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7 Key Takeaways For Litigating Willful Patent Infringement

By **Brian Nolan and Manuel Velez** (November 23, 2022, 2:28 PM EST)

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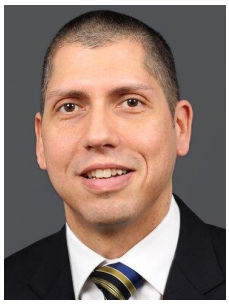

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After finding that an accused infringer has willfully infringed a patent, a court may increase "damages to three times the amount found or assessed," under Title 35 of the U.S. Code, Section 284.[1]

Given that recent patent cases have yielded nine- and 10-figure damages awards, it is important to keep abreast of legal developments concerning willful infringement.[2]

In this article, we explore practical takeaways for litigating willful infringement in light of recent case law. These cases show that parties focus on the following seven areas:

- The impact of the 2021 SRI International Inc. v. Cisco Systems decision in the U.S. Court of Appeals for the Federal Circuit;
- The accused infringer's knowledge;
- Past relationships between the parties;
- Alleged copying;
- Attempts to invalidate the patent through post-grant proceedings;
- Lack of noninfringement arguments; and
- Reasonableness of an accused infringers' opinion of counsel.

1. Willfulness findings remain relatively stable after SRI; enhanced damages findings declined.

The Federal Circuit clarified the standard for willful infringement in SRI v. Cisco.[3]

In reversing the U.S. District Court for the District of Delaware's order granting the accused infringer's motion for judgment as a matter of law of no willful infringement, the Federal Circuit addressed the language in the U.S. Supreme Court's June 2016 Halo Electronics Inc. v. Pulse Electronics Inc. decision.

The Federal Circuit explained that the language in Halo concerning "wanton, malicious, and bad-faith" refers to "conduct warranting enhanced damages" not conduct warranting a finding of willfulness and that "the concept of 'willfulness' requires a jury to find no more than deliberate or intentional infringement."[4]

Using this test, the court found that substantial evidence supported the jury's finding of willful infringement.[5]

Has the Federal Circuit's clarification in SRI affected the incidence of willful infringement and enhanced damages findings? To explore this question, we reviewed published and unpublished district court decisions that postdate SRI and compared the data to published pre-SRI rates for willful infringement and enhanced damages.

For the willful infringement analysis, the data came from district court decisions where the patentee pleaded willfulness and there was a final decision on the merits regarding willfulness.[6]

For the enhanced damages analysis, the data came from district court decisions where there was a willfulness finding and the court ruled on whether to enhance damages.

The pre-SRI data came from a published study of district court decisions issued during the 4 1/2 years after the Halo decision.[7] The post-SRI data came from district court decisions that issued during the 13 months following the SRI decision.

Prior to SRI, the rate of willfulness findings was 64.9% (76/117). Thirteen months after SRI, this rate decreased slightly to 52.6% (10/19).

Prior to SRI, the rate of enhanced damages findings was 69.0% (29/42). Thirteen months after SRI, this rate decreased to 21.4% (3/14).

While more data will be necessary to draw definitive conclusions about the impact of SRI, the data available suggest that SRI has had a neutral effect on willfulness findings but a negative effect on enhanced damages.

With respect to willfulness, it is possible that prior to SRI most district courts understood that willfulness does not require wanton, malicious and bad faith conduct. This is relevant here because the analysis focused on district court decisions as opposed to jury findings. The slight decrease could be due to the sample size.

The decrease in enhanced damages after SRI could be due to the fact that the Federal Circuit emphasized in SRI the language in Halo that "[t]he sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrong, flagrant, or — indeed — characteristic of a pirate."[8]

Given this landscape, patentees should closely scrutinize the information that is put before the jury. For example, they should make sure that jury instructions on willful infringement do not contain terms like "egregious" or "pirate-like," which suggest a heightened standard.

For their part, accused infringers should refocus their efforts by arguing that there is no basis for enhanced damages based upon the wanton and pirate standard. Several courts have used summary

judgment to remove willfulness from a jury because the evidence supporting enhancement does not suffice.[9]

2. Specific knowledge of the patent before the suit may not be required.

Establishing knowledge of the patent is foundational, because without knowledge one cannot intentionally infringe. Recent cases have confronted two questions related to knowledge. What suffices, and when must the alleged infringer obtain the knowledge?

