

No.

IN THE
Supreme Court of the United States

ARTHREX, INC.,

Petitioner,

v.

SMITH & NEPHEW, INC., *ET AL.*,

Respondents.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011), this Court held that, to be liable under a “willful blindness” theory of intent, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Id.* at 2070. The Court explained that “willful blindness” is a rigorous standard that “surpasses recklessness and negligence.” *Ibid.* In *Safeco Insurance Co. of America v. Burr*, 551 U.S. 47 (2007), the Court held that a defendant cannot be found to have committed a violation under the lesser “recklessness” standard if its actions were consistent with an understanding of legal requirements that was “not objectively unreasonable,” “whatever [its] subjective intent may have been.” *Id.* at 70 & n.20. The question presented is:

Whether a defendant may be held liable under the “willful blindness” standard where its actions were consistent with an understanding of relevant legal requirements that was not objectively unreasonable.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner Arthrex, Inc., was defendant in the district court and appellee in the court of appeals. Respondents Smith & Nephew, Inc., and John O. Hayhurst, M.D., were plaintiffs in the district court and appellants in the court of appeals.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Arthrex, Inc., states that it has no parent corporation, and no publicly held company owns 10% or more of Arthrex's stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Arthrex, Inc., respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The court of appeals' opinion (App., *infra*, 1a-12a) and the district court's grant of judgment as a matter of law (App., *infra*, 13a-14a) are unreported.

STATEMENT OF JURISDICTION

The court of appeals entered judgment on January 16, 2013 (App., *infra*, 1a-12a), and rehearing was denied on April 4, 2013 (App., *infra*, 26a-27a). On June 20, 2013, the Chief Justice extended the time to file a petition for a

writ of certiorari to and including August 30, 2013. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

The relevant provision of the Patent Act, 35 U.S.C. § 271, is set forth in the Appendix (App., *infra*, 28a).

STATEMENT

I. STATUTORY FRAMEWORK

The Patent Act grants patentees the “right to exclude others from making, using, offering for sale, or selling the invention.” 35 U.S.C. § 154(a)(1). The Act thus declares that anyone who “without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” *Id.* § 271(a). Such “direct infringers”—those who themselves practice the patented invention, or who make, offer to sell, or sell the invention without authority—are strictly liable. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc). Because infringement is “a strict liability offense,” *ibid.*, liability “require[s] no more than the unauthorized use of a patented invention,” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 n.2 (2011).

The Patent Act also imposes liability on those who do not themselves practice the patented invention, but are deemed to infringe “indirectly.” Under the doctrine of “induced” infringement, for example, “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). Liability for induced infringement under § 271(b) thus “extends * * * to a party who advises, encourages, or otherwise induces others to engage in infringing conduct.” *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307 (Fed. Cir.

2012) (en banc). And a party may be liable for “contributory” infringement if it “sells within the United States * * * a component of a patented [device] * * *, or a material or apparatus for use in practicing a patented process,” while “knowing” that the component is “especially made or especially adapted for use in an infringement of such patent,” and does not have any “substantial noninfringing use.” 35 U.S.C. § 271(c). A party cannot be held liable under an indirect infringement theory absent conduct that constitutes direct infringement. See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 485 (1964).

“Unlike direct infringement,” indirect “infringement is not a strict liability tort.” *Akamai*, 692 F.3d at 1308. Given the risk that overly broad secondary liability might “compromise legitimate commerce or discourage innovation,” the law imposes rigorous requirements to limit indirect infringement to “purposeful, culpable * * * conduct.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005). Thus, in *Aro Manufacturing, supra*, this Court held that a party cannot be liable for contributory infringement unless it “*knew* that the combination for which [its] component was especially designed *was both patented and infringing*.” 377 U.S. at 488 (emphasis added). And just two Terms ago in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011), the Court confirmed that induced infringement likewise “requires *knowledge* that the *induced* acts *constitute patent infringement*.” *Id.* at 2068 (emphasis added).

Drawing on a “well established” doctrine from criminal cases, *Global-Tech* also held that the “knowledge” requirement for indirect infringement can be satisfied by “willful blindness.” 131 S. Ct. at 2068. To be willfully

blind, the Court held, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Id.* at 2070. The Court explained that “willful blindness” is tantamount to knowledge: “[P]ersons who know enough to blind themselves to direct proof of critical facts in effect have actual knowledge of those facts.” *Id.* at 2069. Willful blindness thus “surpasses recklessness and negligence.” *Id.* at 2070.

II. PROCEEDINGS BELOW

A. Background

Smith & Nephew, Inc., is the exclusive licensee of U.S. Patent No. 5,601,557 (the ‘557 patent), issued in 1997 to Dr. John O. Hayhurst. The ‘557 patent claims a method of implanting a suture anchor in a patient’s bone during surgery. App., *infra*, 2a. It discloses drilling a hole in the bone, and then inserting a small anchor into the hole. *Ibid.* The anchor has resilient legs that are compressed as it passes through the hole; once through the hole, the legs expand or “resile,” thereby “lodging” the anchor in place. *Smith & Nephew, Inc. v. Ethicon, Inc.*, 276 F.3d 1304, 1312 (Fed. Cir. 2001). Once the anchor has lodged in the bone, the suture can be used to reattach damaged tissue, such as a ligament or tendon, so that it remains properly placed. *Id.* at 1307.

In 2004, respondents Smith & Nephew and Dr. Hayhurst (collectively, “Smith & Nephew”) filed a suit against petitioner Arthrex, Inc., alleging that surgeons, when using certain Arthrex suture anchors, infringe the ‘557 patent. Smith & Nephew asserted indirect infringement claims against Arthrex under theories of induced and contributory infringement. Over the course of

nine years, the lawsuit spawned three trials and two appeals to the Federal Circuit.

B. The First Two Trials And Initial Appeal

The case was initially tried to a jury in 2007. That trial ended in a mistrial because the jury was unable to reach a verdict. App., *infra*, 3a. The district court ordered a new trial.

The second trial ended with a jury verdict for Smith & Nephew. App., *infra*, 3a. On appeal, the parties disputed the construction of the claim term “resile” in the ’557 patent. That issue was critical: If Arthrex’s anchor does not “resile” within the meaning of the patent, it does not infringe. See *id.* at 18a-19a. The district court had interpreted “resile” to mean that the anchor, after being compressed and inserted through the hole that had been drilled in the patient’s bone, would have sufficient resiliency to return to its original position “in a manner that contributes, at least in part, to the lodging of the member [*i.e.*, the anchor] in the hole.” *Ibid.* (quotation marks omitted). Under that view, “resilience plays only a part” in securely embedding the anchor in the bone. *Id.* at 21a.

The Federal Circuit reversed, holding that, in the context of the patent, the term “resile” requires that the anchor have sufficient “intrinsic resiliency” to return to its original position “in a manner sufficient to cause the lodging of the member in the hole,” without further manipulation by the surgeon. App., *infra*, 20a (quotation marks omitted). “[I]ntrinsic resiliency,” the court of appeals declared, “is the only disclosed means for lodging the anchor, and it therefore must be sufficient to lodge the anchor.” *Ibid.* The Federal Circuit remanded to the district court for a third trial under the correct construction of “resile.” *Id.* at 21a-22a.

C. District Court Proceedings On Remand

1. Having been instructed that the anchor’s resiliency must itself be sufficient to “lodge” the anchor in the patient’s bone, the parties on remand disputed the meaning of the term “lodging.” In an earlier patent infringement suit that Smith & Nephew had filed against Ethicon, the Federal Circuit had construed the “lodging” requirement of the ’557 patent to mean that “the anchor cannot be withdrawn after it is pressed in the hole.” *Ethicon*, 276 F.3d at 1308. Arthrex therefore urged that, for an anchor to be “lodged,” it must at least be able to “withstand all the forces of surgery.” App., *infra*, 5a. Smith & Nephew opposed that construction. After the close of Smith & Nephew’s evidence, the district court stated that it agreed with Arthrex’s construction of “lodging.” *Id.* at 3a-4a. Nevertheless, the court instructed the jury consistent with Smith & Nephew’s construction of “lodging”—that “resilience must be sufficient to maintain the anchor in the hole up to the point that the suture was tensioned,” C.A. App. A0000156—because the court thought that Arthrex would prevail under either construction. App., *infra*, 3a-4a.

The parties also disputed the mental state required for Smith & Nephew’s indirect infringement claims. There was no dispute that Arthrex knew of Smith & Nephew’s *patent*. But the parties disputed whether Arthrex had the required mental state with respect to *infringement* of the patent. Smith & Nephew did not assert that Arthrex had actual knowledge of infringement. Arthrex therefore urged that, under *Global-Tech*, Smith & Nephew was required to prove that Arthrex was “willfully blind” to the fact that surgeons’ use of Arthrex’s anchors constitutes infringement of the ’557 patent. Smith & Nephew, by contrast, urged that *Global-Tech*’s “willful blindness”

standard applied only to knowledge of the patent and not to knowledge of infringement. Smith & Nephew insisted that *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc)—a Federal Circuit decision that predated *Global-Tech*—required it to show only that Arthrex “should have known” of the infringement. See Smith & Nephew C.A. Br. 6, 51-52. The district court was sufficiently uncertain about the governing standard that it gave the jury alternative instructions under both *DSU* and *Global-Tech*. App., *infra*, 9a.

2. The jury returned a verdict for Smith & Nephew. It found that surgeons directly infringe the ’557 patent when using Arthrex’s anchors. App., *infra*, 4a. The jury found Arthrex liable for indirect infringement under both induced and contributory infringement theories, and awarded \$85 million in damages against Arthrex on that basis. *Ibid.*

3. The district court granted Arthrex judgment as a matter of law, finding no infringement. App., *infra*, 13a-14a. Consistent with its earlier view, see p. 6, *supra*, the district court held that Arthrex’s construction of the claim term “lodging” was correct, and that no reasonable jury could have found direct infringement under that construction. App., *infra*, 13a-14a. “I made it pretty clear at trial and now hold that Arthrex’s proposed claim construction * * * was the correct one, and I hold that * * * under that claim construction no rational juror could do anything other than find for Arthrex on infringement.” *Id.* at 14a. The district court also found no indirect infringement because Arthrex lacked the requisite knowledge of infringement. See *id.* at 9a-10a, 13a-14a.

