

Enhanced Patent Damages: Trends IP Attorneys Should Know

By **Manuel Velez, Lisa Ferri and Jessica Lehrman** (September 7, 2023, 2:50 PM EDT)

Section 284 of the Patent Act gives federal district courts the discretion to increase "damages up to three times the amount found or assessed" against those found liable for patent infringement.[1]

Courts have interpreted this statute to require a finding of willful infringement prior to enhancing damages.[2] In deciding whether to enhance damages, courts generally use the nine-factor test from U.S. Court of Appeals for the Federal Circuit's 1992 *Read Corp. v. Portec* decision, the Read factors, which include:

- Inter alia, whether the infringer deliberately copied the ideas or design of another;
- The closeness of the case;
- The duration of the infringer's misconduct;
- What, if any, remedial action the infringer took;
- The infringer's motivation for harm; and
- Whether the infringer attempted to conceal its misconduct.[3]

Given that recent patent cases have yielded nine- and 10-figure damages awards and the potential for an enhancement finding to triple those awards, it is important to understand the incidence of enhanced damages and the variables that may explain their frequency.[4]

In this article, we explore the latest trends concerning the enhancement of patent damages. As part of our analysis, we searched for and reviewed district court decisions where there was a willfulness finding and the court made a determination on the merits on whether to enhance damages.

The search encompassed decisions — both published and unpublished — issued following the U.S. Supreme Court's 2016 *Halo Electronics Inc. v. Pulse Electronics Inc.* decision.



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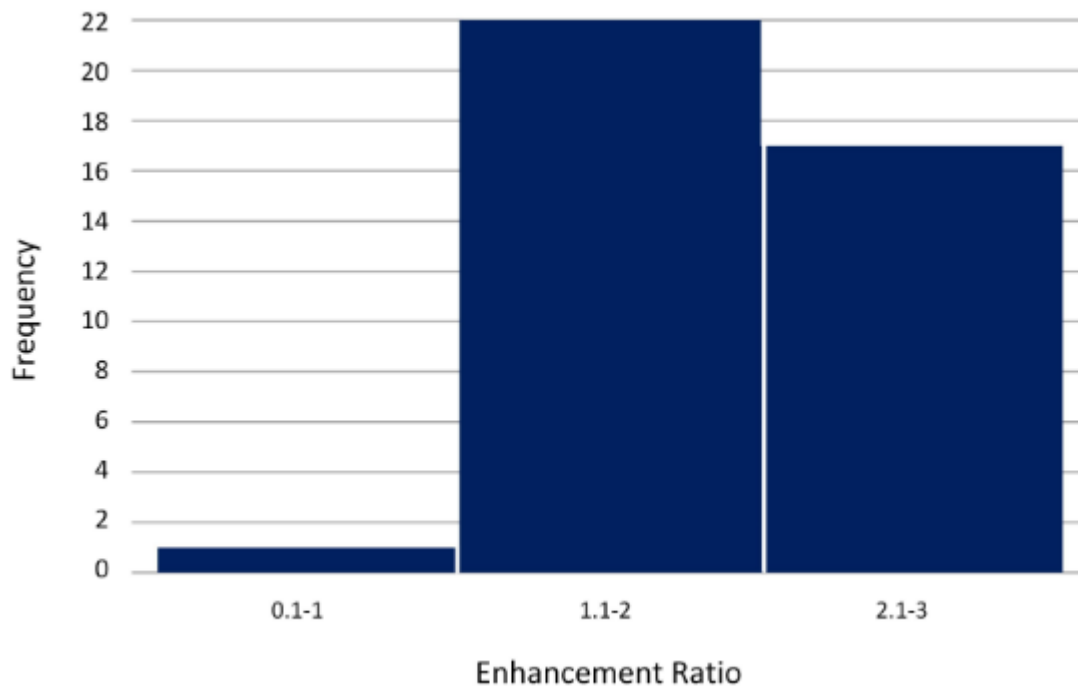


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The analysis excluded decisions that resulted from default judgments and motions to dismiss. Below, we outline our main findings.

Courts enhanced damages in the majority of cases.

Our search identified 73 district court decisions where there was a willfulness finding and the court made a ruling on whether to enhance damages. The rate of enhancement was 54.8%, or 40 out of 73. On average, courts enhanced damages by a factor of 2.2. Courts tripled damages in 40% of the cases.