Patentees seek a broad standard for both, while accused infringers advance a requirement that it have knowledge of the specific patent before the institution of the litigation. District courts have provided support for both arguments.

Patentees that have been unable to show that accused infringers had knowledge of the individual patent upon which they base their infringement claims have succeeded in having courts apply a standard that focuses on the "totality of the circumstances," discussed in the March Illumina Inc. v. BGI Genomics Co. Ltd. decision[10]

Under this standard, an accused infringer need not have knowledge of the specific patent.[11]

Accused infringers need not lose all hope where evidence of specific knowledge is lacking, because other courts have held patentees to a stricter standard.

These courts have found the knowledge prong lacking where patentees have pointed to industry practices, knowledge of licenses that encompassed the asserted patents, or knowledge of the patent application that led to the asserted patent.[12] Thus, an accused infringer may be able to undercut a willful infringement allegation where specific knowledge of the asserted patent is absent.

The second knowledge battle concerns when the accused infringer obtained the knowledge. Can an accused infringer willfully infringe a patent it learns about from a complaint? Courts have provided both patentees and accused infringers ammunition to engage in this battle.

Seeking to avoid an inflexible application of a willful patent infringement standard disfavored by Halo, some district courts have found that the absence of presuit knowledge is not fatal to an allegation of willful infringement.[13]

Other courts have concluded that the absence of presuit knowledge provides a shield by which an accused infringer can deflect a willfulness charge.[14]

Chief U.S. District Judge Colm F. Connolly of the District of Delaware has highlighted that judges, including those in his district, have taken different positions on whether notice through a complaint suffices.[15]

Judge Connolly rejected the position that a complaint can provide knowledge, because a complaint is meant to obtain relief for an existing claim and not to create a claim.[16]

The ambiguity concerning the required knowledge can impact business operations. Companies often explore the patent landscape when acquiring an asset, considering new fields of research, or deciding on which products to offer.

Identifying patents in these searches or a party other than the patentee providing information on a patent may establish the requisite knowledge for a patentee to make a claim of willful patent infringement.[17]

As with other legal issues, whether the information that a company gleans from these activities can establish knowledge may depend on the judge overseeing the case.[18]

3. Some factors may support willful infringement; but may be considered unduly prejudicial.

Patentees have succeeded in pointing to past business relationships or licensing attempts to establish that an accused infringer had knowledge of the patent and that it may be infringing.[19]

Patentees assert that a company would not have entered the business relationship or sought a license unless the technology was necessary for the company to commercialize its product. They seek to position these discussions as showing that the accused infringers knew that they needed a license but decided to roll the dice in hopes they could get a better deal through litigation.[20]

In some instances, accused infringers have sought to turn the tables on patentees by arguing that the licensing attempts show good faith and reasonable commercial behavior.[21]

Alternatively, an accused infringer may be able to derail this evidence before it gets to the jury by focusing on the nature of the past relationship or licensing discussions and by utilizing the Federal Rules of Evidence's protections against prejudicial evidence.

Courts may be unwilling to allow evidence of past relationships or licensing activity when the asserted patent did not exist or where the accused infringer did not have direct knowledge of the asserted patent at the time.[22]

Courts have also concluded that the prejudice of admitting prior licensing discussions may outweigh their probative value.[23] Thus, some courts have excluded the evidence. Courts are less inclined to that result if they see the activity as particularly egregious.[24]

4. Courts are likely to find willfulness when there is evidence of copying.

Evidence of copying may be the most compelling evidence that a patentee can present to a jury. This evidence allows a patentee to argue that its technology was vital to an accused infringer's product being able to compete.

Often, the best evidence of copying comes from the accused infringer's documents.[25] When such evidence is available, courts have repeatedly upheld juries' conclusions that a party willfully infringed the patent.[26]

An accused infringer can seek to thwart the impact of the evidence by showing that it conducted its development efforts independent of the patent or before its issuance.[27]

It can also seek to show that reviewing competitive information aligned with industry practice and was not evidence of intentional or egregious behavior.[28]

5. Attempts to use post-grant proceedings to invalidate patents may support willfulness.

Many patent disputes include parallel post-grant proceedings. The results of these proceedings often become the focus of patentees' and accused infringers' willful infringement arguments and defenses.

A patentee will assert that an unsuccessful attempt to invalidate a patent shows that an accused infringer did not have a good faith belief in its defense.[29]

This story line could have a significant impact on a jury's determination, because jurors may be inclined to defer to the patent office employees who are paid to review a patent's validity.

