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Recent Trends in Litigating Willful Patent Infringement



Lisa M. Ferri

Partner

+1 212 506 2340

lferri@mayerbrown.com

Brian W. Nolan

Partner

+1 212 506 2517

bnolan@mayerbrown.com

Manuel Velez

Partner

+1 212 506 2296

mvelez@mayerbrown.com

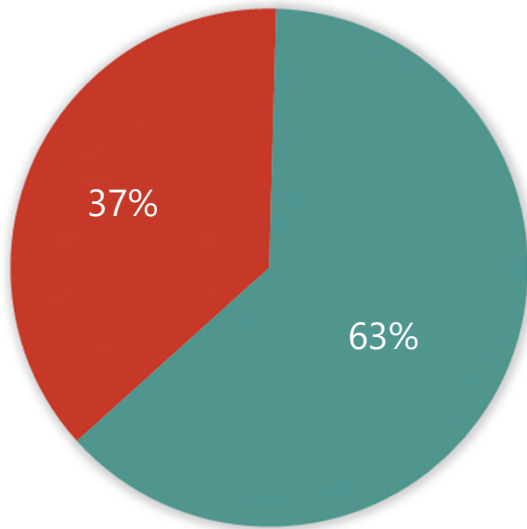
October 20, 2022

Willful Infringement in the Wake of *Halo Electronics v. Pulse Electronics*

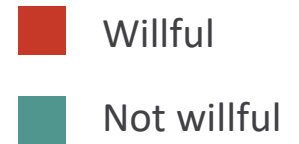
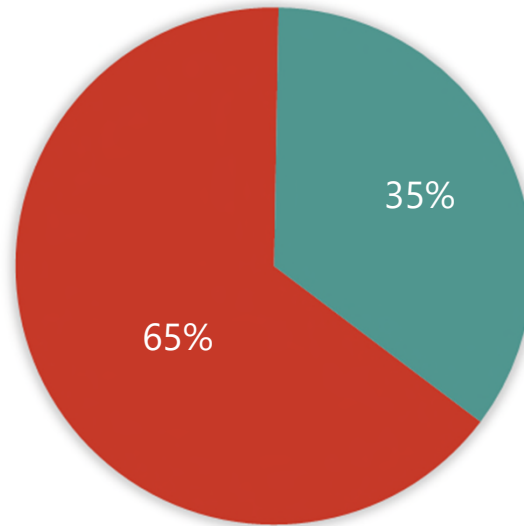
- *Halo* lowered the plaintiff's burden by adopting a more flexible inquiry focused on the **subjective belief** of the accused infringer (under a preponderance standard)
- The analysis now focuses on an accused infringer's **knowledge** and **intent** at the time of the alleged infringement—based on the **totality of the circumstances**
- Enhanced damages should not be awarded in instances of typical infringement—but rather, as a punitive sanction for **egregious, deliberate, bad-faith behavior**

After *Halo*, Willfulness Findings Increase

Willfulness before *Halo*

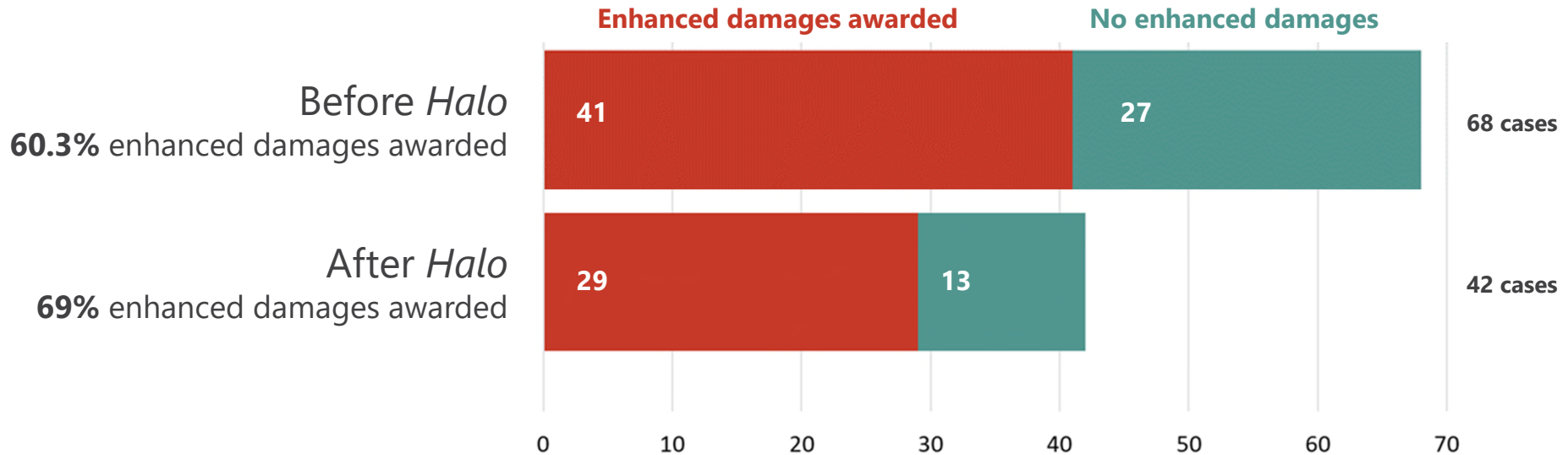


Willfulness after *Halo*



Data extracted from: Karen E. Sandrik, "An Empirical Study: Willful Infringement & Enhanced Damages in Patent Law After *Halo*," 28 *Mich. Tech. L. Rev.* 61 (2021).

