

Determining Willful Infringement When Circumstances Change

By **Elizabeth Banzhoff** and **Manny Caixeiro**

(June 7, 2017, 2:32 PM EDT)

In many patent infringement cases, jurors are presented a verdict form that contains a deceptively simple question: “Was the defendant’s infringement willful?” The jury is then asked to check either a box for “yes” or a box for “no.” Based on how the jury answers this binary question, a court may decide to double or even treble damages — the impact of which can be dramatic.

But what is a jury to do when the issue of willfulness does not boil down to a simple “yes” or “no”? For example, how do jurors decide which box to check when, during a protracted litigation, there were points in time when the defendant reasonably believed it would prevail on infringement issues (e.g., after winning a summary judgment motion) and other points in time when the hope of prevailing was less reasonable (e.g., after a summary judgment of noninfringement is reversed by the appellate court)? If a jury finds that a defendant’s infringement was willful at any point in time, must it label the infringement as willful for all points of time? The case law on this issue is undeveloped and mixed, with the U.S. Supreme Court’s recent decision in *Halo* raising further questions, leaving jurors without guidance and litigants unsure of how their willfulness cases are likely to play out at trial.

Willful Infringement and Good-Faith Defenses

Under 35 U.S.C §284, a court may enhance the amount of patent infringement damages awarded by a jury by up to three times. Traditionally, a finding that the infringement was “willful” has been the key to an enhanced damages award. While recent case law — specifically, the Supreme Court’s decision in the *Halo* case, discussed below — emphasizes that the decision to enhance damages rests in the court’s discretion, a jury’s finding of willful infringement remains a critical touchstone when a court decides whether or not to enhance.

At a high level, a determination of willfulness centers on whether a defendant knew that its conduct would infringe the asserted patents. The purpose of enhanced damages for willful infringement is to punish culpability for intentional infringement.[1] Pre-*Halo*, a finding of willfulness required a showing, by clear and convincing evidence, that the defendant’s infringement was both objectively and subjectively willful. Specifically, the plaintiff first had to show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.[2]



Elizabeth Banzhoff



Manny Caixeiro

Second, the plaintiff had to demonstrate, also by clear and convincing evidence, that the risk of infringement was either known or so obvious that it should have been known to the accused infringer.[3]

The courts would then typically weigh the egregiousness of the willfulness by applying so-called “Read factors.” These factors include: “(1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; ... (3) the infringer’s behavior as a party to the litigation; (4) defendant’s size and financial condition; (5) closeness of the case; (6) duration of defendant’s misconduct; (7) remedial action by the defendant; (8) defendant’s motivation for harm; and (9) whether defendant attempted to conceal its misconduct.”[4]

Thus, the Read factors — including, specifically, the first and second factors — incorporate an inquiry into the defendant’s good faith or lack thereof, and the sixth factor focuses on the duration of the defendant’s conduct. Accordingly, defendants accused of willful patent infringement often argue that they should not be found willful, and enhanced damages should not be awarded, because they had a good-faith belief of invalidity and/or noninfringement. To support these arguments, defendants often attempt to introduce evidence of favorable results in prior stages of the litigation, as well as related inter partes review or other U.S. Patent and Trademark Office proceedings. For example, a defendant may argue that its assessments of infringement and invalidity were validated by positive feedback it received from the court or USPTO that supported its position.

Pre-Halo, courts regularly held that a defendant’s good-faith belief of noninfringement or invalidity based on prior successful proceedings weighed against awarding enhanced damages. In some instances, it even led the courts to grant summary judgment on the issue of willful infringement before trial. For example, in *Plumley v. Mockett*,^[5] the Central District of California granted summary judgment of no willful infringement where the defendants had challenged the validity of the plaintiff’s patent in interference in re-examination proceedings in multiple instances, and in one instance defendants were successful in persuading the USPTO to reject various claims as unpatentable in view of prior art. Thus, even though the court decided there remained a substantial question of infringement and validity, the court held that as a matter of law, there was insufficient evidence on which a reasonable jury could find willful infringement. Similarly, in *TGIP Inc. v. AT&T Corp.*, the Eastern District of Texas granted a motion for judgment as a matter of law, reversing a jury’s finding of willful infringement. In reversing the verdict on willfulness, the TGIP court noted as a favorable fact that the USPTO had required changes to the patent in reexamination proceedings.^[6]

Halo changed the willfulness landscape by removing the requirement that the patent holder prove the defendant was “objectively reckless” and lessened the patent holder’s burden of proof on willfulness to a preponderance of the evidence. Under Halo, when deciding whether to enhance damages for willfulness, the district court is to take into account “the particular circumstances of each case in deciding whether to award damages, and in what amount.”^[7] The effect of Halo has been an increased amount of discretion for district court judges in determining whether to award enhanced damages.