But accused infringers have succeeded in excluding this evidence before a jury on the grounds that the prejudice outweighs the probative value.[30]

For courts deciding whether to enhance damages, some have found a Patent Trial and Appeal Board decision irrelevant to the analysis, because a decision declining to institute is not a decision on the merits and is no more probative than a decision to institute a review of the challenged patent.[31]

When facts surrounding a post-grant challenge are allowed to be presented, accused infringers have argued that the willingness to expend resources to challenge a patent shows a reasonable, good faith belief in the patent's invalidity.[32]

6. Accused infringers can seek to limit the impact of absence of noninfringement defenses at trial.

Sometimes a court's claim construction may place an accused infringer in the difficult position of either offering a weak noninfringement argument that could affect a jury's view of the credibility of the accused infringer's other positions, or stipulating to infringement to avoid loss of credibility.

Patentees have sought to use a stipulation of infringement as an avenue to repeatedly tell the jury that the accused infringer could not offer any infringement defense. They seek to use the stipulation throughout the trial to create an undercurrent that the accused infringer has an overall weak case.

In these instances, the accused infringer can seek an order from the court to minimize the impact of the stipulation. Judges appreciate that patentees may seek to overplay the importance of the stipulation and have limited the ability of the patentee to present this fact to the jury.[33]

In instances where willful patent infringement is found, an accused infringer may succeed in downplaying the importance of the stipulation when arguing against enhanced damages.[34]

7. Counsel opinion can thwart a willfulness claim unless not sufficiently competent or relied upon.

The greatest hurdle to a patentee's willfulness allegation may be an accused infringer's argument that it relied upon a good faith belief supported by an opinion of counsel.

Thus, opinions are helpful in showing an accused infringer's state of mind. As such, they remain important to obtain and accused infringers should consider relying upon an opinion of counsel in a litigation.[35]

The presence of an opinion of counsel leaves the patentee with few options other than to attack

whether the opinion is sufficiently competent and whether the accused infringer actually relied upon the opinion.[36]

Despite such attacks, the presence of an opinion of counsel will often thwart a patentee's attempt to obtain enhanced damages when alleging willful infringement.[37]

While the above decisions concerning presuit knowledge, past business relationships or attempts to license, copying, and attempts to use post-grant proceedings may turn on factual determinations that are case specific, it is important to understand the impact of admitting such evidence at trial.

Regardless of whether this evidence ultimately results in a willfulness finding, getting the evidence before the jury may increase the likelihood that the jury will find infringement and the asserted patents valid.

As such, accused infringers should try to minimize the introduction of such evidence through summary judgment motions and motions in limine.

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[1] 35 U.S C. § 284.

[2] Gregory J. Lundell, James F. Haley, Joshua Van Hoven & Richard T. McCaulley, Recent Application of Patent Damages Law, IAM, Oct. 20, 2021.

[3] SRI Int'l, Inc. v. Cisco Sys., Inc., 14 F.4th 1323 (Fed. Cir. 2021).

[4] Id. at 1330; Halo Elecs., Inc. v. Pulse Elecs. Inc., 579 U.S. 93, 103 (2016).

[5] SRI, 14 F.4th at 1330.

[6] The data set did not include motions to dismiss or unsuccessful motions for summary judgment.

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

[8] SRI, 14 F.4th at 1330 (quoting Halo Elecs., Inc. v. Pulse Elecs., Inc., 579 136 S.Ct. 1923, 1932 (2016).

[9] Greatbatch Ltd. v. AVX Corp., 13-732-LPS, 2016 WL 7217625 *6 (Dec. 13, 2016); Halo Elecs. v. Pulse Elecs., Inc., 281 F. Supp. 3d 1087, 1093-94 (D. Nev. 2017).

[10] Illumina, Inc. v. BGI Genomics Co., Ltd., 19-cv-03770, 2022 WL 899421 *14 (N.D. Ca. Mar. 27, 2022).

[11] Id.

[12] Plexxikon Inc. v. Novartis Pharm. Corp., 17-cv-004405-HSG, 2022 WL 4591792 *11 (N.D. Ca. Sept. 29, 2022) (finding evidence related to industry practices and other circumstantial evidence insufficient to show presuit knowledge required to support the jury's finding of willfulness); Nncrystal US Corp. v. Nanosys, Inc., 19-cv-1307. 2022 WL 1091283 *1 (D. Del. April 12, 2022) (denying motion to amend as futile where evidence showed only that accused infringer was aware of licenses that covered the patented technology and application that issued as the asserted patent).