After *Halo*, Enhanced Damages Slightly Increase



Data extracted from: Karen E. Sandrik, "An Empirical Study: Willful Infringement & Enhanced Damages in Patent Law After *Halo*," 28 *Mich. Tech. L. Rev.* 61 (2021).

After *Halo*, Judges Finding Willful Infringement Outpace Juries



Data extracted from: Karen E. Sandrik, "An Empirical Study: Willful Infringement & Enhanced Damages in Patent Law After *Halo*," 28 *Mich. Tech. L. Rev.* 61 (2021).

After *Halo*, Less Resolution on Pre-Trial Motions

- In the four and a half years before *Halo*, **39.8%** of all willfulness decisions were resolved by pre-trial motion.
- In the four and a half years after *Halo*, just **16.9%** of all willfulness decisions were resolved by pre-trial motion.
- This represents a **22.9%** decrease of pre-trial resolution of willfulness after *Halo*.

Data taken from Karen E. Sandrik, "An Empirical Study: Willful Infringement & Enhanced Damages in Patent Law After *Halo*," 28 *Mich. Tech. L. Rev.* 61 (2021).

After *Halo*, Venues Respond Differently

	C.D. Cal	E.D. Tex.	N.D. Ill.	D. Mass.	N.D. Cal.	D. Del.	S.D.N.Y
Before <i>Halo</i>	14.3	23.5	50.0	60.0	20.0	17.4	33.3
After <i>Halo</i>	80.0	77.3	75.0	60.0	58.3	45.8	25.0
Difference in willfulness findings before & after <i>Halo</i>	65.7	53.8	25.0	0.0	38.3	28.4	8.3

Excerpted from Karen E. Sandrik, "An Empirical Study: Willful Infringement & Enhanced Damages in Patent Law After *Halo*," 28 *Mich. Tech. L. Rev.* 61 (2021).



Halo and Its Subsequent Interpretation by
District Courts and the Federal Circuit
Court of Appeals

District Court Description of Willfulness

- *Halo* described enhanced damages as a sanction reserved for egregious infringement behavior that is “**willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.**” *Halo Electronics v. Pulse Electronics*, 136 S.Ct. 1923, 1932 (2016)
- Some district courts used this description in their assessment of whether conduct amounted to willful infringement. *See, e.g., Varian Medical Sys v. Elekta AB*, 2016 WL 3748773 *8 (D. Del. July 12, 2016)
- Other courts reserved this standard for the court’s decision to enhance damages after a finding of willfulness. *See, e.g., APS Tech. v. Vertex Downhole*, 2020 WL 4346700 *7 (D. Del. July 29, 2020)

Federal Circuit Precedent Appeared to Support Need for “Wanton” Conduct

Bayer Healthcare LLC v. Baxalta Inc., 989 F.3d 964 (2021)

989 F.3d 964
United States Court of Appeals, Federal Circuit
BAYER HEALTHCARE LLC,
Plaintiff-Cross-Appellant
v.
BAXALTA INC., Baxalta US
Inc., Defendants-Appellants
Nektar Therapeutics, Defendant-Appellee
2019-2418, 2020-1017
Decided: March 1, 2021

Synopsis
Background: Owner of patent for producing human factor VIII, a blood clotting protein, alleged infringement by competitor's recombinant PEGylated factor VIII product. Following trial in which jury found asserted claims of patent were enabled and infringed and that owner was entitled to reasonable royalty damages, the United States District Court for the District of Delaware, Richard G. Andrews, J., 407 F.Supp.3d 462, determined as matter of law that competitor's conduct did not meet requirements for willfulness, and 2019 WL 4016235, denied competitor's motions for judgment as matter of law or new trial on issues of infringement, enablement, and damages, along with court's award of pre-judicial supplemental damages. Both parties appealed.

Holding: The Court of Appeals, Shouli, Circuit Judge, held that:

- [1] patent claim term was construed;
- [2] district court did not violate its duty to interpret patent claims;
- [3] substantial evidence supported jury's infringement verdict;
- [4] substantial evidence supported verdict that claims were not invalid for lack of enablement;
- [5] district court appropriately allowed jury to hear expert testimony as to range of royalty rates;
- [6] damages expert did not present new opinions at trial;

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Bayer Healthcare LLC v. Baxalta Inc., 989 F.3d 964 (2021)

[43] [44] [45] [46] Willful infringement is a question of fact. *Polaris Eng'g, Inc. v. Campbell Co.*, 894 F.3d 1339, 1353 (Fed. Cir. 2018). To establish willfulness, the patentee must show the accused infringer had a specific intent to infringe at the time of the challenged conduct. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, — U.S. —, 136 S. Ct. 1923, 1933, 195 L. Ed.3d 278 (2016). As the Supreme Court stated in *Halo*, “[t]he sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.” *Id.* at 1932. A patentee needs to show by a preponderance of the evidence the facts that support a finding of willfulness. *Id.* at 1934.

In granting Baxalta's motion for JMOL, of no willful infringement, the district court concluded that Bayer failed to present sufficient evidence of the “state of mind” necessary for a finding of willfulness. *J.A.*, 1355-56 (Tr. 1134-24-11353). According to the district court, there was no dispute that Baxalta was “aware of the ‘520 patent,” and that Bayer merely “assumed[] that [Baxalta] knew Adynovate[®] infringed because it involved pegylation at the B-domain of factor VIII.” *Halo* 59 (Op.). 2019 WL 4016235, at *9. The district court concluded that this was not “evidence for a reasonable jury to find that infringement was ‘other known or so obvious it should have been known.’” *Id.* (quoting *Halo*, 136 S. Ct. at 1930).