D. The Court Of Appeals’ Decision

A divided panel of the court of appeals reversed, reinstating both the finding that surgeons directly infringe

the '557 patent when using Arthrex's anchor, and the jury's determination that Arthrex indirectly infringed. App., *infra*, 11a. Judge Clevenger dissented. *Id.* at 11a-12a.

1. The majority first rejected the district court's construction of "lodging." The majority stated that the relevant claim was "directed only to anchoring a suture in the bone, not to the full surgical operation." App., *infra*, 5a-6a. It thus agreed with Smith & Nephew that the term "lodging" does not require the anchor to be sufficiently stable to "withstand[] all the forces of surgery." *Ibid.* Instead, "lodging" merely "relates to how the anchor stays in place after being initially pressed into the bone." *Id.* at 7a. The majority found that, under that construction, substantial evidence supported a finding that surgeons infringe the '557 patent using Arthrex's anchors. *Id.* at 8a.

2. Having found direct infringement, the majority turned to whether Arthrex could be held liable for indirect infringement. The majority acknowledged the parties' dispute over whether knowledge of infringement is governed by *Global Tech*'s willful blindness standard, or whether it is governed instead by *DSU*'s "should have known" standard. App., *infra*, 9a. Describing *DSU*'s standard as a "somewhat different[]" "articulat[ion]" of the *Global-Tech* standard, the majority held that "any error in the instruction" was harmless because the district court instructed the jury under both standards, and the jury found for Smith & Nephew under both standards. *Id.* at 9a-10a.¹

¹ Since issuing its opinion in this case, the Federal Circuit has confirmed that "[a] finding of inducement requires both knowledge of the existence of the patent and 'knowledge that the induced acts constitute patent infringement.'" *Commil USA, LLC v. Cisco Sys., Inc.*,

The majority then overturned the district court’s decision granting Arthrex judgment as a matter of law on indirect infringement. App., *infra*, 10a. Arthrex urged that, under *Global-Tech*, a defendant cannot be willfully blind to the fact of infringement unless it can be shown that there was a “high probability of infringement.” C.A. Br. 48 (citing *Global-Tech*, 131 S. Ct. at 2070). Arthrex argued that the district court’s conclusion that there was no infringement *as a matter of law* demonstrated that the “willful blindness standard has not been met.” *Id.* at 49.

The majority found willful blindness was established nonetheless. It noted that Arthrex “indisputably knew of the ’557 *patent* prior to any infringement.” App., *infra*, 10a (emphasis added). But Smith & Nephew never urged, and the majority cited no evidence, that Arthrex knew that its products *infringed* that patent when used by surgeons. Instead, the majority found sufficient evidence under a “willful blindness” theory, citing supposed evidence that Arthrex drafted instructions for its anchors that “paralleled the patented method steps of the ’557 patent,” and “that Arthrex made no attempt to compare its anchors to the claims of the ’557 patent.” *Ibid.*

3. Judge Clevenger dissented. He stated that “Smith & Nephew failed to show willful blindness under the *Global-Tech* standard as a matter of law.” App., *infra*, 12a. The dissent explained that, under *Global-Tech*, Smith & Nephew was required to prove that Arthrex was “willfully blind” to “both the existence of the patent and the fact of infringement.” *Id.* at 11a. To prove willful blindness with respect to the “fact of in-

720 F.3d 1361, 1367 (Fed. Cir. 2013) (quoting *Global-Tech*, 131 S. Ct. at 2068).

fringement,” Smith & Nephew was required to prove that Arthrex “‘subjectively believe[d] that there [was] a high probability’” that surgeons’ use of its anchors was infringing, and that Arthrex “[took] deliberate actions to avoid learning of that fact.” *Id.* at 12a (quoting *Global-Tech*, 131 S. Ct. at 2070). The dissent explained that Smith & Nephew did not meet the willful blindness standard because it “did not present substantial evidence that Arthrex subjectively believed” that there was a high probability of infringement. *Ibid.* Thus, the dissent would have affirmed the district court’s grant of judgment as a matter of law for Arthrex. *Ibid.*

4. Arthrex’s petition for rehearing and rehearing en banc was denied on April 4, 2013. App., *infra*, 26a-27a.

REASONS FOR GRANTING THE PETITION

This case involves an important and recurring issue in patent law and myriad other contexts—the proper application of the “willful blindness” doctrine. In *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011), this Court held that proof that a defendant “willfully blinded” himself to avoid obtaining knowledge is sufficient to establish knowledge itself. *Id.* at 2068-2069. To be willfully blind, the Court further held, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Id.* at 2070. “Willful blindness” is intended to be a rigorous standard that “surpasses recklessness and negligence.” *Ibid.*; see also *id.* at 2070-2071 (willfully blind defendant “can almost be said to have actually known the critical facts”).

In the short time since this Court’s decision in *Global-Tech*, however, the willful blindness standard has become *less* demanding than recklessness—one of the very concerns that led some to resist it as a substitute for the

“knowledge” requirement. See 131 S. Ct. at 2072 (Kennedy, J., dissenting); *United States v. Jewell*, 532 F.2d 697, 706 (9th Cir. 1976) (en banc) (Kennedy, J., dissenting). For example, a defendant cannot be found to have committed a “reckless” violation if its actions were consistent with an understanding of legal requirements that was “not objectively unreasonable,” “whatever [the defendant’s] subjective intent may have been.” *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 70 & n.20 (2007). Thus, in *Safeco*, this Court noted that—although the defendant in fact had violated the statute—the defendant’s violation was not “reckless” because its conduct was lawful under a construction of statutory requirements that was “not objectively unreasonable.” *Id.* at 69. Indeed, its view was “sufficiently convincing * * * to have persuaded the District Court to adopt it and rule in [the defendant’s] favor.” *Id.* at 69-70.

Yet, in the decision below, the Federal Circuit ruled that Arthrex can be liable for indirect patent infringement—under the *higher* standard of “willful blindness”—even though the district court agreed with Arthrex’s construction of the patent and found no infringement as a matter of law. The court of appeals thus held Arthrex could be “willfully blind” to infringement—that infringement was so likely Arthrex effectively knew—even though a federal judge concluded that there was no infringement. Ignoring the reasonableness of Arthrex’s and the district court’s construction, the court of appeals examined only whether there was adequate evidence of Arthrex’s subjective beliefs. That upside-down result “def[ies] history and current thinking” about the significance of subjective intent. *Safeco*, 551 U.S. at 70 n.20.

It also defies this Court’s admonition that willful blindness is more exacting than recklessness and negligence—

precisely the reason this Court had rejected the Federal Circuit’s prior standard in *Global-Tech*. In *Global-Tech*, this Court rejected the Federal Circuit’s “deliberate indifference” standard for indirect infringement as insufficiently rigorous. 131 S. Ct. at 2071. The Federal Circuit has now diluted this Court’s “willful blindness” standard to less than mere recklessness. If a defendant can be willfully blind to infringement when a federal judge agrees there was no infringement as a matter of law, it is hard to imagine when that standard cannot be met.

This Court has recognized, moreover, that “substantial costs attend the litigation” of a defendant’s “subjective” state of mind. *Harlow v. Fitzgerald*, 457 U.S. 800, 816 (1982). By converting the question of willful blindness to infringement into a purely subjective inquiry—and dispensing with the objective-unreasonableness standard that allows courts to dispose of non-meritorious cases—the decision below contributes to the glut of patent litigation that plagues the courts; exposes defendants to the risks inherent in jury trials on the elusive question of mental state; subjects defendants to potential liability for objectively reasonable conduct; and empowers plaintiffs to extract substantial settlements. The concerns raised by lower courts’ application of the willful blindness doctrine, moreover, pervade the law: “Willful blindness is knowledge *** in the law generally.” *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003). Federal courts regularly confront the issue throughout the criminal law and in a broad array of civil cases. The issue is important and recurring. This Court’s review is warranted.

I. THE COURT SHOULD CLARIFY THAT “OBJECTIVE UNREASONABLENESS” IS A REQUIREMENT FOR WILLFUL BLINDNESS

A. Willful Blindness Is A High Standard That Surpasses Recklessness

This Court addressed the “willful blindness” standard in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011). In that case, the Court held that, to be liable for inducing patent infringement under 35 U.S.C. § 271(b), the defendant must “know” that the acts it was inducing would infringe the patent: “[I]nduced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Id.* at 2068.²

The Court further held that proof of “willful blindness” is sufficient to establish “knowledge.” 131 S. Ct. at 2068-2069. Willful blindness, the Court explained, is “well established in criminal law,” where it is deemed sufficient to satisfy the “[m]any criminal statutes [that] require proof that a defendant acted knowingly.” *Id.* at 2068. The “traditional rationale” for the doctrine “is that defendants who have “deliberately shield[ed] themselves from clear evidence of critical facts suggested by the circumstances” “are just as culpable as those who have actual knowledge.” *Id.* at 2069. Based on the federal judiciary’s “wide acceptance” of willful blindness in the criminal context, the Court saw “no reason why the doctrine should not apply” to the knowledge requirement in civil lawsuits for indirect patent infringement as well. *Ibid.*

² While *Global-Tech* involved a claim of induced infringement under 35 U.S.C. § 271(b), the Court made clear that the “same knowledge for liability” applies to contributory infringement under 35 U.S.C. § 271(c). 131 S. Ct. at 2067.

At the same time, the Court emphasized that willful blindness is an exacting standard, and rejected the Federal Circuit’s “deliberate indifference” formulation as insufficiently rigorous. 131 S. Ct. at 2071. To be willfully blind, the Court held, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Id.* at 2070. “[T]hese requirements,” the Court explained, “give willful blindness an appropriately limited scope.” *Ibid.* Willful blindness, the court emphasized, is tantamount to actual knowledge: “[P]ersons who know enough to blind themselves to direct proof of critical facts in effect have actual knowledge of those facts.” *Id.* at 2069; see *id.* at 2070-2071 (“a willfully blind defendant is one * * * who can almost be said to have actually known the critical facts”). Willful blindness thus “surpasses recklessness and negligence.” *Id.* at 2070.

B. Willful Blindness Cannot Be Established Based On Objectively Reasonable Conduct

Although requiring proof of a defendant’s “subjective belief” is “an important safeguard against diluting the guilty state of mind required” for an offense, *Jewell*, 532 F.2d at 707,³ the Federal Circuit’s solitary focus on subjective belief has now diluted willful blindness to a requirement less demanding than mere recklessness. That defies this Court’s direction that willful blindness “surpasses recklessness” and disregards its intent that courts

³ See also *Cheek v. United States*, 498 U.S. 192, 203 (1991) (adopting subjective standard for determining whether violation of criminal law is willful); *United States v. Griffin*, 524 F.3d 71, 80 (1st Cir. 2008) (placing the “focus of the willful blindness instruction * * * on the particular defendant and not on the hypothetical reasonable person” ensures defendant is not convicted under a “negligence” standard).

