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Willful Blindness: Guidance for In-House Patent Review Policies

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Written by **Paul C. Haughey**

Ironically, a “no patent review” policy many in-house counsel have adopted to avoid willful infringement risk can itself cause willful infringement risk. Two cases from 2019 give some context.

In October, 2019 Judge Gilstrap, E.D. Texas, stated: “A well-pled claim for willful blindness is sufficient to state a claim for willful infringement.” *Motiva Patents LLC v. HTC Corporation*, E.D. Texas, 9:18-cv-00179 (Oct. 2019). Judge Gilstrap's ruling was based on the allegation in Motiva's complaint that HTC had “a policy or practice of not reviewing the patents of others (including instructing its employees to not review the patents of others).” Gilstrap held that this allegation was sufficient to defeat HTC's attempt to dismiss the willful infringement claim.

In another 2019 case, a motion for summary judgment of no willfulness was granted. The court held there was no willful blindness by ignoring multiple emails offering to sell 5 patents. *TC Technology LLC v. Sprint Corporation*, D. Del., No. 16-cv-153-RGA (May 31, 2019 memorandum order).

Willful Blindness basically means notice is not required for willful patent infringement. In 2011, in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) the U.S. Supreme Court ruled that actual knowledge of a patent is not required for inducement to infringe. Willful blindness provided the inducement. In *Global-Tech*, the defendant copied the plaintiff's product, and then had a patent attorney do a right-to-use study without telling the patent attorney that a competitor's design had been copied.

In 2015, in *Suprema v. ITC* (Investigation No. 337-TA-720), the Federal Circuit held that willful blindness is established by (1) a subjective belief of a high probability that a fact exists and (2) deliberate action to avoid learning that fact. In *Suprema*, willful blindness was found with less egregious facts than in *Global-Tech*. The *Suprema* facts were mainly that Suprema was aware that Cross Match was a competitor, and that Suprema had researched and identified other Cross Match patents.

The *Suprema v. ITC* case thus provides some guidance for a company policy. The policy should not have a blanket prohibition against reviewing patents. If you want to avoid all the issues with non-lawyers reviewing patents, I'd suggest the following policy. The policy can state that non-lawyers should not be searching for and reviewing patents because of the legal complexities of interpretation. Rather, patent review requests should be provided to the legal department, which will determine whether a review is appropriate based on whether there

appears a high probability (*Suprema* standard) that there may be relevant patents (and also based on budget). This can be determined on a case-by-case basis. Examples of high probability include where a competitor's product is being copied or where your company has previous notice of other patents of a competitor with a similar product. You should be prepared to show that in some instances, reviews are actually done, so that it doesn't appear to be a hollow policy.

In my experience, patents uncovered in a Freedom-to-Operate (FTO) review can usually support an opinion that they are invalid or not infringed, or they can be designed around or otherwise dealt with. Thus, willful infringement risk can be mitigated by a FTO study. In addition, with an FTO, you can be prepared to instantly respond to the CEO and any negative press when a complaint is received. Doing such studies on occasion would also show a diligent effort to avoid infringement. This can provide an increased chance of prevailing against a willful infringement claim when patents for products not researched are asserted, by showing reasonable attempts to avoid infringement.

I believe it is also prudent to do FTO reviews for new business areas, acquisitions, important new products and significant new features. In most infringement suits, willfulness isn't found, and even when it is, enhanced damages are not automatic. I would thus argue that a no-review policy unsuccessfully tries to minimize the rare risk of enhanced damages while increasing the more common risk of non-enhanced infringement damages.

Related People



Paul C. Haughey

t 415.273.4787

phaughey@ktslaw.com