[47] On appeal, Bayer identifies evidence that purportedly satisfies the state of mind requirement for willfulness. Specifically, Bayer presented testimony of Baxalta and Nektar witnesses concerning their awareness of the patent application that issued as the ‘520 patent. *J.A.*, 634-38. Additionally, Bayer presented evidence of Baxalta's representations to the FDA that Adynovate[®]'s activity was due to controlled, targeted PEGylation at the B-domain. *J.A.*, 654-55 (Tr. 433-9-434-23); *J.A.*, 718-20 (Tr. 497-7-499-5); *J.A.*, 755-60 (Tr. 5341-339-11); *J.A.*, 774-77 (Tr. 553-12-556-18); *J.A.*, 897-98 (Tr. 676-14-677-17). Bayer further contends that the jury heard evidence showing that Baxalta's internal *988 documents described Adynovate[®]'s PEGylation process as controlled and consistent. *J.A.*, 1238-43 (Tr. 1017-9-1022-21); *J.A.*, 38368-90. Bayer also presented testimony by Baxalta and Nektar witnesses that the companies' initial approach with FVIII conjugates was random PEGylation, and that they switched to targeted,

B-domain PEGylation. *J.A.*, 713-16 (Tr. 492-8-495-19); *J.A.*, 722-23 (Tr. 5011-502-13); *J.A.*, 1121-23 (Tr. 900-12-902-19). In Bayer's view, this evidence shows that “Baxalta knew from prior dealings that random pegylation had failed, found out about Bayer's B-domain pegylation work that underpins the ‘520 patent, and consciously redirected its own research to B-domain pegylation after learning about Bayer's invention.” *Id.* Cross-Appellant's Reply 4.

[48] Even when accepting Bayer's evidence as true and weighing all inferences in Bayer's favor, we conclude that the record is insufficient to establish that Baxalta's “conduct rose to the level of wanton, malicious, and bad-faith behavior required for willful infringement.” *SRI Int'l, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1309 (Fed. Cir. 2019). The evidence adduced at trial merely demonstrates Baxalta's knowledge of the ‘520 patent and Baxalta's direct infringement of the asserted claims. Knowledge of the asserted patent and evidence of infringement is necessary, but not sufficient, for a finding of willfulness. Rather, willfulness requires deliberate or intentional infringement. *Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.*, 946 F.3d 1367, 1378 (Fed. Cir. 2020).

Accordingly, we conclude that the district court did not err in granting Baxalta's motion for JMOL of no willfulness or denying Bayer's motion for a new trial.

CONCLUSION

We have considered the parties' other arguments, but we do not find them persuasive. For the foregoing reasons, we affirm the district court's judgments of infringement, enablement, damages, pre-judicial supplemental damages, and no willfulness.

AFFIRMED

COSTS

No costs.

All Citations

989 F.3d 964

[48] Even when accepting Bayer's evidence as true and weighing all inferences in Bayer's favor, we conclude that the record is insufficient to establish that Baxalta's “conduct rose to the level of wanton, malicious, and bad-faith behavior

required for willful infringement.” *SRI Int'l, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1309 (Fed. Cir. 2019). The evidence adduced at trial merely demonstrates Baxalta's knowledge of the ‘520 patent and Baxalta's direct infringement of the asserted claims. Knowledge of the asserted patent and evidence of infringement is necessary, but not sufficient, for a finding of willfulness. Rather, willfulness requires deliberate or intentional infringement. *Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.*, 946 F.3d 1367, 1378 (Fed. Cir. 2020),

Bayer Healthcare LLC v. Baxalta Inc.,
989 F.3d 964, 988 (Fed. Cir. 2021)

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20

Federal Circuit's Clarification

SRI International, Inc. v. Cisco Systems, Inc., 14 F.4th

14 F.4th 1323

United States Court of Appeals, Federal Circuit

SRI INTERNATIONAL, INC., Plaintiff-Appellant

v.

CISCO SYSTEMS, INC., Defendant-Cross-Appellant

2020-1485, 2020-1704

Decided September 28, 2021

Synopsis

Background: Owner of patents related to monitoring surveillance of computer networks for intrusion detect brought infringement action. Competitor moved for summary judgment on patent eligibility and anticipation. The U.S. District Court for the District of Delaware, 1:13-cv-01534-SLR-SRF, See L. Robinson, J., [13 W.L. 2265756](#), construed claims, [13 F.3d 1379](#) F. Supp. 3d denied competitor's motion for summary judgment patent ineligibility and granted summary judgment of anticipation, and following jury trial, [254 F. Supp. 3d](#) denied competitor's motion for judgment as a matter of (JMOL) of no willful infringement and granted patent on enhanced damages, attorney fees, and ongoing royalty. Competitor appealed. The Court of Appeals, [930 F.3d 1293](#), affirmed in part, vacated in part, and remanded. remand, the District Court, Richard G. Andrews, J., [13 W.L. 1285915](#), denied patent owner's motion to reinstate willfulness verdict and to reinstate award of enhanced damages. Patent owner appealed, and competitor on appeal awarded of attorney fees.