“give willful blindness an appropriately limited scope.” *Global-Tech*, 131 S. Ct. at 2070.

1. In *Safeco Insurance Co. v. Burr*, 551 U.S. 47 (2007), this Court established that conduct that is consistent with an “objectively reasonable”—even if mistaken—construction of legal requirements cannot be “reckless” as a matter of law, regardless of the defendant’s subjective beliefs. The question in *Safeco* was whether the defendant recklessly violated the Fair Credit Reporting Act. *Id.* at 57-58.⁴ The Court explained that, in the civil context, recklessness is defined as “conduct violating an objective standard: action entailing ‘an unjustifiably high risk of harm that is either known or so obvious that it should have been known.’” *Id.* at 68 (quoting *Farmer v. Brennan*, 511 U.S. 825, 836 (1994)).

One of the central disputes in *Safeco* was the meaning of certain provisions of the FCRA. 551 U.S. at 61-67. Accepting the defendant’s construction, the district court had granted the defendant summary judgment because its conduct did not violate the FCRA under that interpretation. *Id.* at 55. This Court disagreed with that interpretation of the statute and ruled that, under the correct construction, the defendant may well have violated the FCRA. *Id.* at 67-68.

The Court, however, held that it was “clear enough that if [the defendant] did violate the statute, the company was not reckless in falling down in its duty.” 551 U.S. at 68. Although the Court “disagree[d] with [the de-

⁴ In *Safeco*, the Court began by addressing the meaning of the standard imposed by 15 U.S.C. § 1681n(a), under which a defendant may be liable for “willfully fail[ing] to comply” with the FCRA. See 551 U.S. at 56-57. The Court held that, in the civil context, the requirement of a “willful” violation reaches “reckless” conduct, *id.* at 57-58, thereafter turning to the definition of “recklessness,” *id.* at 68-70.

fendant’s] analysis” of the statute, it “recognize[d] that [the defendant’s] reading has a foundation in the statutory text, and a sufficiently convincing justification to have persuaded the District Court to adopt it and rule in [the defendant’s] favor.” *Id.* at 69-70. Thus, while the defendant’s interpretation of the statute was “erroneous,” it “was not objectively unreasonable.” *Id.* at 69. And because the defendant’s “reading was not objectively unreasonable,” the Court held, it “falls well short of raising the ‘unjustifiably high risk’ of violating the statute necessary for reckless liability” as a matter of law. *Id.* at 70.

Safeco rejected as “unsound” any contention that “evidence of subjective bad faith must be taken into account in determining whether a company acted knowingly or recklessly,” regardless of whether the defendant’s defenses are “objectively reasonable.” 551 U.S. at 70 n.20. The Court explained that where circumstances “allow for more than one reasonable interpretation, it would defy history and current thinking to treat a defendant who merely adopts one such interpretation as a *knowing or reckless* violator,” “whatever [its] subjective intent may have been.” *Ibid.* (emphasis added).

2. That same reasoning forecloses a finding of “willful blindness” based on conduct that is consistent with an “objectively reasonable” understanding of legal requirements. *Global-Tech* makes clear that willful blindness is a more demanding standard that “surpasses recklessness and negligence.” 131 S. Ct. at 2070. If conduct falls short of recklessness because it is consistent with an “objectively reasonable” (albeit mistaken) interpretation, that same conduct cannot produce liability under the more demanding standard of willful blindness. Moreover, to be willfully blind, “the defendant must subjectively believe

that there is a *high probability that a fact exists*” and take affirmative steps “to avoid confirming” that fact—a willfully blind defendant can “almost be said to have actually known.” *Id.* at 2070-2071 (emphasis added). That “high probability” of a fact existing, which leads one to “almost *** know[ing],” must be at least as demanding as the “unjustifiably high risk” of violation required to establish the lesser standard of recklessness under *Safeco*. 551 U.S. at 68.

Nor can imposing liability for infringement under willful blindness despite objective reasonableness be reconciled with the origins of that doctrine. The willful blindness doctrine rests on the notion that those who “deliberately shield[] themselves from clear evidence of critical facts that are strongly suggested by the circumstances” are “just as culpable as those who have actual knowledge.” *Global-Tech*, 131 S. Ct. at 2068-2069. A “classic illustration is the connivance of an innkeeper who deliberately arranges not to go into his back room and thus avoids visual confirmation of the gambling he believes is taking place.” *Jewell*, 532 F.2d at 705 (Kennedy, J., dissenting). But where the circumstances are not so “strongly suggestive” of a violation as to render the belief of lawfulness objectively unreasonable, it makes no sense to say the individual was “willfully blind,” much less that he “almost” “actually kn[e]w” of the violation. Finding willful blindness despite *objective* reasonableness thus defies *Global-Tech* as well as the willful blindness doctrine’s rationale and origins.

C. The Decision Below Illustrates The Consequences Of Departing From *Safeco*’s Objective Requirements

The court of appeals’ decision in this case demonstrates the consequences of applying a willful blindness

standard that omits the objective unreasonableness requirement. The district court here agreed with Arthrex’s construction of the patent and found no infringement as a matter of law. But the court of appeals reinstated an \$85 million verdict on the theory that Arthrex was “willfully blind” to infringement—that there was such a high probability of infringement that Arthrex could be said “to almost know” of the infringement. That cannot be reconciled with *Safeco* or common sense. Because Arthrex’s construction of the patent—shared by the district court—was not objectively unreasonable, Arthrex cannot have been “willfully blind” to the fact of infringement.

1. To be willfully blind under *Global-Tech*, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” 131 S. Ct. at 2070. The majority decision below found sufficient evidence of intent based solely on the following: (1) Arthrex “knew of the ’557 patent”; (2) after learning of the patent, Arthrex drafted instructions for its anchors that “paralleled the patented method steps of the ’557 patent”;⁵ and (3) Arthrex supposedly “made no attempt to compare its anchors to the claims of the ’557 patent.”⁶

⁵ Those instructions for using the anchors, however, say nothing about Arthrex’s knowledge of infringement because they are silent on whether the anchors “lodge” through “resilience” in bone—the key disputed limitations in the ’557 patent. See *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1329 (Fed. Cir. 2009) (“product instructions do not evidence a specific intent to encourage infringement” where they teach a method defendant “could have reasonably believed was non-infringing”).

⁶ Notwithstanding the majority’s characterization, there was evidence that, upon learning of the ’557 patent, Arthrex analyzed it and subjectively determined that there was no infringement. See C.A. App. A19466-68. Moreover, it is undisputed that once an allegation of infringement was made, Arthrex did not avoid knowledge, but

App., *infra*, 10a. Setting aside whether that scant evidence actually is sufficient to support a finding that Arthrex “subjective[ly] believe[d] that there is a high probability” that its anchors infringed the ’557 patent—much less made affirmative efforts to avoid confirming that belief—the history of this case demonstrates that it was objectively reasonable to believe that Arthrex’s anchors did not infringe.

Arthrex’s defenses to infringement were so strong as to require three trials and two appeals thus far. See App., *infra*, 3a-4a. In the first trial, the jury was so divided over whether Arthrex’s anchors infringed the ’557 patent that it was unable to reach a verdict. *Id.* at 3a. The jury found infringement in the second trial, but the Federal Circuit reversed and remanded for a third trial based on a new claim construction. See *id.* at 21a-22a. If two trials and an appeal could not establish Arthrex’s liability, Arthrex clearly had sufficient “defense[s] to a charge of infringement” to make it objectively reasonable to believe that Arthrex was not infringing the ’557 patent. *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010); see pp. 21-22, *infra*.

More important still, the district court eventually held that there was no infringement as a matter of law. App., *infra*, 14a. It agreed with Arthrex on the proper construction of the patent and held that, under that con-

performed a test. That test only confirmed Arthrex’s subjective belief that its anchors did not “lodge” through “resilience,” and thus did not infringe. C.A. App. A18876-78, A31922. The imposition of liability despite that evidence (and the court’s failure to mention it) demonstrates the risks inherent in a purely subjective approach.

struction, Arthrex was not infringing. *Ibid.*⁷ In *Safeco*, the Court held that the defendant’s construction of the statute was objectively reasonable—and the defendant therefore was not reckless—because it had “a sufficiently convincing justification to have persuaded the District Court to adopt it and rule in [the defendant’s] favor.” 551 U.S. at 69-70. Likewise here, Arthrex had “a sufficiently convincing justification” for its construction of the patent “to have persuaded the District Court to adopt it and rule in [Arthrex’s] favor.” Arthrex’s construction thus was objectively reasonable as a matter of law under *Safeco*, and Arthrex logically cannot be liable under the more demanding standard of willful blindness. That the majority of the Federal Circuit panel on appeal ultimately disagreed with the district court and found infringement, see App., *infra*, 5a-11a, is irrelevant. The same was true in *Safeco*: This Court found that the defendant’s interpretation of the statute was “erroneous” on the merits, but the fact that there was a legitimate debate over the correct answer meant that interpretation was not objectively unreasonable. 551 U.S. at 69.

Safeco held that where there is “more than one reasonable interpretation *** a defendant who merely adopts one such interpretation” may not be held liable “as a knowing *** violator,” “whatever [its] subjective intent may have been.” 551 U.S. at 70 n.20. Yet that is precisely what happened here, and Arthrex has been saddled with an \$85 million verdict as a result. Courts will continue to reach similar unjustifiable results until this Court clarifies that establishing the objective unreasonableness of the defendant’s position is a threshold re-

⁷ Indeed, it was the district court’s view that Arthrex should prevail under either Arthrex’s or Smith & Nephew’s construction. See App., *infra*, 3a.

quirement before the defendant’s “subjective[] belie[f]” ever comes into play under *Global-Tech*. 131 S. Ct. at 2070.

2. The decision below’s adherence to a purely subjective standard also reveals a glaring inconsistency in patent law. The Federal Circuit has previously recognized the applicability of *Safeco*’s objective standard to patent law in the separate context of the recklessness requirement for willful infringement; there is no reason in law or logic why it should not apply to the more exacting knowledge requirement for indirect infringement as well.

