “on the filing of a prior lawsuit to satisfy the knowledge element.”¹²⁵ The district court explained that “[i]n general, relying on the filing of a suit to show that a defendant had knowledge of the existing patent is not sufficient for

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 357 (internal marks omitted).

¹¹⁹ *Id.*

¹²⁰ See *Apeldyn Corp. v. Sony Corp.*, 852 F. Supp. 2d 568, 574 (D. Del. 2012).

¹²¹ *Aguirre v. Powerchute Sports, LLC*, No. SA-10-CV-0702 XR, 2011 WL 2471299 (W.D. Tex. June 17, 2011).

¹²² *Id.* at *1.

¹²³ *Id.* at *3.

¹²⁴ *Select Retrieval, LLC v. Bulbs.com Inc.*, No. 12-10389-TSH, 2012 WL 6045942 (D. Mass. Dec. 4, 2012).

¹²⁵ *Id.* at *5.

pleading an inducement claim.”¹²⁶ However, the court went so far as to find that even knowledge stemming from a prior lawsuit would be insufficient.¹²⁷

f. Secured Mail Solutions, LLC v. Advanced Image Direct, LLC

Judge Carter of the U.S. District Court for the Central District of California confirmed his *Proxycorn* decision in early 2013 in the case of *Secured Mail Solutions, LLC v. Advanced Image Direct, LLC*.¹²⁸ There, perhaps secure in the knowledge that they were before the very same judge that had adamantly criticized courts that had permitted post-complaint knowledge to suffice, the defendants argued:

Plaintiff’s argument that ‘discovery *may* uncover facts that could establish knowledge’ before this lawsuit is rank speculation. This Court should not condone Plaintiff’s strategy to file first and then troll on a fishing expedition to see if it can unearth facts sufficient to litigate an indirect infringement claim that did not exist when the complaint was filed.¹²⁹

The defendants pointed out that “[u]nder parallel facts, this Court in *Proxycorn* dismissed the plaintiff’s indirect infringement claims with prejudice.”¹³⁰ The court agreed, stating “[i]nsofar as Plaintiff alleges knowledge of the Patents in Suit based on the filing of the original Complaint in this lawsuit, the holding in *Proxycorn* controls and Plaintiff has not pled sufficient facts to state a plausible claim for indirect patent infringement.”¹³¹

¹²⁶ *Id.* (citing *Brandywine Commc’ns Techs., LLC v. T-Mobile USA, Inc.*, 904 F. Supp. 2d 1260 (M.D. Fla. 2012)) (citations omitted).

¹²⁷ *Id.*

¹²⁸ *Secured Mail Solutions, LLC v. Advanced Image Direct, LLC*, No. 8:12-cv-01090-DOC-RNB, at 11 (C.D. Cal. Jan. 30, 2013).

¹²⁹ Defendants’ Reply Memorandum of Points and Authorities in Support of Their Motion to Dismiss Under Federal Rule 12(b) of Civil Procedure at 5, *Secured Mail Solutions, LLC v. Advanced Image Direct, LLC* (C.D. Cal. Dec. 21, 2012) (No. 8:12-cv-01090-DOC-MLG), 2012 WL 7682875 (internal citations omitted).

¹³⁰ *Id.* at 6.

¹³¹ Order Granting Motion to Sever and Transfer, and Granting in Part and Denying in Part Motion to Dismiss at 11, *Secured Mail Solutions, LLC v. Advanced Image Direct, LLC* (C.D. Cal. Jan. 30, 2013) (No. 8:12-cv-01090-DOC-RNB).

g. *Brandywine Communications Technologies, LLC v. Casio Computer Co. Ltd.*

*Brandywine Communications Technologies, LLC v. Casio Computer Co. Ltd.*¹³² is the second 2012 decision in the Middle District of Florida dealing with patent infringement claims brought by Brandywine. Indeed, the case also involved a patent for a “Simultaneous Voice/Data Answering Machine,” and was also presided over by District Judge Honeywell.¹³³ Casio filed a motion to dismiss for lack of pre-suit knowledge of the patent.¹³⁴ The court stated that “[t]he weight of authority addressing the knowledge required for indirect infringement, especially following the Supreme Court’s decision in *Global-Tech*, requires a plaintiff to allege that defendant had pre-suit knowledge of the patents-in-suit.”¹³⁵ The court dismissed the indirect infringement claims, concluding “Brandywine cannot avoid the pre-suit knowledge requirement by relying on either the Original Action or letters sent to Casio during the lawsuit, when the parties were already disputing Casio’s alleged infringement.”¹³⁶

III. WHY FEDERAL CIRCUIT REVIEW IS NECESSARY

The *Proxyconn* decision from the Central District of California offered the most thorough explanation of the reasoning behind the position that pre-suit knowledge is required to maintain an indirect infringement claim.¹³⁷ The decision provides three rationales for granting the defendants’ motion to dismiss.¹³⁸ First, it decried what it described as “bootstrapping” post-complaint knowledge to pre-complaint acts by the defendant.¹³⁹ Second, it concluded that requiring pre-suit knowledge furthers judicial economy.¹⁴⁰ Third, the court found persuasive that if a defendant continues its actions after the serving of the complaint, the plaintiff can always file a new complaint or amend the original complaint.¹⁴¹

¹³² *Brandywine Commc’ns. Techs., LLC v. Casio Computer Co.*, 912 F. Supp. 2d 1338 (M.D. Fla. 2012).

¹³³ *Id.* at 1339.

¹³⁴ *Id.* at 1345.

¹³⁵ *Id.*

¹³⁶ *Id.* at 1346.