Holding: The Court of Appeals, Stoll, Circuit Judge, 1 that:

[1] substantial evidence supported jury's finding of competitor willfully infringed patents after receiving notice

[2] award of enhanced damages was appropriate;

[3] patent owner did not forfeit its right to enhanced damages

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SRI International, Inc. v. Cisco Systems, Inc., 14 F.4th 1323 (2021)

multiple events. J.A. 38708. Cisco's own technical witness similarly acknowledged that this "Meta Event Generator" functions to correlate events. J.A. 21813 (Trial Tr. 15193-5) ("Meta is specialized to combine events into a bigger event"). Further combined with testimony from SRI's expert that the accused products correlate events, Cisco-customer testimony that Cisco's product correlates events, and third-party testing confirming the same, the jury had a reasonable basis to believe that Cisco did not have any reasonable defenses to infringement.

In addition, the jury found that Cisco induced infringement of the asserted claims, and Cisco does not challenge that finding on appeal. See [13 W.L. 254 F. Supp. 3d](#) at 700. As explained in [13 W.L. 1](#), the court instructed the jury that "Defendant is liable for active inducement only if plaintiff proves by a preponderance of the evidence" that, among other things, (1) "Defendant took some action intending to encourage or instruct its customers to perform acts that you, the jury, find would directly infringe," and (2) "Defendant was aware of the asserted patents at the time of the alleged conduct and knew that its customer's acts (if taken) would constitute infringement of an asserted patent." [13 W.L. 719](#) (emphasis omitted). Based on those unchallenged jury instructions, we may presume that the jury found that Cisco knew of the patent, took action to encourage its customers to infringe, and knew that its customers actions (if taken) would infringe. Such unchallenged findings may support a jury's finding of willful infringement.

[5] To be clear, a finding of induced infringement does not compel a finding of willfulness. Indeed, the standard required for willful infringement is different than that required for induced infringement. Nonetheless, in this case, the jury's unchallenged findings on induced infringement, when combined with Cisco's lack of reasonable bases for its infringement and invalidity defenses, provide sufficient support for the jury's finding of willful infringement for the period after May 9, 2012, when Cisco had notice of the patent.

[6] Finally, we address the district court's statement in [13 W.L. 1323](#) that the Federal Circuit "made clear that the standard for willfulness" applicable on remand is "whether Cisco's conduct rose to the level of 'wanton, malicious, and bad-faith behavior required for willful infringement.'" [13 W.L. 2020 W.L. 1285915](#), at 91 (quoting [13 W.L. 940 F.3d](#) at 1309). The district court also noted that "the Court of Appeals is not

entirely consistent in its use of adjectives to describe what is required for willfulness." [13 W.L. 2020 W.L. 1285915](#), at *1 n.1. To eliminate the confusion created "1330 by our reference to the language 'wanton, malicious, and bad-faith' in [13 W.L. 1323](#), we clarify that it was not our intent to create a heightened requirement for willful infringement. Indeed, that sentence from [13 W.L. 1323](#) refers to "conduct warranting enhanced damages," not conduct warranting a finding of willfulness." [13 W.L. 136 S. Ct.](#) at 1932 ("The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.") As we said in [13 W.L. 940 F.3d](#) 1367, 1378 (Fed. Cir. 2020) (citing [13 W.L. 136 S. Ct.](#) at 1933).

Under the proper test for willfulness, and considering the proffered jury findings above, we conclude that substantial evidence supports the jury's willful infringement finding. We thus reverse the district court's JMOL of no willful infringement and reinstate the jury verdict of willful infringement.

ii

[7], [8], [9] We next turn to SRI's request to reinstate the award of enhanced damages. Although willfulness is a component of enhancement, "an award of enhanced damages does not necessarily flow from a willfulness finding."

[13 W.L. 1323](#) Components, Inc. v. Am. Tech. Ceramics Corp., 875 F.3d 1369, 1382 (Fed. Cir. 2017) (first citing [13 W.L. 136 S. Ct.](#) at 1932; and then citing [13 W.L. 1323](#) v. Kohler Co., 829 F.3d 1317, 1341 n.13 (Fed. Cir. 2016)). Discretion remains with the district court to determine whether the conduct is sufficiently egregious to warrant enhanced damages." [13 W.L. 829 F.3d](#) at 1341 n.13.

[13 W.L. 136 S. Ct.](#) at 1934 ("Section 284 gives district courts discretion in meting out enhanced damages."). We review the district court's decision to award enhanced damages for an abuse of discretion. [13 W.L. 136 S. Ct.](#) at 1934. Thus,

To eliminate the confusion created *1330 by our reference to the language "wanton, malicious, and bad-faith" in [13 W.L. 1323](#), we clarify that it was not our intent to create a heightened requirement for willful infringement. Indeed, that sentence from [13 W.L. 1323](#) refers to "conduct warranting enhanced damages," not conduct warranting a finding of willfulness. [13 W.L. 136 S. Ct.](#) at 1932

SRI International, Inc. v. Cisco System, Inc.,
14 F.4th 1323, 1330 (Fed. Cir. 2021)

Practical Impact of the Federal Circuit's Clarification

- Patentees should scrutinize arguments put before the jury to monitor for the use of the terms “egregious”, “pirate-like,” etc. by defendants
 - For example, when negotiating the willful-infringement jury instructions, these terms should not be used
- Alleged infringers should refocus arguments on lack of a basis for enhanced damages based upon wanton and pirate standard
 - Several courts have used summary judgment to remove willfulness from a jury because evidence supporting enhancement does not suffice. *Greatbatch Ltd. v. AVX Corp.*, 13-732-LPS, 2016 WL 7217625 *6 (Dec. 13, 2016) (granting summary judgment because court would not enhance damages even if jury returned a willfulness finding); *Halo Elecs. v. Pulse Elecs., Inc.*, 281 F. Supp. 3d 1087, 1093-94 (D. Nev. 2017) (“Courts that have awarded enhanced damages have done so in exceptional cases based on extensive evidence that a defendant acted in bad faith.”)