Direct patent infringement is “a strict liability offense.” *Seagate*, 497 F.3d at 1368. But where the infringement is found to have been willful, the district court has discretion to award enhanced damages “up to three times the amount” of actual damages. 35 U.S.C. § 284; *Seagate*, 497 F.3d at 1368. The Federal Circuit has held that “willfulness” requires “reckless[ness].” *Id.* at 1371. Relying on *Safeco*, it has established “a two-pronged analysis” for willful infringement “entailing separate objective and subjective inquiries.” *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011).

The first prong of willful infringement “requires at least a showing of objective recklessness.” *Seagate*, 497 F.3d at 1371. That is, the infringer must have “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *Ibid.* The analysis “entails an objective assessment of potential defenses based on the risk presented by the patent.” *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1006 (Fed. Cir. 2012). “Those defenses may include,” among other things, “questions of infringement” (*e.g.*, whether the patent’s claims read on the ac-

cused product) and the patent’s “validity” (*e.g.*, whether it is invalid on anticipation or obviousness grounds). *Ibid.* Where the accused infringer can present “‘a reasonable defense to a charge of infringement,’ the objective prong” of the willful infringement analysis “tends not to be met.” *Powell*, 663 F.3d at 1236 (quoting *Spine Solutions*, 620 F.3d at 1319).

Consistent with *Safeco*, the objective prong of willful infringement is a “threshold” inquiry. *Seagate*, 497 F.3d at 1371. If the defendant’s defenses are objectively reasonable, the court never reaches the second prong, which concerns the defendant’s subjective beliefs. See, *e.g.*, *Powell*, 663 F.3d at 1236; *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1311 (Fed. Cir. 2011); *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1337 (Fed. Cir. 2009).⁸

The Federal Circuit’s two-pronged approach to willful infringement—where the defendant’s subjective intent is considered only if its claim of non-infringement is objectively unreasonable—provides a model for how *Safeco*’s teachings logically should apply in indirect patent infringement suits as well. Despite the Federal Circuit’s incorporation of an objective-unreasonableness threshold when evaluating the recklessness required for willful infringement, it has failed to do the same in the context of willful blindness for indirect infringement. That does not merely defy *Safeco*’s teachings regarding state-of-mind

⁸ Under the subjective prong of willful infringement, the patentee must show that the “objectively-defined risk” of patent infringement “was either known or so obvious that it should have been known to the accused infringer.” *Seagate*, 497 F.3d at 1371. That standard would be satisfied, for example, where the defendant “ignored the opinion of its counsel” warning of a substantial risk of infringement. *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 811 (Fed. Cir. 2007).

requirements. It also makes a hash of the law of patent infringement. It makes no sense to say that a defendant with objectively reasonable defenses cannot have been reckless so as to be liable for willful infringement, yet could be liable for purposes of indirect infringement under the *higher* willful blindness standard. But that is precisely the state of Federal Circuit law.

II. THE ISSUE IS PRESSING AND OF EVER-INCREASING IMPORTANCE IN PATENT LITIGATION

Although the issue's importance reaches far more broadly (as explained below), it has particular significance in patent infringement litigation. Patent infringement litigation is now nearly impossible for any technologically oriented company to avoid. It is notoriously expensive. And it is subject to abuse. The Federal Circuit's purely subjective approach to willful blindness exacerbates those problems, making even insubstantial claims of indirect infringement extraordinarily difficult to resolve without an expensive, time-consuming, and unpredictable trial. Following the Federal Circuit's recent expansion of induced infringement in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc), the issue's importance will only grow.

A. The Federal Circuit's Purely Subjective Approach Exacerbates The Already Overwhelming Costs Of Defending Patent Cases

1. The growth of patent litigation in recent years has been explosive. The average number of suits "increased at an overall compound annual growth rate *** of 7%" between 1992 and 2012. PricewaterhouseCoopers, *2013 Patent Litigation Study*, at 6 (2013). But between 2011 and 2012, the number of infringement suits increased 29%. *Ibid.* Those suits impose tremendous financial

costs. In 2013, the median cost for a party to litigate a relatively minor infringement suit—with less than \$1 million at risk—through discovery is \$350,000. American Intellectual Property Law Association, *Report of the Economic Survey 2013*, at 34 (2013). Taking such cases to trial doubles that cost, to \$700,000. *Ibid.* For more significant cases with up to \$25 million at risk, the median cost through discovery is a hefty \$1.4 million. *Ibid.* To take those cases through trial, the median cost jumps dramatically to \$2.6 million. *Ibid.*

Because of those costs and the attendant risks, there is an incentive for some plaintiffs to “exploit[] the high cost to defend complex litigation to extract a nuisance value settlement”—one of the most vexing problems confronting the patent system today. *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011), cert. denied, 132 S. Ct. 2391 (2012). As the Chief Judge of the Federal Circuit has explained, the “threat of litigation cost” for patent suits is so high that it is enough “to bully a defendant into settling,” regardless of “the merits of [the] claim.” R. Rader *et al.*, Op-Ed., *Make Patent Trolls Pay in Court*, N.Y. Times, June 5, 2013, at A25. The White House and the FTC have recently expressed special concern about such tactics. See The White House, *Fact Sheet: White House Task Force on High-Tech Patent Issues* (June 4, 2013), <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues>; E. Ramirez, *Competition Law & Patent Assertion Entities: What Antitrust Enforcers Can Do* (June 20, 2013), <http://www.ftc.gov/speeches/ramirez/130620paespeech.pdf>.⁹

⁹ For example, entities created solely for the purpose of asserting patents, sometimes called patent “trolls,” often “file lawsuits against small and medium-sized businesses, targeting a settlement just

2. The Federal Circuit’s treatment of “willful blindness” as a purely subjective test—with no objective component at all—exacerbates those problems. Subjective belief is “easy to allege and hard to disprove.” *Crawford-El v. Britton*, 523 U.S. 574, 585 (1998) (quotation marks omitted). For that reason, this Court abandoned a subjective approach in the context of qualified immunity. Before this Court decided *Harlow v. Fitzgerald*, 457 U.S. 800 (1982), federal officials were immune from suit for unconstitutional conduct only if they showed that they acted in *subjective* good faith. *Id.* at 819. But that imposed “substantial costs,” as subjective intent was “considered to be a question of fact that some courts ha[d] regarded as inherently requiring resolution by a jury.” *Id.* at 816. As a result, the subjective-intent element had “proved incompatible with [the Court’s] admonition * * * that insubstantial claims should not proceed to trial.” *Id.* at 815-816. A wholly subjective approach to the allegedly rigorous willful blindness standard is equally incompatible with that goal, and likewise imposes “substantial costs,” in the context of patent litigation.

The purely subjective approach adopted by the Federal Circuit below, moreover, also provides a grave risk of creating pressure for settlement, even in weak cases. Because no one’s thoughts can be proved directly—there is no objective proof of the contents of one’s mind—taking a case to trial to resolve a dispute over a sub-

under what it would cost for litigation, knowing that these businesses will want to avoid costly litigation and probably pay up.” *Abusive Patent Litigation: The Impact on American Innovation and Jobs, and Potential Solutions: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary*, 113th Cong. 7 (2013) (statement of Rep. Goodlatte, Chairman, H. Comm. on the Judiciary).

jective mental state imposes the sorts of risks that cannot be tolerated in bet-the-company patent disputes, no matter how insubstantial the plaintiff's claims.

3. The “substantial costs attend[ant]” to the Federal Circuit’s subjective-beliefs-only standard, *Harlow*, 457 U.S. at 816, are rapidly increasing. The number of cases alleging indirect infringement is large: A Westlaw search for decisions involving indirect patent infringement (whether induced infringement, contributory infringement, or both) in the two years since this Court decided *Global-Tech* yielded 623 hits. And the Federal Circuit’s recent en banc decision in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc), dramatically expands the scope of induced infringement, increasing the issue’s importance further still.¹⁰

Before *Akamai*, the Federal Circuit had restricted induced infringement by requiring that any underlying infringement be committed, in its entirety, by a single actor. See *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1378-1379 (Fed. Cir. 2007). For example, if a patent claim covered a series of steps, and one person (a service provider, for example) performed some of those steps while another person (the customer, for example) performed the rest, there could be no liability for either.

¹⁰ In *Akamai*, the defendant filed a petition for a writ of certiorari seeking review of the Federal Circuit’s decision on December 28, 2012. See *Limelight Networks, Inc. v. Akamai Techs., Inc., et al.*, No. 12-786. The plaintiffs filed a conditional cross-petition on February 1, 2013. See *Akamai Techs. Inc., et al. v. Limelight Networks, Inc.*, No. 12-960. The Court invited the Solicitor General to file a brief expressing the views of the United States on June 24, 2013. See 133 S. Ct. 2879 (2013).

In *Akamai*, however, the Federal Circuit overturned that rule and authorized induced infringement claims under a theory of “divided infringement,” where the steps that constitute the direct infringement may be performed by two or more different persons or entities. See *Akamai*, 692 F.3d at 1318. So long as one party can be said to have induced the other to complete the infringement, the court held, claims of divided infringement are now actionable. *Id.* at 1309. The scope of induced infringement thus has expanded enormously to encompass a broad range of conduct not previously covered. That only increases the importance of a serviceable mental-state requirement capable of weeding out insubstantial claims.¹¹

B. An Objective Standard Is Critical To Ensuring Prompt Disposition Of Insubstantial Claims

Confronted with the “substantial costs attend[ant]” to a subjective-intent standard in the qualified immunity context, this Court in *Harlow* adopted an “objective reasonableness” standard instead. 457 U.S. at 816, 818. Under an objective standard, it is for the judge to “measure[]” the “reasonableness of an official’s conduct * * * by reference to clearly established law.” *Id.* at 818. That, in turn, “permit[s] the resolution of many insubstantial claims on summary judgment.” *Ibid.*

¹¹ Indeed, a number of cases that had failed under the former *BMC* standard for lack of direct infringement by a single actor have been revived for reconsideration in light of *Akamai*’s recognition of divided infringement. See, e.g., *Aristocrat Techs. Australia PTY Ltd. v. Int’l Game Tech.*, 709 F.3d 1348, 1362-1364 (Fed. Cir. 2013); *Move, Inc. v. Real Estate Alliance Ltd.*, 709 F.3d 1117, 1123 (Fed. Cir. 2013); *Travel Sentry, Inc. v. Tropp*, 497 F. App’x 958, 966-967 (Fed. Cir. 2012).