¹³⁷ *See Proxyconn Inc. v. Microsoft Corp.*, No. SACV 11-1681, 2012 WL 1835680 (C.D. Cal. May 16, 2012).

¹³⁸ *Id.* at *5-7.

¹³⁹ *Id.* at *5.

¹⁴⁰ *Id.*

¹⁴¹ *Id.* at *6.

Each of these arguments has visceral appeal. Indeed, it seems highly peculiar that a plaintiff could properly allege the concurrence of both infringing activities and knowledge of the infringed patent in a complaint when the plaintiff (1) *knows* that knowledge of the patent will not occur until after the defendant reads the complaint and (2) *assumes* that the defendant will continue to induce or contribute to infringement after gaining knowledge of the patent.

Conversely, courts following the opposite view are quick to point out that the “bootstrap” problem is no problem at all because the “plaintiff would be prohibited from collecting damages related to indirect infringement for any pre-knowledge (e.g., pre-filing) conduct”¹⁴² In other words, courts finding post-suit knowledge sufficient hold that a defendant is only liable for conduct that occurs after the defendant learns of the patent and the infringing activity. As far as these courts are concerned, “bootstrapping” would only be a concern if courts were to hold that a defendant could be liable for pre-suit conduct based solely on post-suit knowledge. However, no district court offers that view, and such a view would be in stark contrast to the Supreme Court’s holdings in *Aro II* and *Global-Tech*.

For its second rationale, the *Proxycorr* court explained that requiring pre-suit knowledge “furthers judicial economy and preserves parties’ resources by encouraging resolution prior to filing a lawsuit.”¹⁴³ Explaining this view, the *Proxycorr* court stated “[p]re-litigation attempts at resolution are especially desirable in patent cases, which are often expensive and thus resolved by settlement[,]” and that “Plaintiff could have notified Defendants of their alleged infringement and sought an amicable resolution at any time prior to filing th[e] suit[,]” and the defendants “should not be punished for Plaintiff’s failure to do so.”¹⁴⁴

Along these same lines, the *Proxycorr* court disagreed with the rationale that “the interests of judicial economy favor denying a motion to dismiss because by the time the motion to dismiss has been filed, defendant in fact has the requisite knowledge,” explaining this view “gives too little weight to the judicial inefficiencies and parties’ expenses in litigating potentially meritless claims.”¹⁴⁵ The court exemplified the propriety of this view by stating that the unfortunate defendant that quit all infringing action the day he received the

¹⁴² See *Apeldyn Corp. v. Sony Corp.*, 852 F. Supp. 2d 568, 573-74 (D. Del. 2012).

¹⁴³ *Proxycorr Inc. v. Microsoft Corp.*, No. SACV 11-1681, 2012 WL 1835680, at *5 (C.D. Cal. May 16, 2012).

¹⁴⁴ *Id.*

¹⁴⁵ *Id.* at *7 (internal marks omitted).

complaint would still have to expend vast resources to come to the summary judgment stage of a litigation if post-suit knowledge were sufficient to survive a motion to dismiss.¹⁴⁶

However, the courts that disagree with the *Proxycorr* view claim that judicial economy actually favors denying a motion to dismiss because the defendant in fact has the requisite knowledge by the time the motion to dismiss has been filed, despite the fact that *Proxycorr* held that this view “gives too little weight to the judicial inefficiencies and parties’ expenses in litigating potentially meritless claims.”¹⁴⁷

For its third and final rationale, the *Proxycorr* court found persuasive that, if a defendant continues its actions after the serving of the complaint, the plaintiff can always file a new complaint or amend the original complaint.¹⁴⁸ The court explained “nothing prevents a plaintiff from filing a new lawsuit alleging that the knowledge requirement is established because the Defendant is aware of the previous lawsuit . . . [and] Federal Rule of Civil Procedure 15(d) provides a procedure for pleading post-suit facts.”¹⁴⁹ However, courts holding the contrary view find persuasive that a plaintiff can always amend their complaint by rule to provide factual allegations demonstrating that the knowledge element is met, along with post-knowledge conduct.¹⁵⁰

This divide of opinions demonstrates the importance of appellate review of this topic. The complexity of this issue is further underscored by the fact that Judge Robinson switched her stance on the issue in *Walker Digital, LLC v. Facebook, Inc.*¹⁵¹ and *Apeldyn Corp. v. Sony Corp.*¹⁵² after penning one of the seminal cases requiring pre-suit knowledge by the defendant, *Xpoint Technologies, Inc. v. Microsoft Corp.*¹⁵³

IV. CONCLUSION

The Supreme Court’s *Global-Tech* decision made clear that both forms of indirect infringement require that the defendant have

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ *See id.* at *6.

¹⁴⁹ *Id.*

¹⁵⁰ *Rembrandt Soc. Media, LP v. Facebook, Inc.*, 950 F. Supp. 2d 876, 882 (E.D. Va. 2013).

¹⁵¹ *See Walker Digital, LLC v. Facebook, Inc.*, 852 F. Supp. 2d 559 (D. Del. 2012).

¹⁵² *See Apeldyn Corp. v. Sony Corp.*, 852 F. Supp. 2d 568 (D. Del. 2012).

¹⁵³ *See Xpoint Techs., Inc. v. Microsoft Corp.*, 730 F. Supp. 2d 349 (D. Del. 2010).

knowledge of the underlying patent. However, the *Global-Tech* decision also left open the important question of *when* the defendant must have knowledge of the patent. This question remains a highly contentious and heavily divided issue among the district courts, and the divide is only growing. Both camps have well-reasoned explanations for the propriety of their view and appear to have dug in their heels. Thus, Federal Circuit review is necessary in order to resolve the question of whether pre-suit knowledge is necessary in order to maintain a claim for indirect patent infringement.