The Post-*Halo* Knowledge Requirement and
the Impact on Alleged Infringers' Actions

Knowledge of the Patent Remains a Pre-Requisite but What Knowledge Suffices?

- Must a defendant have knowledge of **each individual patent** or does **general knowledge** of a patent portfolio suffice?
 - Some courts hold that knowledge of the specific patent is NOT required. The test is to look at the totality of the circumstances to determine whether the alleged infringer had specific intent to infringe at the time of the challenged conduct. *Illumina, Inc. v. BGI Genomics Co., Ltd.*, 19-cv-03770, 2022 WL 899421 *14 (N.D. Ca. Mar. 27, 2022).
 - Others have rejected evidence of customary industry practices to show pre-suit knowledge or found knowledge of licensing agreement covering the patented technology (not the patent itself) and the application that became the patent are not sufficient, as a matter of law, to show pre-suit knowledge. *See Plexxikon Inc. v. Novartis Pharmaceuticals Corp.*, 17-cv-04405-HSG, Doc. 614 at 18 (N.D. Ca. Sept. 29, 2022); *Nncrystal US Corp v. Nanosys, Inc.*, 19-cv-1307, 2022 WL 1091283 *1 (D. Del. April 12, 2022), respectively.

What is the Post-*Halo* Requirement Regarding Pre-Suit Knowledge of an Alleged Infringer?

- **District courts are divided** on the issue of whether a defendant must **possess** the requisite **knowledge** of an asserted patent and risked infringement **before the filing** of an infringement suit.
 - Some district courts have noted that a split exist as to whether *Halo* abrogated *Seagate's* focus on pre-litigation conduct in allowing reliance on post-filing knowledge. *Merrill Mfg. Co v. Simmons*, 553 F. Supp. 3d 1297, 1306 (N.D. Ga. 2021)(Complaint served as adequate notice); *Extang Corp. v. Truck Accessories Group, LLC*, 2022 WL 607868 *2, n.1 (D. Del. Feb. 18, 2022)(finding post-suit knowledge relevant).
 - Other courts have focused on need for pre-litigation conduct. *Power Integrations, Inc. v. ON Semiconductor Corp.*, 396 F. Supp. 3d 851, 891 (N.D. Cal. 2019)(summary judgment granted where no pre-suit notice of patent infringement).
 - District of Delaware's Judge Connelly, recently highlighted the division between the district courts, as well as within his district, and noted the need for direction from the Federal Circuit. *ZapFraud v. Barracuda Networks*, 528 F. Supp.3d 247, 249-250 (D. Del. 2021)(finding no wilfulness based damages where defendant's knowledge is based on Complaint and collecting cases on both sides of the issue).

Ambiguity Concerning Required Knowledge Can Implicate Normal Business Activities

- Companies often conduct due diligence when assessing business transactions, developing new products, or before delving into new fields of research.
 - Identification of patents during due diligence may add to the “totality of circumstance” analysis. *Illumina, Inc., v. BGI Genomics Co., Ltd.*, 19-cv-03770, 2022 WL 899421 *14 (N.D. Ca. Mar. 27, 2022).
 - Knowledge of patent can come from someone other than the patentee. *Arigna Technology Ltd., v. Nissan Motor Co., Ltd.*, 22-cv-00126-JRG-RSP, DKT. 296 at 3-4 (E.D. Tx. Oct. 5, 2022) (finding third-party notice of patent infringement suit sufficient for pre-suit knowledge); see also *Illumina, Inc.*, 2022 WL 899421 *14 (considering third party notice in analysis).

Approaches to Due Diligence That May Limit Exposure to Willfulness

- Consider whether the due diligence provided the requisite notice of the potential infringement to the company performing the activities.
 - Outside counsel's knowledge of potential infringement may not suffice. *Olaf Sööt Design, LLC v. Daktronics, Inc.*, 325 F.Supp.3d 456, 462-463 (S.D.N.Y. 2018) (granting summary judgment because, while outside counsel knew of the patent, there was no evidence company conducted analysis and received a representation of no infringement); but consider *Cave Consulting Group, Inc. v. Optuminsight, Inc.*, 15-cv-03434, 2019 WL 4492802 *54 (N.D. Ca. Sept. 18, 2019) (disagreeing with *Olaf Sööt Design, LLC*)
 - Consider whether the due diligence identified an application or the patent. *Bioverativ, et al. v. CSL Behring, et al.*, CA 17-914-RGA, 2020 WL 1332921, at *2 (D. Del. Mar. 23, 2020); *BioMerieux, et al., v. Hologic, et al.*, CA No. 18-21-LPS, 2020 WL 759546, at *12 (D. Del. Feb. 7, 2020) (cannot infringe a nonexistent patent); but consider *Kewazinga Corp. v. Microsoft Corp.*, 558 F.Supp.3d 90, 119 (S.D.N.Y. 2021) (notice of related patents or applications may suffice)



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Recent Trends in Willfulness Cases:
Practical Approaches by Patentees and
Effective Responses by Accused Infringers

Demonstrating Knowledge of a Patent through a Prior Business Relationship

- Patentee may point to a licensing relationship as providing evidence that an alleged infringer had requisite knowledge of patents
 - Seagen alleged that its past business relations with Daiichi provided notice of the patent application that issued as the asserted patent and that Daiichi continued to make the product. *Seagen Inc. v. Daiichi Sankyo Co., Ltd.*, 2:20-CV-00337-JRG, 2022 WL 2789901 *3 (E.D. Tx. July 15, 2022) (findings of fact 24 & 25).
 - Jury found that a preponderance of the evidence showed that defendant willfully infringed at least some of the asserted claims. *Id.*; see also Dkt. 369 (April 8, 2022).