As explained above, the Federal Circuit—applying the teachings of *Safeco*—has similarly adopted “a threshold determination of objective recklessness” for claims of willful patent infringement. *Bard*, 682 F.3d at 1006; see pp. 21-22, *supra*. The Federal Circuit has held that the “objective determination of recklessness” in this context is to be “decided by the judge as a question of law.” *Bard*, 682 F.3d at 1006-1007. As a result, courts can, and routinely do, grant summary judgment on willful infringement claims where the defendant has presented credible invalidity or non-infringement arguments.¹²

Recognition of an objective-unreasonableness threshold for willful blindness is necessary for the same reason. For a defendant to be found willfully blind for purposes of indirect infringement, *Global-Tech* requires that the plaintiff show the defendant “subjectively believe[d] that there is a high probability” that direct patent infringement was occurring. 131 S. Ct. at 2070. A defendant accused of being willfully blind to indirect patent infringement, however, typically cannot establish its subjective belief as a matter of law on summary judgment, but must make its case to a jury at trial. See *Harlow*, 457 U.S. at 813. Adopting the same objective-unreasonableness threshold that courts routinely apply in the context of willful infringement would enable courts to resolve “many insubstantial” indirect patent infringement “claims on summary judgment” without reaching the defendant’s subjective belief. *Id.* at 818. If the de-

¹² See, e.g., *Advanced Fiber Techs. (AFT) Trust v. J&L Fiber Servs., Inc.*, 674 F.3d 1365, 1377-1378 (Fed. Cir. 2012); *Tarkus Imaging, Inc. v. Adobe Sys., Inc.*, 867 F. Supp. 2d 534, 537 (D. Del. 2012); *AstraZeneca AB v. Apotex Corp.*, Nos. 01 Civ. 9351, M-21-81 (BSJ), 2010 WL 2541180, at *5-6 (S.D.N.Y. June 9, 2010); *Phumley v. Mockett*, 836 F. Supp. 2d 1053, 1075-1076 (C.D. Cal. 2010).

defendant's claim of non-infringement (or patent invalidity) is reasonable, the defendant cannot have been "willfully blind" to infringement as a matter of law (particularly where it is so reasonable that, as here, the district court agreed with it).

The objective-unreasonableness threshold that *Safeco* requires as a matter of the "common law understanding" of intent, 551 U.S. at 69, thus is also "mandate[d]" as a matter of "public policy," *Harlow*, 457 U.S. at 816. It would spare the courts and the parties tremendous time and expense. And it is critical to reducing the ability of patent trolls to use that expense and the uncertainty of trial as a "cudgel" to extract settlements for weak claims. Rader, *supra*, at A25.

III. THE NEED FOR AN OBJECTIVE-UNREASONABLE-NESS THRESHOLD FOR WILLFUL BLINDNESS PERVADES THE LAW

The need for an objective-unreasonableness threshold to weed out non-meritorious actions at an early stage extends far beyond the relevant patent law. It is no exaggeration to say that "[w]illful blindness is knowledge *** in the law generally." *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003). Allegations of willful blindness are levied against defendants time and again in a dizzying array of contexts. That exponentially increases the need for this Court's review.

A. The willful blindness doctrine originated in the criminal law, where it has been "well established" for decades. *Global-Tech*, 131 S. Ct. at 2068. The need for an objective threshold for willful blindness in that context is more important than ever. Criminal laws continue to proliferate, as have prosecutions for highly technical "regulatory crimes"; as a result, "federal criminal law has become a monstrously large and complex trap." E.

Meese III & P. Larkin, Jr., *Reconsidering the Mistake of Law Defense*, 102 J. Crim. L. & Criminology 725, 739, 747 (2012). Given the “dire consequences of a conviction,” the “criminal law should clearly separate conduct that is criminal from conduct that is legal.” *United States v. Goyal*, 629 F.3d 912, 922 (9th Cir. 2010) (Kozinski, C.J., concurring). But it frequently does not, and there has been “a string of recent cases in which courts have found that federal prosecutors overreached by trying to stretch criminal law beyond its proper bounds.” *Ibid.*; see, e.g., *United States v. Jones*, 471 F.3d 478, 482 (3d Cir. 2006) (“The Government has stretched the statute to cover activity beyond its plain words.”); *United States v. Genova*, 333 F.3d 750, 757-758 (7th Cir. 2003) (rejecting government’s “creative[]” theory of corruption and stating that “[a]lthough we understand the temptation to dilate criminal statutes so that corrupt officials get their comeuppance, people are entitled to clear notice of what the criminal law forbids, and courts must take care not to enlarge the scope of illegality”).

Where an individual’s conduct is consistent with an objectively reasonable interpretation of a statute or regulation, the law should not brand him a criminal simply because a court later finds that interpretation to be incorrect. Cf. *Cheek*, 498 U.S. at 208 (Scalia, J., concurring) (“To impose *** *criminal* penalties for misinterpretation of such a complex body of law is a startling innovation indeed.”). But it happens all the time. For example, in *United States v. O’Donnell*, No. CR 08-00872-SJO, (C.D. Cal. June 8, 2009), the government charged the defendant with violating the so-called “conduit” or “straw donor” prohibitions of the Federal Election Campaign Act, 2 U.S.C. § 441f. Slip Op. at 3. The district court dismissed that count of the indictment, holding that the

text of the provision “unambiguous[ly]” did “not prohibit” the defendant’s conduct. *Id.* at 5. The Ninth Circuit disagreed with that interpretation of the statute, however, and sent the case back for trial. See *United States v. O’Donnell*, 608 F.3d 546, 556 (9th Cir. 2010). Under *Safeco’s* objective standard, the fact that the defendant’s interpretation of the notoriously convoluted campaign finance laws was “sufficiently convincing * * * to have persuaded the District Court to adopt it and rule in [defendant’s] favor,” 551 U.S. at 69-70, should have precluded criminal liability. Citizens should not go to prison simply for choosing the wrong side in a judicial debate. Yet the defendant in *O’Donnell* eventually pleaded guilty and was sentenced to prison time.

B. Criminal law, moreover, is the tip of the iceberg. The concept of willful blindness has been invoked in areas of law as diverse as bankruptcy, *Bullock v. Bank-Champaign, N.A.*, 133 S. Ct. 1754, 1759-1760 (2013); libel, *Harte-Hanks Comme’ns, Inc. v. Connaughton*, 491 U.S. 657, 692 (1989); copyright infringement, *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 34-35 (2d Cir. 2012); trademark infringement, *Louis Vuitton S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989); removal under the United Nations Convention Against Torture, *Roye v. Attorney Gen. of the United States*, 693 F.3d 333, 343 & n.13 (3d Cir. 2012); the Medicare Secondary Payer statute, *United States v. Baxter Int’l, Inc.*, 345 F.3d 866, 902-903 (11th Cir. 2003); false statements to the Federal Aviation Administration, *Cooper v. Nat’l Transp. Safety Bd.*, 660 F.3d 476, 483 (D.C. Cir. 2011); civil RICO, *Williams v. Obstfeld*, 314 F.3d 1270, 1278 (11th Cir. 2002); forfeiture, *United States v. One 1973 Rolls Royce, V.I.N. SRH-16266 By & Through Goodman*, 43 F.3d 794, 803 (3d Cir. 1994); civil tax fraud, *Mattingly v. United States*, 924

F.2d 785, 792 (8th Cir. 1991); the innocent spouse exception to joint and several tax liability, *Friedman v. Comm’r of Internal Revenue*, 53 F.3d 523, 525 (2d Cir. 1995); and the False Claims Act, *United States ex rel. Saltzman v. Textron Sys. Corp.*, No. 09-11985-RGS, 2011 WL 2414207, at *4 n.8 (D. Mass. June 9, 2011).

In sum, it is fair to say that willful blindness either has been, or potentially will be, applied in any civil context where a “knowledge” standard of intent governs. The vast scope of the doctrine heightens the need for review.

C. Regardless of the context in which willful blindness is applied, the courts of appeals “appear to agree” that it requires that “the defendant must subjectively believe that there is a high probability that a fact exists.” *Global-Tech*, 131 S. Ct. at 2070. It is well and good for that subjective element to serve as an additional “safeguard against diluting the guilty state of mind required” for an offense. *Jewell*, 532 F.2d at 707 (Kennedy, J., dissenting). In articulating the willful blindness standard in terms of subjective intent, however, the courts have lost sight of *Safeco’s* teaching that, unless it is *first* established that the defendant’s position is “objectively unreasonable,” a defendant cannot be treated “as a knowing or reckless violator,” “whatever [its] subjective intent may have been.” 551 U.S. at 70 & n.20. Given the countless substantive areas of law in which willful blindness is applied, the “special costs”—to the parties and the judicial system—that “attend the litigation of the subjective” intent element are truly staggering. *Harlow*, 457 U.S. at 816. Thus, “public policy” further “mandates” the adoption of an objective threshold for willful blindness. *Id.* at 813.

Despite the ubiquity of willful blindness, this Court has offered little guidance to the lower courts on its

proper metes and bounds. Indeed, *Global-Tech* appears to be the only case in which this Court substantively addressed the doctrine. The Court should take this opportunity to return to the formulation it articulated in *Global-Tech*, 131 S. Ct. at 2070, and clarify that, consistent with *Safeco*, willful blindness includes an “objective[] unreasonable[ness]” threshold that must be satisfied at the outset, 551 U.S. at 70 & n.20.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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August 2013

APPENDIX

APPENDIX A
IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 2012-1265

SMITH & NEPHEW, INC. AND
JOHN O. HAYHURST, M.D.,
Plaintiffs-Appellants,
v.
ARTHREX, INC.,
Defendant-Appellee.

Appeal from the United States District Court
for the District of Oregon in Case No. 04-CV-0029,
Judge Michael W. Mosman

OPINION

JANUARY 16, 2013

Before LOURIE, CLEVINGER, and WALLACH,
Circuit Judges.

Opinion for the court filed by *Circuit Judge* LOURIE.
Dissenting Opinion filed by *Circuit Judge*
CLEVINGER.

LOURIE, *Circuit Judge.*

Smith & Nephew, Inc. (“Smith”) appeals from the final
judgment of the United States District Court for the

District of Oregon which granted judgment as a matter of law that Arthrex, Inc. (“Arthrex”) does not infringe claim 1 of U.S. Patent 5,601,557 (the “’557 patent”). *Smith & Nephew, Inc. et al. v. Arthrex, Inc.*, No. 3:04-cv-00029-MO (D. Minn. Dec. 16, 2011) (Dkt. No. 1034). Because the court erred in granting judgment of non-infringement as a matter of law, we *reverse* and *remand*.