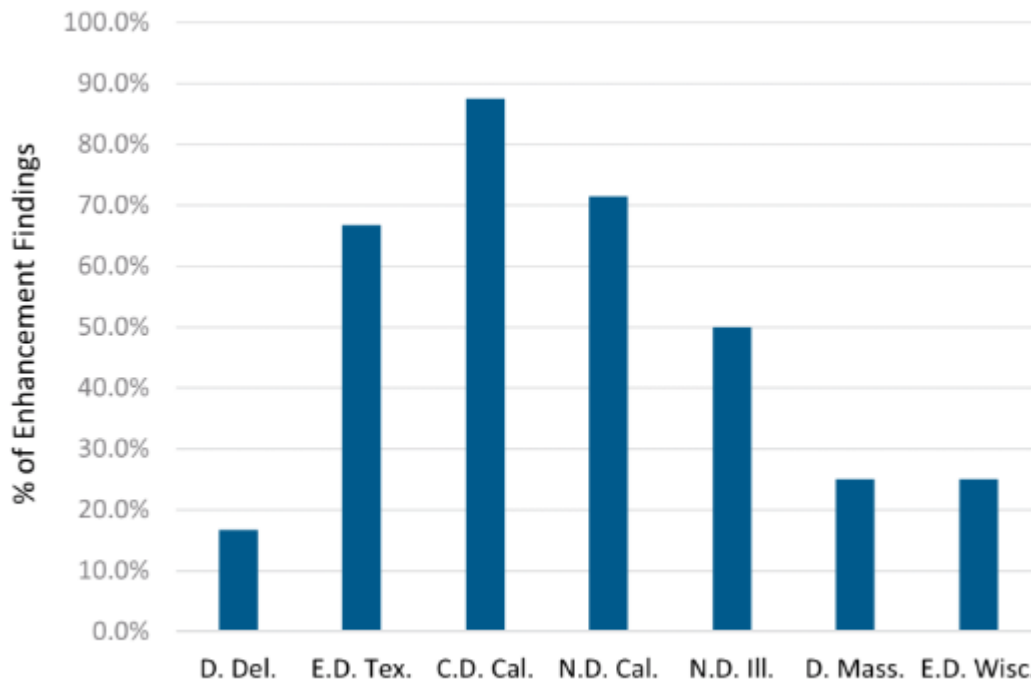
District courts varied widely in the frequency of enhancing damages.

We examined the enhancement rate for the seven courts with the most motions to enhance damages. The data show that there was a lot of variation among the courts in the enhancement rate. Three courts had enhancement rates at 25% or below:

- The U.S. District Court for the District of Massachusetts, at 25%;
- The U.S. District Court for the Eastern District of Wisconsin, at 25%; and
- The U.S. District Court for the District of Delaware, at 9.1%.

Four courts had enhancement rates at 50% or above:

- The U.S. District Court for the Northern District of Illinois, at 50%;
- The U.S. District Court for the Eastern District of Texas, at 66.7%;
- The U.S. District Court for the Central District of California, at 85.7%; and
- The U.S. District Court for the Northern District of California, at 71.4%.



This pattern has important consequences for the decision of where to bring suit.