Demonstrating Subjective Belief of Infringement through Attempts to License

- Patentees may assert that attempts to obtain a license demonstrate that an alleged infringer knew its product infringed.
 - Patent owner provided evidence that the defendant unsuccessfully attempted to license the asserted patent. *Juno Therapeutics, Inc. v. Kite Pharma, Inc.*, 2:17-cv-07639 SJO-KS, 2020 WL 10460622 *9 (C.D. Ca. March 24, 2020)
 - Willfulness finding vacated after patent held invalid for lack of written description. *Juno Therapeutics, Inc. v. Kite Pharma, Inc.*, 10 F.4th 1330, 1334 (Fed. Cir. 2021).
 - Patent owner relied on alleged infringer's request for a license after it developed its products (with knowledge of the patents) in seeking to obtain enhanced damages. *Ravgen, Inc. v. Laboratory Corporation of America Holdings*, 20-cv-00969, DKT 232 at 4-5, 10-11 (W.D. Tx. Oct. 5, 2022).

Evidence of Copying May Be Proffered to Demonstrate Intent to Infringe

- Patent Owners may assert that an alleged infringer copied the technology to support willful infringement.
 - Patent owner provided evidence that the defendant knew that its collaborators copied the backbone for the its CAR-T therapy YESCARTA from the patentee. *Juno Therapeutics, Inc. v. Kite Pharma, Inc.*, 2:17-cv-07639 SJO-KS, 2020 WL 10460622 *9 (C.D. Ca. March 24, 2020).
 - Willfulness finding vacated after patent held invalid for lack of written description. *Juno Therapeutics, Inc. v. Kite Pharma, Inc.*, 10 F.4th 1330, 1334 (Fed. Cir. 2021).
 - Courts have found that evidence of copying supports a jury's conclusion of willful infringement. *llumina, Inc. v. BGI Genomics Co., Ltd.*, 19-cv-03770, 2022 WL 899421 *15 (N.D. Ca. Mar. 27, 2022).

Patentees Should Look to Competitor's Documents Discussing the Patented Technology

- Patent Owner should proffer defendant's documents and testimony as evidence of knowledge of the patented technology and copying to support its willfulness case.
 - Courts will look to evidence such as defendant's internal documents and employees' deposition testimony confirming the company's knowledge of the patents and copying, including attempts to reverse engineer and mimic patent owners technology. *See Illumina, Inc. v. BGI Genomics Co., Ltd.*, 19-cv-03770, 2022 WL 899421 *14 (N.D. Ca. Mar. 27, 2022).

Unsuccessful Post-Grant Proceedings Show Lack of Good-Faith Basis of Invalidity

- Patentee may assert that an unsuccessful post-grant challenge to the patent shows the alleged infringer was aware that the patent presented a barrier.

- Patent owner argued that an unsuccessful attempt to invalidate the asserted patent supports a finding of willful infringement.

Juno Therapeutics, Inc. v. Kite Pharma, Inc., 2:17-cv-07639 SJO-KS, 2020 WL 10460622 *9 (C.D. Ca. March 24, 2020); *Dexcowin Global, Inc. v. Aribex, Inc.*, CV 16-143-GW, 2017 WL 3478492 *3 (C.D. Ca. June 29, 2017) (holding IPR decisions denying IPR institution are relevant and the different legal standard can be addressed through a jury instruction).

Demonstrating that an Alleged Infringer Is Not Insulated by an Unreliable Opinion of Counsel

- Patent Owners may assert that the alleged infringer obtained the opinion solely to insulate itself from allegations of willful infringement—rendering it unreliable. *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 435 F.3d 1356, 1365 (Fed. Cir. 2006) (evidence was elicited that U.S. Surgical did not review the opinions and did not rely on the legal opinions as legitimate advice as to whether its product infringed, but rather sought legal opinions for their potential evidentiary value on the issue of willful infringement in litigation).
- Patentee may show a lack of good faith reliance upon the opinion if it has not been shared with the defendants decision-makers. *See Johns Hopkins Univ. v. Alcon Labs., Inc.* No. 15-525-SLR, 2018 U.S. Dist. LEXIS 70403, *57-*60 (D. Del. Mar. 1, 2018) (evidence did not support good faith reliance as the record reflected that the opinions were not shared with the relevant employees involved with the accused products).

Patentees May Point to the Accused Infringer's Stipulation of Infringement at Trial

- Patent Owners may assert that a stipulation of infringement by the accused infringer supports its willful infringement case.
 - In *Idenix*, plaintiff requested that the jury be instructed that the defendant's infringement was a "matter of fact" and that it be allowed to reference the infringement in opening and closing arguments. *Idenix Pharm. v. Gilead Sciences, Inc.*, CA No. 14-846-LPS, Doc. 525 (D. Del.) (Judge Stark denied the request and issued an instruction).
 - In *Plexxikon*, patentee sought to defend against a JMOL of no willfulness by asserting that "jurors reasonably could conclude that Novartis's stipulation of infringement . . . shows that Novartis continued to act 'in the face of an objectively high likelihood of infringement.'" *Plexxikon Inc. v. Novartis Pharmaceuticals Corp.*, 17-cv-04405-HSG, Doc. 549 at 4 (N.D. Ca. July 15, 2021) (Court ultimately granted JMOL in *Plexxikon Inc. v. Novartis Pharmaceuticals Corp.*, 17-cv-04405-HSG, Doc. 614 at 20, (N.D. Ca. Sep. 29, 2022)).