BACKGROUND

Smith is a licensee of the ’557 patent, owned by Dr. John O. Hayhurst. The patent is directed to a method and apparatus of anchoring cartilage within a joint. The patent discloses drilling a hole through the hard outer shell of bone into the less dense cancellous bone followed by a surgeon inserting a small, but resilient device (an “anchor”) by pressing it into the smaller drilled hole. The anchor compresses as it passes through that hole, but once in the softer cancellous bone, the resilience causes it to expand again, causing it to stay in place. Claim 1 reads:

1. A method for anchoring in bone a member and attached suture, comprising the steps of:
forming a hole in the bone;
attaching a suture to a member;
lodging the member within the hole by pressing the member with attached suture into the hole;
and
attaching tissue to the suture so that the tissue is secured against the bone.

’557 patent col. 11, ll. 2-10. At issue in this appeal is the meaning of the term “lodging.”

In 2004, Smith filed a complaint against Arthrex for patent infringement, accusing four Arthrex anchors of

infringement. The jury was unable to reach a verdict after the first trial, but the second trial returned an infringement verdict favorable to Smith. On appeal, we reversed and remanded for a new trial, reversing the trial court's claim construction of "resile" in claim 2 and holding that resilience alone had to be sufficient to cause lodging of the anchor in the bone:

[I]ntrinsic resiliency is the only disclosed means for lodging the anchor, and it therefore must be sufficient to lodge the anchor. Thus, "resile" must be construed to mean "to return to or tend to return to a prior or original position in a manner sufficient to cause the lodging of the member in the hole."

Smith & Nephew, Inc. v. Arthrex, Inc., 355 Fed. App'x. 384, 386-87 (Fed. Cir. 2009). We noted that such construction relied in part on a previous construction of "lodging" where we stated that a surgeon's tug on the anchor after insertion "is not a required step in lodging the anchor, the anchor must lodge by some other mechanism." *Id.* (citing *Smith & Nephew, Inc. v. Ethicon*, 276 F.3d 1304 (Fed. Cir. 2001)).

On remand, the parties disputed the meaning of the term "lodging." During the third trial, after the close of evidence for Smith, the district court adopted a construction of "lodging" that would add a requirement to the claim that to be lodged the anchor had to "withstand all the forces of surgery." Faced with the dilemma of either a new trial or continuing the trial with a supposedly erroneous construction, the court decided to proceed with the trial because it believed that Arthrex would win under either construction. During that trial, expert testimony was presented to the effect that the maximum force on the anchor during surgery was 12.6 to 12.7 lbs, while the average was about 6 to 7 lbs.

The jury returned a verdict for Smith of underlying direct infringement by the surgeons who use the Arthrex anchors as well as induced and contributory infringement by Arthrex along with damages totaling roughly \$85 million. Arthrex moved for judgment of noninfringement as a matter of law. In its motion, Arthrex argued that under the correct construction of “lodging,” which required the anchor to “withstand all the forces of surgery,” no reasonable jury could find direct infringement because the accused anchors could not withstand the maximum 12.6 to 12.7 lbs of force during surgery. Arthrex also moved for judgment of no indirect infringement as a matter of law based on the testimony of its witnesses at trial.

Without an opinion, the district court granted both of Arthrex’s motions for judgment of no direct infringement as a matter of law and of no indirect infringement. Smith timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

I.

We review the grant or denial of a motion for judgment as a matter of law under the law of the regional circuit. *Summit Tech., Inc. v. Nidek Co.*, 363 F.3d 1219, 1223 (Fed. Cir. 2004). The Ninth Circuit reviews a district court’s denial of a motion for judgment as a matter of law *de novo*. *In re First Alliance Mortg. Co.*, 471 F.3d 977, 991 (9th Cir. 2006). “Judgment as a matter of law should be granted only if the verdict is against the great weight of the evidence, or it is quite clear that the jury has reached a seriously erroneous result.” *Hangarter v. Provident Life & Acc. Ins. Co.*, 373 F.3d 998, 1005 (9th Cir. 2004) (internal quotations omitted). The jury’s determination of infringement is a question of fact, which

we review for substantial evidence. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1309-10 (Fed. Cir. 2009). We address claim construction as a matter of law, which we review without formal deference on appeal, although we give respect to the conclusions and reasoning of the district court. *See Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc).

A.

Smith argues that the court's grant of judgment as a matter of law of no direct infringement was based on an erroneous construction of "lodging" and should thus be vacated and the jury verdict reinstated. Smith contends that the law of the case and the mandate rule precluded the court from revising this court's prior constructions of "resiles" and "lodging." In addition, Smith argues that the post-trial construction of "lodging" requiring the anchor to "withstand[] all the forces of surgery" was contrary to the intrinsic record.

At the outset, the "law of the case" doctrine does not apply to the construction of "lodging." That doctrine is not applicable when an issue was neither presented nor decided in a former proceeding in the case. *See Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1220 (Fed. Cir. 2006). Similarly, the mandate does not encompass an issue that was not presented to the court. *Exxon Chem. Patents, Inc. v. The Lubrizol Corp.*, 137 F.3d 1475, 1484 (Fed. Cir. 1998). We did not construe "lodging" during the prior 2009 appeal. The issue was therefore not presented or decided, and the mandate rule and the law of the case doctrine are inapplicable.

Turning to the merits, we see no support in the intrinsic record to require the "lodging" to "withstand[] all the forces of surgery." Claim 1 of the '557 patent is directed only to anchoring a suture in the bone, not to the full sur-

gical operation. '557 patent col. 11 ll. 2-9. The “lodging” step occurs just after “forming” the hole and “attaching” a suture, but prior to “attaching tissue.” *Id.* None of the other steps of the actual surgery that occur after that attachment of tissue to the anchor are claimed.

Consistent with that understanding, the specification makes clear that it is only after tensioning, *i.e.* the surgeon’s tug, that the anchor becomes irremovable for the purposes of completing the surgery:

Whenever tension is applied to the suture, the ends of the legs dig into the bone and resist removal of the anchor member from the hole.

...

[T]ension in the suture (in conjunction with the intrinsic resilient force of the anchor member 80 that forces the leg edges 87 apart) tends to lodge the edges 87 of the anchor member legs beneath the cortical layer 97, rendering the anchor member substantially irremovable from the hole 100.

'557 patent col. 3 ll. 4-6, col. 9 ll. 50-60. However, as we previously noted in *Ethicon*, that tensioning, also known as the surgeon’s tug, is not a part of the lodging limitation. *See Ethicon*, 276 F.3d at 1310. We agreed with the magistrate judge in that case that “lodging . . . does not bar the surgeon’s tug and any ensuing small movement of the anchor after insertion.” *Id.* at 1308. Indeed, we held that “claim 1 neither excludes nor requires the step of pulling on the suture after it is inserted.” *Id.* at 1310. In other words, the surgeon’s tug, while possibly necessary to complete the surgery, is not part of what is claimed.

Indeed, the term “lodging” was only added to the claim language to overcome an anticipation rejection

based on U.S. Patent 4,409,974 (“Freedland”). Freedland discloses connecting two sets of bone by using an anchoring device inserted into a hole drilled through the bone. That device was initially smaller than the diameter of the drilled hole, and it was not until the surgeon used pliers to deploy the arms of the device so that the anchor could remain in place. In overcoming that rejection, Hayhurst added “lodging” to the claims, stating:

This method [of lodging the member within the hole] is not found in the umbrella-like operation of the Freedland device. In order for the Freedland device to become lodged within a hole in a bone . . . it is necessary to apply opposing forces to the head 12 in order to swing the hinged arms 20 out of their collapsed position and into an extended position.

J.A. 607-08. Notably, there is no mention that the claimed anchor must withstand all the forces of surgery. Instead, that statement appears to deal only with how the claimed anchor stays in place after being initially pressed into the hole in the bone.

Nothing in the claim language, the prosecution history, or our precedent suggests that lodging must be sufficient to withstand all the forces of surgery. Instead, lodging, as claimed, only relates to how the anchor stays in place after being initially pressed into the bone. Thus the court erred in construing the claims to require lodging to be sufficient to withstand all the forces of surgery.

Smith also argues that under either construction the resilience testing evidence offered at trial sufficiently shows the anchors to be lodged. We agree. In the prior appeal, we rejected Arthrex’s argument that, given the correct construction of “resile,” the district court should enter judgment of noninfringement:

Arthrex argues that in light of the claim construction we have adopted, the district court should be instructed to enter judgment of noninfringement in Arthrex's favor. We disagree. Reasonable jurors could find infringement even under the revised claim construction. For example, the push-out tests submitted by [Smith] suggested that resilience itself creates 7.5 pounds of resistive force in the accused anchors. A reasonable juror could find that amount of resistive force to be sufficient to lodge the anchor in the bone.

Arthrex, 355 Fed. App'x. at 387. That is exactly what happened during the third trial. Smith submitted test results concerning the resistive force due to resilience in the accused anchors. The jury, having been instructed on the proper construction of lodging and resiles, found that that amount of resistive force was sufficient to lodge the anchor in the bone. Substantial evidence supports that determination; we therefore see no reason to disturb that finding by the jury. Thus, the district court erred in granting judgment of no direct infringement of claim 1 as a matter of law.

B.

Smith also argues that the court erred in granting judgment as a matter of law that Arthrex does not induce infringement of or contributorily infringe the patent. Smith challenges the instruction given by the district court on induced infringement, contending that the district court erroneously incorporated the *Global-Tech* "willful blindness" standard onto the "knowledge of infringement" test. *See Global-Tech Appliances, Inc. v. SEB S.A.*, ___ U.S. ___, 131 S. Ct. 2060, 2068 (2011). Smith argues that the court instead should have applied the "known or should have known of the infringement"

standard outlined in *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc). On the merits, Smith argues that, under either standard, the court’s granting of judgment as a matter of law that Arthrex does not induce infringement or contributorily infringe was in error as substantial evidence supported the jury verdict.