[13] Merrill Mfg. Co. v. Simmons Manufacturing Co., 553 F.Supp.3d 1297, 1306 (N.D. Ga. 2021) (acknowledging a split amongst courts as to whether Halo abrogated Seagate's holding that focused on pre-litigation conduct and concluding post-litigation conduct may support a willful patent infringement claim); Extang Corp. v. Truck Accessories Group, LLC, 2022 WL 607868 *2, n.1 (D. Del. Feb. 18, 2022) (acknowledging a split among courts and concluding that post-suit knowledge may suffice but could affect the enhanced damages assessment).

[14] Power Integrations, Inc. v. ON Semiconductor Corp., 396 F.Supp.3d 851, 891 (N.D. Ca. 2019) (granting summary judgment where patentee did not present evidence supporting presuit knowledge of the patents).

[15] ZapFraud v. Barracuda Networks, 528 F.Supp.3d 247, 249 n.1 (D. Del. 2021) (collecting cases on both sides of the issue and finding no willfulness when patent based knowledge allegation on service of the complaint).

[16] Id. at 250.

[17] Illumina, Inc., 2022 WL 899421 *14 (focusing on totality of circumstances and noting third-party warnings to defendant); Arigna Technology Ltd., v. Nissan Motor Co., Ltd., 22-cv-00126-JRG-RSP, Dkt. 296 at 3-4 (E.D. Tx. Oct. 5, 2022) (recommending denial of summary judgment because third-party notice sufficed to provide knowledge).

[18] Compare Olaf Sööt Design, LLC v. Daktronics, Inc., 325 F.Supp.3d 456, 462-463 (S.D.N.Y. 2018) (granting summary judgment of no willful patent infringement because information learned during company acquisition and outside counsel's knowledge was insufficient to establish the required knowledge); Cave Consulting Group, Inc. v. Optuminsight, Inc., 15-cv-0343, 2019 WL 4492802 *54 (N.D. Ca. Sept. 18, 2019) (in the context of a sham litigation claim disagreeing with the analysis in Olaf Sööt Design, LLC).

[19] Seagan Inc. v. Daiichi Sankyo Co., Ltd., 2:20-cv-003377-JRG, 2022 WL 2789901 *3 (E.D. Tx. July 15, 2022) (findings of fact 24 & 25 discussing prior collaboration and former license); Juno Therapeutics, Inc. v. Kite Pharma, Inc., 2:17-cv-07639 SJO-KS, 2020 WL 10460622 *9 (C.D. Ca. March 24, 2020) (noting unsuccessful attempt to license) vacated by Juno Therapeutics, Inc. v. Kite Pharma, Inc., 10 F.4th 1330, 1334 (Fed. Cir. 2021) (holding that claims lacked sufficient written description); Ravgen, Inc. v. Laboratory Corporation of Americas Holding, 20-cv-00969, Dkt. 232 at 4-5, 10-11 (W.D. Tx. Oct. 5, 2022) (patentee arguing earlier request for a license supports a finding of egregious behavior sufficient for the court to award enhanced damages).

[20] Ravgen, Inc., 6:20-cv-00969-ADA, Dkt No. 232 at 5.

[21] King Instruments Corp. v. Otari Corp., 767 F.2d 853, 867 (Fed. Cir. 1985) (found a good faith effort to receive a license and avoid costly litigation); Goss Int'l Americas, Inc. v. Graphic Management

Associates, Inc., 739 F. Supp.2d 1089, 1115-16 (N.D. Il. 2010); Finjan, Inc. V. ESET, LLC, No. 3:17-cv-0183-CAB-(BGS), 2019 WL 7290961 *1 (S.D. Ca. Dec. 30, 2019).

[22] SRI Int'l, Inc. v. Cisco Sys., Inc., 930 F.3d 1295, 1308-1309 (Fed. Cir. 2019) (vacating denial of JMOL of no willful infringement where business discussions pre-date any patent filing); Loops LLC v. Phoenix Trading, Inc., C08-1064RSM, 2016 WL 6609560 *5 (W.D. Wa. Nov. 9, 2016) (no willfulness where defendant had notice of only an application during interaction) Bioverativ Inc. v. CSL Behring LLC, 17-914-RGA, 2020 WL 1332921 *2 (D. Del. Mar. 23, 2020); BioMerieux , S.A. v. Hologic, Inc., 18-21-LPS, 2020 WL 759546 *12 (D. Del. Feb. 7, 2020) (knowledge of foreign counterpart insufficient).