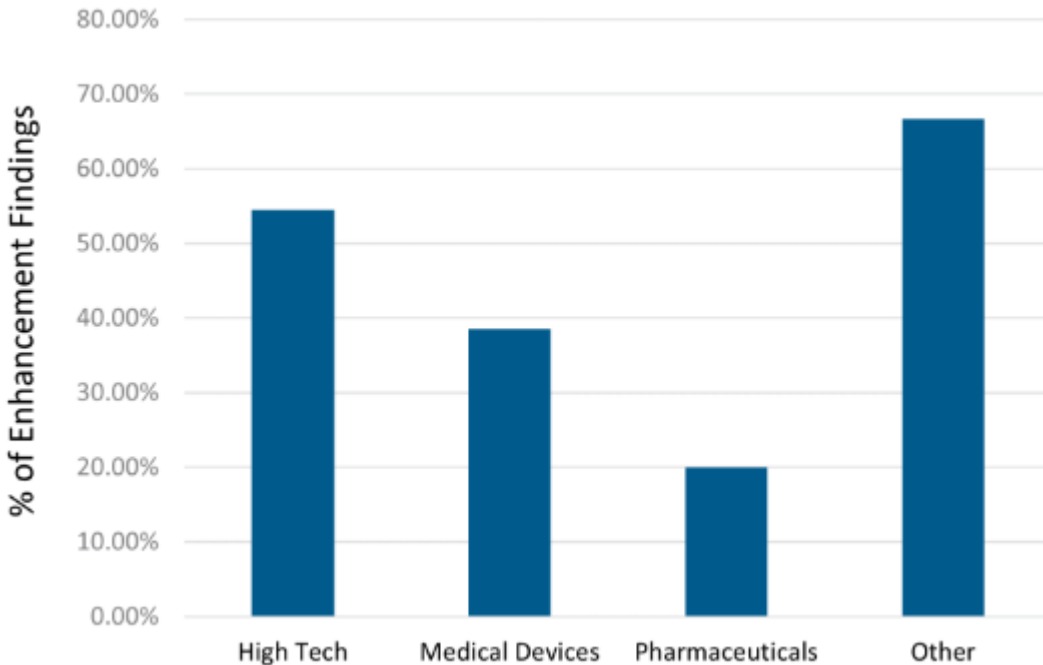
In cases likely to involve willful infringement allegations, patent holders should consider bringing suits in the courts with the highest enhancements rates — the Northern District of Illinois, Eastern District of Texas, Central District of California and Northern District of California — if they can establish personal jurisdiction and venue in those courts.

On the flip side, accused infringers likely to face willful infringement allegations should consider trying to transfer suits brought against them to one of the courts with the lowest enhancement rates — the District of Delaware, District of Massachusetts and Eastern District of Wisconsin.

Alternatively, accused infringers should consider preemptively bringing declaratory judgment suits in one of the fora with the lowest enhancement rates if they can establish that there is a case and controversy and meet the requirements for personal jurisdiction and venue.

Rates were higher in high-tech than in drug and medical device cases.

We examined the enhancement rates across the types of technology used by the accused products. Cases involving pharmaceuticals had the lowest enhancement rate, or 20%. Cases involving medical devices fell in the middle with an enhancement rate of 38.5%. Cases involving high- tech and other technology types had the highest enhancement rates, or 54.5% and 66.7%, respectively.



The difference in enhancement rates among technology types may have important consequences for settlement. In cases involving willful infringement allegations, an analysis of the risks may include, among other things, estimating the probability that the accused infringer will be found to have committed willful infringement and the probability that the court will enhance damages.

In estimating the enhancement probability, the parties should take into account the type of technology used by the accused product. Doing so will give a more realistic assessment of the risks of going to trial versus settling.

Most courts relied on Read factors.

The vast majority of courts, or 86%, used the Read factors in deciding whether to enhance damages. The top five factors cited by the courts as supporting enhanced damages were:

- Lack of good faith or failure to investigate, cited in 85% of the cases;
- Deliberate copying, cited in 82% of the cases;
- Failure to take remedial action, cited in 74% of the cases;
- Duration of infringement, cited in 74% of the cases; and
- Closeness of the case, cited in 65% of the cases.

In cases involving willful infringement allegations, patent holders should develop evidence during discovery that, among other things, these five factors favor an enhancement of damages.

This discovery may include evidence that the accused infringer was aware of the patented technology, used the patented technology during the development of the accused product, failed to take any remedial actions upon learning that the patent holder viewed the use of the patented technology as infringing, and continued infringing for a long period of time.

Expert testimony should include opinions, to the extent feasible, that questions regarding infringement and validity were not a close call.

For their part, accused infringers facing willful infringement allegations should develop evidence during discovery that mitigates, inter alia, the top five factors cited by courts as supporting enhanced damages.

This evidence may include, for example, an opinion of counsel that the accused product was not infringing or that the patents-in-suit were not valid — to establish good faith and investigation — and independent conception, to counter copying allegations.

Similarly, accused infringers should elicit expert testimony, where possible, to establish that even if the fact finder were to find that the patents-in-suit were valid and infringed those determinations would be a close call.

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[1] 35 U.S.C. § 284.

[2] Halo Elecs., Inc. v. Pulse Elecs. Inc., 579 U.S. 93, 98-99 (2016).

[3] Read Corp. v. Portec, Inc., 970 F.2d 816, 827 (Fed. Cir. 1992).

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