Liability for inducement of infringement under § 271(b) “requires knowledge that the induced acts constitute patent infringement.” *Global-Tech*, 131 S. Ct. at 2068. Our earlier precedent in *DSU Medical* articulated the inducement standard somewhat differently from *Global-Tech*, requiring that the alleged infringer’s actions “knew or should have known his actions would induce actual infringement,” which includes knowledge of the patent. *DSU Med. Corp.*, 471 F.3d at 1304, 1306 (“[I]nducement requires that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.”). In *Global-Tech*, our court had used “deliberate indifference” as an alternative to actual knowledge, but the Supreme Court considered that “willful blindness” was a better surrogate for actual knowledge than this court’s deliberate indifference test. *Global-Tech*, 131 S. Ct. at 2068. In any event, the district court, in an abundance of caution, instructed the jury on both formulations and specifically submitted two separate questions for the jury on inducement. The jury found for Smith under both standards. Thus, any error in the instruction or the questions submitted to the jury regarding induced infringement was harmless.

We agree with Smith, however, that the court erred in finding that no rational jury could find induced or contributory infringement. The court again granted judgment as a matter of law without an opinion, only stating in a

telephone conference that “no rational jury could find indirect infringement for the reasons stated by Arthrex.” J.A. 124. Arthrex, in its post-trial briefing, had argued that it lacked the requisite knowledge of infringement based on the testimony offered by its employees at trial describing the differences between the accused products and the patent. The jury rejected that testimony.

Instead, as the jury heard, Arthrex indisputably knew of the ’557 patent prior to any infringement. The jury heard evidence that the president and owner of Arthrex as well the chief engineer and group director for one of the accused products, the Bio-SutureTak anchors, knew of the ’557 patent. J.A. 31900-03. The jury was also presented with evidence that, after personally learning of the ’557 patent, the group director drafted instructions for use of the accused Bio-SutureTak anchor that paralleled the patented method steps of the ’557 patent. J.A. 32012-17. Finally, the jury heard that Arthrex made no attempt to compare its anchors to the claims of the ’557 patent. After weighing that evidence against Arthrex employees’ testimony, the jury resolved the factual issue of knowledge against Arthrex, concluding that Arthrex had the necessary knowledge for both induced and contributory infringement. We see no reason to disturb that finding by the jury. Thus the district court erred in granting judgment as a matter of law that Arthrex does not induce infringement of the ’557 patent.

CONCLUSION

We have considered the parties’ remaining arguments and conclude that they are without merit. Because the district court erred in granting judgment of no direct infringement and in granting judgment that Arthrex did not indirectly infringe claim 1 of the ’557 patent as a matter of law, we reverse the grants of judgment of non-

infringement and remand to the court for further proceedings not inconsistent with this opinion. For the foregoing reasons, the jury verdict is reinstated and the judgment of the district court is

REVERSED AND REMANDED.

CLEVENGER, *Circuit Judge*, dissenting.

I respectfully dissent from the majority's reversal of judgment as a matter of law on the issue of indirect infringement. Because the jury's verdict on indirect infringement is not supported by substantial evidence, we should affirm.

As the majority acknowledges, the Supreme Court has made clear that to be guilty of indirect infringement, the accused infringer must either actually know of, or be willfully blind to, both the existence of the patent and the fact of infringement. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011) (“we now hold that induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.”); *see also In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1339 (Fed. Cir. 2012) (“[t]o survive Appellees’ motion to dismiss, therefore, [the patentee’s] amended complaints must contain facts plausibly showing that Appellees specifically intended their customers to infringe the . . . patent and knew that the customer’s acts constituted infringement.”). This is true for both induced and contributory infringement. *See Global-Tech*, 131 S. Ct. at 2067 (“[A] violator of § 271(c) ‘must know that the combination for which his component was especially designed was both patented and infringing.’” (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964))).

Here, it is undisputed that Arthrex knew of the existence of the '557 patent. The parties dispute whether or not Arthrex was willfully blind to the fact of infringement.

Willful blindness is a high standard; it requires both “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Global-Tech*, 131 S. Ct. at 2070.

In this case, Smith & Nephew did not present substantial evidence that Arthrex subjectively believed that they infringed. Smith & Nephew introduced circumstantial evidence to the effect that Arthrex was lagging in the suture anchor market. Smith & Nephew also showed that Arthrex learned of the patent before launching SutureTak on the market. Smith & Nephew used this evidence to imply that Arthrex copied their resilient suture anchor.

Arthrex rebutted this evidence with testimony showing that their product designers subjectively believed they did not infringe, and in fact understood that the accused products worked in an entirely different manner. To rebut any inference of copying, Arthrex showed that they did not change the design of the SutureTak products after learning of the '557 Patent. The only reasonable conclusion a jury could reach based on this evidence is that Arthrex did not subjectively believe they infringed the patent, and therefore Smith & Nephew failed to show willful blindness under the *Global-Tech* standard as a matter of law.

Because Smith & Nephew's damages award was based solely on indirect infringement, we should affirm the court below on the issue of indirect infringement. I would not reach the issue of claim construction.

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APPENDIX B
IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

No. 04-CV-29-MO

SMITH & NEPHEW, INC. AND
JOHN O. HAYHURST, M.D.,
Plaintiffs,

v.

ARTHREX, INC.,
Defendant.

TELEPHONE ORAL ARGUMENT
TRANSCRIPT OF PROCEEDINGS BEFORE THE HONORABLE
MICHAEL W. MOSMAN
UNITED STATES DISTRICT COURT JUDGE

DECEMBER 16, 2011

* * *

[THE COURT:] Arthrex also says that – again, in the teeth of the jury’s verdict in this case – I should nevertheless grant motion for judgment as a matter of law on indirect infringement and also on willfulness.

And I rarely – and perhaps never before – have granted motion for judgment as a matter of law on an issue decided by a jury on a factual basis, but I have to call them like I see it, and here I agree with Arthrex, that despite this jury having done so, no rational jury could

find indirect infringement for the reasons stated by Arthrex, nor could any rational jury find willfulness in this particular case. And I rely again on Arthrex's arguments, and in particular on *iLOR v. Google*.

More fundamentally, what the jury didn't get was choice B; that is, Arthrex's theory of claim construction. And I made it pretty clear at trial and now hold that Arthrex's proposed claim construction made right at the start of trial was the correct one, and I hold that, of course, under that claim construction no rational jury could do anything other than find for Arthrex on infringement.

In the same line of reasoning, of course, if I didn't grant JMOL on that claim construction, a new trial would be necessary, and of course for those reasons that I've just given, those holdings, I deny Smith & Nephew's motion for bill of costs for fees for a permanent injunction and for enhanced damages.

* * * * *

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APPENDIX C

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON**

No. 04-00029

SMITH & NEPHEW, INC. AND
JOHN O. HAYHURST, M.D.,
Plaintiffs,

V.

ARTHREX, INC.,
Defendant.

JUDGMENT

FEBRUARY 9, 2012

This action came before the Court for a trial by jury. At the conclusion of the evidence, the jury returned a verdict in favor of Plaintiffs, Smith & Nephew, Inc. and John O. Hayhurst, M.D. Defendant, Arthrex, Inc. made a motion for judgment as a matter of law. (*See* D.I. 973).

This Court granted Defendant's Renewed Motion for Judgment as a Matter of Law, in part, and denied it in part, for the reasons stated on the record. (D.I. 1034, 1035). In accordance with that ruling and pursuant to Rule 58 of the Federal Rules of Civil Procedure,

IT IS HEREBY ORDERED AND ADJUDGED that judgment be and is entered in favor of Defendant Arthrex, Inc. and against Plaintiffs Smith & Nephew, Inc. and

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John O. Hayhurst, M.D. Therefore, Plaintiffs shall take nothing from its claims against Defendant Arthrex, Inc. Costs shall be taxed against Plaintiffs, the application for which is to be made within fourteen (14) days from the entry of this Judgment.

Dated: 9 Feb. 2012

/s/ M. W. Mosman

United States District Judge

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APPENDIX D
IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Nos. 2009-1091, 2009-1192

SMITH & NEPHEW, INC. AND
JOHN O. HAYHURST, M.D.,
Plaintiffs-Appellants,

v.

ARTHREX, INC.,
Defendant-Appellee.

Appeal from the United States District Court
for the District of Oregon in Case No. 04-CV-0029,
Judge Michael W. Mosman

OPINION

DECEMBER 2, 2009

Before BRYSON, CLEVINGER, and DYK,
Circuit Judges.

PER CURIAM.

Smith & Nephew, Inc., and John O. Hayhurst, M.D., (collectively, “S&N”) accuse Arthrex, Inc., of indirectly infringing the seven method claims of Dr. Hayhurst’s U.S. Patent No. 5,601,557 (“the ’557 patent”). After two jury trials, the district court entered judgment in favor of

S&N on a jury verdict of infringement. Arthrex appeals. It asserts that the court should not have granted judgment of infringement on the jury's verdict, and that this court should direct the entry of judgment of non-infringement as a matter of law. In addition, Arthrex argues that the district court erroneously granted summary judgment in S&N's favor with respect to Arthrex's counterclaims of patent invalidity. In the alternative, Arthrex argues that it is entitled to a new trial because of trial errors by the district court. S&N cross-appeals from the district court's denial of its request for supplemental damages. We *affirm in part, reverse in part, and remand*.

I

The '557 patent describes methods for placing and securing a suture anchor in a bone. The suture anchor is used to re-attach damaged tissue, such as a torn ligament, to the bone. To place the anchor, a surgeon makes a hole in the bone and presses the anchor into the hole. The anchor has resilient legs that expand to secure the anchor within the hole. Once the anchor is placed, the surgeon then re-attaches the damaged tissue to the bone using a suture.