[23] Orexa AB v. Actavis Elizabeth LLC, 424 F.Supp.3d 371, 378 (D. Del. 2019); Enovsys LLC v. AT&T Mobility LLC, CV-11-5210-SS, 2015 WL 12857466 *7 (C.D. Ca. June 11, 2015); Int'l Business Machines Corp. v. Groupon, 16-122-LPS, 2018 WL 3007662 *1 (D. De. June 15, 2018).

[24] Sonos, Inc. v. D&M Holdings, Inc., 14-1330-WVB, 2017 WL 5633204 *3-*4 (D. Del. Nov. 2017).

[25] Illumina, Inc., 2022 WL 899421 *14 (N.D. Ca. Mar. 27, 2022) (pointing to repeated statements in defendant's documents about patentee's documents supported a conclusion of willful patent infringement).

[26] Juno Therapeutics, Inc. v. Kite Pharma, Inc., 2:17-cv-07639-SJO-KS, 2020 WL 10460622 *9 (C.D. Ca. March 24, 2020) vacated by Juno Therapeutics Inc. v. Kite Pharma, Inc., 10 F.4th 1330, 1334 (Fed. Cir. 2021) (finding that the patent lacked written description); Illumina, Inc. v. BGI Genomics Co., Ltd., 19-cv-03770, 2022 WL 899421 *15 (N.D. Ca. Mar. 27, 2022).

[27] Bioverativ Inc. v. CSL Behring LLC, 17-914-RGA, 2020 WL 1332921 *3-*4 (D. Del. Mar. 23, 2020); Wis. Alumni Rsch. Found. v. Apple, Inc., 261 F.Supp.3d 900, 918 (W.D. Wis. 2017)

[28] Bioverativ Inc., 2020 WL 1332921 *3 (willfulness inquiry requires that court ask whether the accused infringer acted consistently with industry practices).

[29] Juno Therapeutics, Inc. v. Kite Pharma, Inc., 2:17-cv-07639, 2020 WL 1-460622 *9 (C.D. Ca. March 24, 2020); Dexcowin Global, Inc. v. Aribex, Inc., 16-143-GW, 2017 WL 3478492 *3 (C.D. Ca., June 29, 2017) (holding that IPR decisions denying IPR institution are relevant and that the different legal standards can be addressed through a jury instruction).

[30] Sysmex Corp. v. Beckman Coulter, Inc., 19-1642-JFB, 2022 WL 2292059 *3 (D. Del. June 24, 2022); Integra LifeScience 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)

[31] Plexxikon Inc. v. Novartis Pharm. Corp., 17-cv-004405-HSG, 2022 WL 4591792 *16 (N.D. Ca. Sept. 29, 2022).

[32] See BioMerieux, S.A. v. Hologic, Inc., C.A. No. 19-21-LPS, 2020 WL 759546 *12 (D. Del. Feb. 7, 2020) (challenges to the validity of plaintiff's European patents is 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).

[33] Idenix Pharm. v. Gilead Sciences, Inc., CA No. 14-846-LPS, Doc. 525 (D. Del. Dec. 27, 2016) (public version of November 30, 2016 letter to Judge Stark requesting permission to reference stipulation of infringement in opening and closing statements); Id. Doc 485 (D. Del. Dec. 2, 2016) (Judge Stark denied request and issued an instruction simply explaining that infringement was not an issue that the jury needed to decide).

[34] Plexxikon, Inc. v. Novartis Pharmaceuticals Corp., 17-cv-04405-HSG, Doc. 549 at 4 (N.D. Ca. July 15, 2021) (patentee asserting that the stipulation of infringement supported a finding that the accused infringer continued to act despite an objectively high likelihood its actions constituted infringement); Plexxikon Inc., 2022 WL 4591792 *16 (N.D. Ca. Sept. 29, 2022) (court denying enhanced damages).

[35] 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").

[36] 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); 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).

[37] 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); Plexxikon Inc., 2022 WL 4591792 *11-*12 (N.D. Ca. Sept. 29, 2022).