Minimizing the Impact of a Stipulation of Infringement on the Part of an Accused Infringer

- An accused infringer should argue for curative instructions to the jury by the Court to minimize the impact of a stipulation of infringement.
 - For example, in *Idenix*, the defendant requested that the court provide a short preliminary instruction to the jury that infringement “is not an issue you are deciding in this case” and prohibit counsel from commenting on infringement at trial. *Idenix Pharmaceuticals LLC, et al. v. Gilead Sciences, Inc.*, 1-14-cv-00846, Doc. 482 (D. Del. Nov. 30, 2016).
 - The Court crafted an approach for trial to minimize any prejudice to defendant should the jury be misled into believing defendant “subjectively believes it infringes.” *Idenix Pharmaceuticals LLC, et al. v. Gilead Sciences, Inc.*, 1-14-cv-00846, Doc. 485 (D. Del. Dec. 2, 2016)(limiting statements at trial to a specified description of the stipulation, i.e., infringement is not an issue the jury is being asked to decide; the jury is to assume infringement at the trial).

The Timing of Business Interactions May Provide Arguments Against the Requisite “Knowledge”

- An accused infringer may argue that business interactions with the plaintiff occurring prior to any patent rights existed does not supply the knowledge requirement under *Halo*.
 - Courts have found pre-patent issuance discussions of limited value to a plaintiff in supporting willfulness, as an infringer cannot willfully infringe a patent that does not exist. *See SRI Int’l, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1308-09 (Fed. Cir. 2019) (vacating denial of JMOL of no willful infringement where business discussions pre-dated any patent filing); *Loops LLC v. Phoenix Trading*, No. C08-1064RSM, 2016 WL 6609560 (W.D. Wash. Nov. 9, 2016) (no willfulness where defendant had notice of only an application during interactions).
 - In *BioMerieux*, the court found that knowledge of related patents or scientific publications does not support a finding of willful infringement. *See BioMerieux, et al., v. Hologic, et al.*, CA No. 18-21-LPS, 2020 WL 759546, at *23 (D. Del. Feb. 7, 2020) (alleged infringer knew only of related foreign counterpart patents, or of technology that was eventually claimed in the patents-in-suit).

The Accused Infringer Should Argue that Pre-Issuance Evidence is Unduly Prejudicial

- With a view towards trial, an alleged infringer can point to Fed. R. Evid. 403 to argue that any purported relevance of pre-issuance conduct is outweighed by the risk of prejudice.
 - Courts generally limit admission of pre-issuance conduct as having limited probative value, while risking undue prejudice to the defendant. *Orexo AB et al. v. Actavis Elizabeth LLC et al.*, 424 F. Supp.3d 371 (D. Del. Dec. 11, 2019) (evidence of conduct prior to the patent issuance excluded as unduly prejudicial); *Enovsys LLC v. AT&T Mobility LLC, et al.*, No. CV-11-5210-SS, *9 (C.D. Cal. June 11, 2015) (pre-issuance communications excluded, finding the “purported relevance regarding willful infringement substantially outweighed by the risk of prejudice . . . under Fed. R. Evid. 403”).
 - However, where the evidence shows particularly egregious conduct, e.g., blatant copying, the evidence may be admitted as relevant to state of mind. *See Sonos, Inc. v. D&M Holdings, Inc.*, No. 14-1330-WCB, 2017 WL 5633204, *3-*4 (D. Del. Nov. 21, 2017) (court required plaintiff to show that evidence demonstrated “particularly egregious behavior.”)

Attempts to License May Show “Good Faith” and Reasonable Commercial Behavior

- An accused infringer should proffer evidence that a license was sought as a reasonable commercial practice, including as a way to avoid costly, disruptive litigation.
 - Courts have found licensing negotiations that ultimately end in no agreement may demonstrate “good faith” and “fair and reasonable commercial behavior.” See *King Instrument Corp. v. Otari Corp.*, 767 F. 2d 853, 867 (Fed. Cir. 1985) (negotiations may show an infringer’s good faith where a license is sought to avoid costly litigation); *Goss Int’l Americas, Inc. v. Graphic Management Associates, Inc.*, 739 F. Supp. 2d 1089, 1115–16 (N.D. Ill. 2010) (summary judgment of no wilfulness where defendant relied on opinion of counsel, but still pursued, yet failed to obtain, a possible license to the patent); *Finjan, Inc. v. ESET, LLC*, No. 3:17-cv-0183-CAB-(BGS), 2019 WL 7290961, at *1 (S.D. Cal. Dec. 30, 2019) (Failure to reach a licensing agreement is not evidence of bad faith).
 - Pre-suit negotiations (once litigation is probable) may also be excluded under Rule 408. *Int’l Business Machines Corp. v. Groupon, Inc.*, No. 16-122-LPS, 2018 WL 3007662, at *1 (D. Del. June 15, 2018).