II

Both before the district court and on appeal, the parties have focused on the construction of the term "resile."¹ The district court construed "resile" to mean "to return to or tend to return to a prior or original position in a manner that contributes, at least in part, to the

¹ The term "resile" appears only in claim 2, but the district court incorporated the requirement of "resiling" into the definition of "member," which is a limitation of all the claims in the patent. The court's construction of "member" was not appealed.

lodging of the member in the hole.” Arthrex asserts that the term “resile” should be construed to require resiliency sufficient to lodge the anchor in the bone. The proper construction of “resile” is important because it informs the meaning of the critical claim term “lodging,” on which Arthrex’s appeal largely turns.²

We previously construed “lodging” in *Smith & Nephew, Inc. v. Ethicon, Inc.*, 276 F.3d 1304 (Fed. Cir. 2001), another case involving the ’557 patent. The central issue in that appeal was what role, if any, a tensioning step or “surgeon’s tug” plays in lodging the anchor. While the ’557 specification mentions “tension” when discussing how the anchor lodges, we noted that “[t]he ’557 patent, its specification, prosecution history, and testimony in the summary judgment proceeding, make clear

² S&N argues that Arthrex failed to preserve the claim construction issue it asserts on appeal. Specifically, S&N argues that Arthrex failed to raise its claim construction position in its pre-trial motions and argued for a different claim construction in its post-trial motion for JMOL. We do not agree that Arthrex waived its current claim construction argument. Arthrex argued in favor of that claim construction at the *Markman* hearing, but the district court rejected it. When a party argues for a claim construction position at a *Markman* hearing and loses, we have held that, in general, the party is not required to continue to assert that claim construction in order to preserve its position for appeal. See *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1359 (Fed. Cir. 2008) (“When the claim construction is resolved pre-trial, and the patentee presented the same position in the *Markman* proceeding as is now pressed, a further objection to the district court’s pre-trial ruling may indeed have been not only futile but unnecessary.”). Moreover, the portion of Arthrex’s post-trial argument on which S&N relies for its waiver argument is taken out of context. Arthrex did not abandon its original position with respect to claim construction. Instead, it merely made arguments within the confines of the district court’s claim construction, which it was permitted to do without waiving its right to appeal. See *id.*

that the instruction to surgeons to tug on the anchor before using it is a matter of prudent surgical practice, not a limitation” *Id.* at 1310. We then upheld the district court’s claim construction “with the modification or clarification that [the patent] neither excludes nor requires the step of pulling on the suture after it is inserted.”³ *Id.* Therefore, because the “surgeon’s tug” is not a required step in lodging the anchor, the anchor must lodge by some other mechanism.

The patent discloses resiliency as that mechanism. ’557 patent, col. 9, line 25. The specification states that “the intrinsic resilience of the anchor member forces the outer edges against the bone, thereby anchoring the anchor member within the hole.” *Id.*, col. 10, ll. 51-54. It is true that certain embodiments disclose the resilient force acting “in conjunction” with tension in the suture, *id.*, col. 9, ll. 54-60, which “causes the sharp edges to dig into the bone to secure the anchor member.” *Id.*, col. 9, ll. 46-49. We held in *Ethicon*, however, that those passages do not reflect limitations of the claims, but merely teach a “matter of prudent surgical practice.” 276 F.3d at 1310. As a result, intrinsic resiliency is the only disclosed means for lodging the anchor, and it therefore must be sufficient to lodge the anchor. Thus, “resile” must be construed to mean “to return to or tend to return to a prior or original position in a manner sufficient to cause the lodging of the member in the hole.”

The prosecution history reinforces that conclusion. During prosecution, the applicant distinguished his invention from the prior art by arguing that “the ’557

³ Our opinion in *Ethicon* addressed only claim 1, but the court’s claim construction applies equally to the remaining claims because all of the claims require lodging.

anchor is securely embedded simply upon pressing it into the hole where it resiles into the ... bone, and ... no further manipulation of the anchor is necessary.” See *Ethicon*, 276 F.3d at 1309.

S&N contends that lodging, as construed in *Ethicon*, requires that the anchor be ready to secure tissue to the bone. Based on that assertion, S&N argues for a multi-tiered approach to lodging, in which resilience “plays only a part.” Under S&N’s construction, the resilient arms initially hold the anchor in the bone, and a later tensioning step sets the anchor so that it is ready to secure tissue to the bone.

There are several flaws in that construction. First, it conflicts with our holding in *Ethicon* that the claims do not require tensioning. Second, there is no support for a construction of “lodging” that requires multiple steps. S&N points to other elements, such as barbs, which “dig into the bone to supplement the anchoring effect of the legs.” ’557 patent, col. 9, ll. 48-49. But besides the fact that the barbs appear in only one embodiment, the specification makes clear that their role is supplemental. The portion of the specification that precedes the discussion of the barbs demonstrates that the anchor lodges in the bone without that reinforcement. See ’557 patent, col. 9, ll. 42-48. Because the district court’s claim construction was erroneous, and because the error could have affected the jury’s verdict of infringement, we reverse the judgment for S&N.

Arthrex argues that in light of the claim construction we have adopted, the district court should be instructed to enter judgment of noninfringement in Arthrex’s favor. We disagree. Reasonable jurors could find infringement even under the revised claim construction. For example, the push-out tests submitted by S&N suggested that re-

silience itself creates 7.5 pounds of resistive force in the accused anchors. A reasonable juror could find that amount of resistive force to be sufficient to lodge the anchor in the bone. Therefore, notwithstanding our decision as to claim construction, we decline to direct the entry of judgment of non-infringement in Arthrex's favor.

III

Arthrex contends that the district court erred by granting summary judgment with respect to its counterclaim that the asserted claims of the '557 patent are invalid. The court rejected Arthrex's argument that the '557 patent is invalid for double patenting in view of claim 25 of U.S. Patent No. 5,037,422 ("the '422 patent"), which issued to Dr. Hayhurst. The court also rejected Arthrex's arguments that the '557 patent is anticipated by an article by Perthes and that the combination of Perthes and U.S. Patent No. 4,462,402 ("the '402 patent") to Burgio renders the '557 patent obvious.

Double patenting presents a question of law, which this Court reviews de novo. *Georgia-Pacific Corp. v. U.S. Gypsum Co.*, 195 F.3d 1322, 1326 (Fed. Cir. 1999). Obviousness-type double patenting is a judicially created doctrine that prevents a patentee from extending the term of a patent by patenting an obvious variation on the original invention. *Id.* Under that doctrine, a later patent claim is not patentable over an earlier patent claim if the later claim is anticipated by, or obvious in light of, the earlier claim. *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 968 (Fed. Cir. 2001).

In this case we construe the claims of both the '557 patent and the '422 patent and compare the claims to see

whether the differences are patentably distinct.⁴ The '422 patent describes a suture anchor with resilient walls that are compressed when the anchor is inserted into a hole in the bone. However, claim 25 of the '422 patent is dependent on claim 22, which explicitly requires “pulling on the portion of suture material” to lodge the anchor. Moreover, the specification of the '422 patent teaches that the anchor lodges only after tension is applied. For example, the specification states that only “[u]pon application of tension” do the wall edges move “into the sides of the bore hole and grip[] the bore hole. This causes the first and second resilient walls to expand outwardly firmly locking the bone anchor in place.” '422 patent, col. 3, ll. 58-61; *see also id.*, col. 4, ll. 60-65. Designing the anchor to lodge without requiring tension, as claimed in the '557 patent, is patentably distinct from the claims of the '422 patent. Therefore, the district court did not err in upholding the validity of the '557 patent.

With respect to Arthrex’s anticipation and obviousness claims, Perthes discloses a staple to which a suture is attached. Pilot holes are drilled in the bone, and the staple legs are then inserted through the pilot holes and into the bone. Perthes, however, fails to disclose resiliency in the anchor legs sufficient to lodge the anchor in the bone. Arthrex points to the testimony of Drs. Pruitt and Hayes in support of its contention that the Perthes staple is resilient, but it is clear that any resiliency in the Perth-

⁴ We apply the one-way test for double patenting because the '557 patent came from multiple continuations-in-part, which means that the Patent and Trademark Office was not solely responsible for the delay in issuing the patent. *See Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 969 n.7 (Fed. Cir. 2001); *see also In re Berg*, 140 F.3d 1428, 1432 (Fed. Cir. 1998).

es staple is not sufficient to lodge the anchor. Accordingly, Perthes does not anticipate the '557 patent.

The Burgio patent discloses medical implants that are inserted into a bone in the ear and are designed to hold an electrode above the surface of the bone. Arthrex argues that Figures 6 and 13 of Burgio supply the elements that are missing from Perthes. Like Perthes, however, the Burgio figures do not disclose resiliency that is sufficient to lodge an anchor.

Figure 6 discloses a barb that “can be resiliently deflected ... by the walls of the socket.” ’402 patent, col. 6, ll. 10-13. But the barb has “a rounded tip so that the anchor can be pulled from the socket.” *Id.*, col. 6, ll. 13-15. The district court’s construction of “lodging,” which was not appealed by either party, requires that the anchor, “once pressed into the hole, may not be removed.” Because the anchor disclosed in Figure 6 is specifically designed to be removed, the resiliency of the barb cannot be sufficient to lodge the anchor, as required by the ’557 claims. In addition, Burgio teaches that the anchor must be rotated in order for it to be secured. Rotation is necessary to move the barb “out of alignment with any groove it formed in the wall defining the socket as it was inserted.” *Id.*, col. 3, ll. 42-45. By contrast, as we stated in *Ethicon*, the ’557 patent specifically excludes a device in which “manipulation beyond pressing” is needed to secure the anchor. 276 F.3d at 1310. Thus, Figure 6 fails to disclose the lodging limitation.

Figure 13 of Burgio shows an anchor with two resilient arms. The arms, however, are designed to collapse inwards so as to secure a wire that is inserted between the two arms when the anchor is inserted into the hole. ’402 patent, col. 9, ll. 37-45. Because the arms collapse inwards to secure the wire that is placed between them,

that embodiment of Burgio does not teach the use of resilience to lodge the anchor in the hole. As the lodging limitation is not disclosed by either figure of Burgio, the invention is not obvious from the combination of Perthes and Burgio. The district court therefore correctly refused to hold the asserted claims invalid.

IV

Because we have reversed the judgment of infringement against Arthrex, it is not necessary to address Arthrex's additional arguments challenging that judgment. Because we remand for a new trial, we dismiss S&N's cross-appeal as moot.

Each party shall bear its own costs for this appeal.

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APPENDIX E

**IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

No. 12-1265

SMITH & NEPHEW, INC. AND
JOHN O. HAYHURST, M.D.,
Plaintiffs-Appellants,

V.

ARTHREX, INC.,
Defendant-Appellee.

Appeal from the United States District Court
for the District of Oregon in Case No. 04-CV-0029,
Judge Michael W. Mosman

ORDER

APRIL 4, 2013

A petition for rehearing en banc having been filed by the Appellee, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

27a

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on April 11, 2013.

FOR THE COURT

/s/ Jan Horbaly

Jan Horbaly

Clerk

Dated: 04/04/2013

Cc: John M. Skenyon
Charles W. Saber

SMITH & NEPHEW V. ARTHREX, 2012-1265
(DCT – 04-CV-0029)

APPENDIX F**RELEVANT STATUTORY PROVISION**

The Patent Act, 35 U.S.C. § 1 *et seq.*, provides in relevant part:

§ 271. Infringement of Patent.

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention 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 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.

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