Further, the Halo concurrence makes it clear, to the extent it was not previously, that a good-faith belief can be based on a nonlawyer’s subjective assessments, and does not require an opinion of counsel.^[8] Moreover, several courts continue to apply the Read factors — several of which, as discussed above, relate to the defendant’s good faith — when deciding whether to enhance damages post-Halo. Thus, defenses based on a defendant’s good-faith belief of noninfringement, invalidity or other defenses may be more prevalent and pronounced now that Halo has clarified the expanse of the court’s discretion in this area.

Charging the Jury When Circumstances Change

Sometimes, despite early successes for the defendant, a case may require a trial. This can occur, for example, when a prior defense judgment is reversed or where new facts cause the court to change its view of the issues. In such a case, what might have begun as strong defenses that gave rise to good-faith belief of nonliability may, over time, become eroded.

There is uncertainty about how a jury should be charged — and what choices should be presented to a jury in a verdict form — in a case where the sands have shifted over time. To present the jury with a binary choice of “willful” or “non-willful” may not accurately capture the defendant’s state of mind for all points in time, and in some circumstances, may be inconsistent with the Read factor that the court is to consider the duration of defendant’s misconduct. A finding of willful infringement therefore might, in some cases, overstate the willfulness of a defendant who once harbored a good-faith belief of noninfringement or invalidity. Likewise, a finding of nonwillful infringement could understate the willfulness of a defendant whose state of mind should have evolved over time based on changing circumstances.

One potential solution to this quandary is to, in appropriate cases, expand the jury’s choices on the verdict form. For example, a jury could be asked to identify specific time periods when infringement was willful. Alternatively, willfulness might not be decided holistically on the verdict form in a single question, but rather have multiple questions as to specific factual issues that are most relevant to the court’s enhancement decision, such as whether the defendant has a good-faith belief that a particular action it took (at a particular time) did not infringe.

Approaching willfulness in such a manner would arguably be more consistent with the Supreme Court’s recent decision in *Halo*, which removed many of the formal requirements for enhancing damages that existed under prior case law and emphasized the court’s discretion in deciding whether to enhance damages. While a “yes” or “no” answer to the willfulness question may have been sensible when (under pre-*Halo* law) courts were to make findings regarding objective recklessness and subjective recklessness, a more nuanced approach by the jury in deciding willfulness could provide a court with better information when deciding whether to exercise its discretion and enhance damages under the *Halo* regime.

On the other hand, discarding the binary approach to willfulness may threaten to overcomplicate already complex verdict forms. Patent trials, though, are already challenging for juries, and thus the current approach of forcing them to make a binary choice on the willfulness issue may be even more difficult and challenging than allowing a jury to parse instances of willfulness to the extent they believe it to be proper. Additionally, more nuanced approaches to willfulness may lead juries to inappropriately compromise by finding willfulness — but only for small periods of times or for minor issues. This could potentially lead willfulness to be found more frequently, but with less severity and for only particular time periods. These concerns, however, could be mitigated by judges — who ultimately retain control over the decision of enhanced damages — utilizing their amplified discretion permitted by the *Halo* court to carefully examine these more detailed factual findings of the jury related to willfulness in determining whether to enhance damages.

Conclusion

In certain cases, asking the jury to simply decide if infringement was willful or not may lead to overstated or understated results. That, in turn, will give the courts inaccurate and potentially misleading findings of

fact when evaluating whether to enhance damages. A more nuanced approach, where the jury makes factual findings regarding time periods of willfulness or instances where the defendant acted willfully, may in some cases give the court a better factual basis on which to decide whether to enhance damages. It remains to be seen whether courts post-Halo will adopt a more nuanced approach on verdict forms, or continue with the binary approach used in patent infringement cases in the past.

Elizabeth Banzhoff is counsel in the Denver office of Perkins Coie LLP. Manny Caixeiro is a partner in the firm's New York office.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1934 (2016) (enhanced damages for willful infringement “should generally be reserved for egregious cases typified by willful misconduct”).

[2] In re Seagate Technology, LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

[3] Id.

[4] See Liquid Dynamics Corp. v. Vaughan Co., Inc., 449 F.3d 1209, 1225 (Fed. Cir. 2006) (internal quotations omitted).

[5] 836 F.Supp.2d 1053, 1075 (C.D. Cal. 2010).

[6] TGIP, Inc. v. AT&T Corp., 527 F. Supp. 2d 561, 579 (E.D. Tex. 2007).

[7] Halo Elecs., Inc., 136 S. Ct. at 1933.

[8] Id. at 1936-37.