Distinguishing the Accused Infringer's Actions May Negate Allegations of Copying

- Willfulness allegations can be countered by focusing on the timing and context of the accused infringer's pre-issuance activities.
 - Courts have found a lack of subjective bad faith where the accused infringer had developed its product independently and prior to the issuance of the patents-at-issue. *See Bioverativ, et al. v. CSL Berring*, CA No. 17-914-RGA, 2020 WL 1332921, at *3-4 (summary judgment of no willfulness where accused infringer developed its product prior to the claims-in-suit issuing); *Wis. Alumni Rsch. Found. v. Apple, Inc.*, 261 F. Supp. 3d 900, 918 (W.D. Wis. 2017) (no willful infringement where defendant's development of its product pre-dated its knowledge of the patent claims and did not provide evidence of copying).
 - Allegations of copying may be countered by distinguishing competitive practices within an industry from egregious behavior. In *Bioverativ*, the court acknowledged that "competitive intelligence is standard in the pharmaceutical industry . . . [nothing suggests] . . . that Defendant's pre-patent surveillance activities, including tracking product development . . . amounts to 'elaborate copying'" *Bioverativ, et al., CSL Berring, et al.*, CA 17-914-RGA, 2020 WL 1332921, at *3 (D. Del. Mar. 23, 2020).

An Accused Infringer Should Move to Block Patentee's Use of Failed Post-Grant Challenges

- Accused infringers should move to exclude evidence of unsuccessful attempts to invalidate the plaintiff's patents through post-grant proceedings (as evidence of a lack of good-faith belief in the invalidity of the plaintiff's patents).
 - Several courts have concluded that, while unsuccessful attempts to invalidate patents in the PTAB may have some relevance to the willful infringement analysis, the prejudice to the alleged infringer outweighs the probative value. *See Sysmex Corp. v. Beckman Coulter, Inc.*, 19-1642-JFB, 2022 WL 2292059 *3 (D. Del. June 24, 2022); *Integra LifeSciences Corp. v. HyperBranch Medical Tech., Inc.*, 15-819-LPS, 2018 WL 2186677 *1 (D. Del. May 11, 2018); *Acceleron, LLC v. Dell, Inc.*, 12-cv-4123, 2020 WL 10353408 *3 (N.D. Ga. Aug. 27, 2020); *ABS Global, Inc. v. Inguran, LLC.*, 14-cv-503, 2016 WL 3996167 *7-*8 (W.D. Wis. July 22, 2016).
 - In declining to enhance damages in *Plexxikon*, the court rejected plaintiff's evidence of a PTAB decision declining to institute an IPR, stating that it is not a decision on the merits any more than a decision to institute a proceeding is a decision on the merits. *Plexxikon Inc. v. Novartis Pharm. Corp.*, 17-cv-04405-HSG, Doc. 614 at 26-27 (N.D. Ca. Sept. 29, 2022).

An Accused Infringer May Point to Previous Challenges as Supporting its “Subjective Belief”

- Willingness to expend resources to invalidate a competitor’s patents may support the assertion of a reasonable, good-faith belief of invalidity.
 - Courts have viewed challenges to the validity of a patentee’s portfolio as relevant to the accused infringer’s good faith belief in the invalidity of the patents in suit and to its state of mind. *See BioMerieux, S.A. v. Hologic, Inc.*, C.A. No. 19-21-LPS, 2020 WL 759546 at *12 (D. Del. Feb. 7, 2020) (challenges to the validity of plaintiff’s European patents as among the “totality of evidence” that defendants did not willfully infringe the patents in suit). *Nox Medical Ehf v. Natus Neurology*, No. 1:15-cv-00709, 2018 US Dist. Lexis 206844 (D.Del. Dec. 7, 2018) (consistent course of action regarding the invalidity of patents-in-suit including challenging the validity of the European counterpart was evidence that defendant held a good faith belief of invalidity); *SZ DJI Tech. Co., Ltd. v. Autel Robotics USA LLC*, No. 16-706-LPS, 2021 WL 3403930, *1 (D. Del. Aug. 4, 2021) (holding foreign challenges relevant to state of mind and subjective intent for willful infringement).

Post-*Halo*, Opinions of Counsel Continue to have Importance regarding State of Mind

- Accused infringers should continue to obtain Opinions of Counsel regarding the invalidity or non-infringement of asserted patents as strong evidence supporting a lack of subjective intent to infringe. *Omega Pats., LLC v. CalAmp Corp.*, 920 F. 3d 1337, 1353 (Fed. Cir. 2019); *Halo Elecs. v. Pulse Elecs., Inc.*, 281 F. Supp. 3d 1087 (D. Nev. 2017) (on remand from the Supreme Court, the district court denied Halo's motion for enhanced damages pointing to opinion letters as "powerful evidence that Pulse was not intentionally infringing Halo's patent."); *Greatbatch Ltd. v. AVX Filters Corp.*, No. CV 13-723-LPS, 2016 WL 7217625, at *4 (D. Del. Dec. 13, 2016) (citing reasonable reliance on invalidity opinion of counsel, court found AVX entitled to judgment of no willful infringement as a matter of law); *Loggerhead Tools, LLC, v. Sears Holding Corp.*, CA. No. 12-cv-9033, 2016 WL 6778881, at *1 (N.D. Ill. Nov. 15, 2016) (in granting summary judgment of no willful infringement, court cited consultation with patent attorney and receipt of opinion as "highly probative evidence of good faith").
- The Federal Circuit recently reiterated the continued relevance and importance of the advice of counsel defense to willful patent infringement, provided that the opinion letter is competent under the totality of circumstances. *See Sunoco Partners Marketing & Terminals v. U.S. Venture, Inc.*, 32 F.4th 1161 (Fed. Cir. 2022)(CAFC reversed district court's enhancement of damages finding that the court abused its discretion where its rejection of defendant's opinion as unreliable was based on an erroneous factual finding, i.e., opinion counsel did in fact understand the technology); *see also Plexxikon v. Novartis Pharm.Corp.*, 17-cv-04405-HSG, Doc. 614 (N.D. Ca. Sep. 29, 2022).



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