

## ARTICLES

# THE *HALO* EFFECT: WILLFUL INFRINGEMENT AND ENHANCED DAMAGES IN LIGHT OF *HALO*

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*The Supreme Court's decision in Halo Electronics, Inc. v. Pulse Electronics, Inc. overruled the United States Court of Appeals for the Federal Circuit's long-standing Seagate test and empowered district courts to exercise their discretion in deciding whether to enhance damages for willful patent infringement. In the three years since the Halo decision, district courts have developed their own approaches to addressing willfulness allegations at the various stages of litigation, including pleading, summary judgment, trial, and post-trial. This Article observes trends in how district courts have addressed willfulness claims at each stage of litigation, highlights factors courts have considered when declining to enhance damages for an infringer's egregious misconduct, and identifies practice tips in view of the emerging trends in the case law.*

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#### INTRODUCTION

To punish and deter willful or bad-faith infringement of valid and enforceable patents, infringers found to willfully infringe may face enhanced damages. The patent law system has long permitted treble damages for infringement of a valid patent. Since the Patent Act of 1793, Congress has allowed (and, for some time, mandated) treble damages if a patent owner prevails on its infringement claim. The current iteration of the patent damages statute simply states that “the court may increase the damages up to three times the amount found or assessed.”<sup>1</sup> In an attempt to interpret the patent damages statute,

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1. 35 U.S.C. § 284 (2012).

courts have repeatedly weighed in on the appropriate standards for determining whether infringing conduct is willful and, as a result, damages may be enhanced. Most recently, the Supreme Court discussed enhanced patent damages in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*<sup>2</sup> In *Halo*, the Court considered the Federal Circuit’s two-part test in *In re Seagate Technology, LLC*<sup>3</sup> and rejected it as unduly rigid and inconsistent with the patent damages statute.<sup>4</sup> The Court emphasized that the statute “gives district courts the discretion to award enhanced damages against those guilty of patent infringement.”<sup>5</sup> Recognizing, however, that discretion is not whim, the Court emphasized that “district courts are ‘to be guided by [the] sound legal principles’ developed over nearly two centuries of application and interpretation of the Patent Act.”<sup>6</sup> And in accordance with the statute’s grant of discretion to the district court, the Supreme Court held that its decision whether to award enhanced damages, and any resulting enhancement, “is to be reviewed on appeal for abuse of discretion.”<sup>7</sup>

Since the *Halo* decision over three years ago, many patent cases have progressed through the various stages of litigation, including pleading, summary judgment, trial, and post-trial. Because *Halo* left the decision of whether to enhance damages to the discretion of district court judges, district courts have developed their own approaches to address willfulness allegations at each stage of litigation. Some courts have disposed of willful infringement claims pre-trial on a motion to dismiss or motion for summary judgment, while others have let the question of willfulness go to the jury.<sup>8</sup> Upon a finding of willfulness, some courts

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2. 136 S. Ct. 1923 (2016).

3. 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

4. *Halo*, 136 S. Ct. at 1928.

5. *Id.* at 1935; *see also* 35 U.S.C. § 284 (“[T]he court *may* increase the damages up to three times the amount found or assessed.” (emphasis added)).

6. *Halo*, 136 S. Ct. at 1935 (alteration in original) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

7. *Id.* at 1934 (quoting *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 563 (2014)).

8. *See, e.g.*, *Meridian Mfg., Inc. v. C & B Mfg., Inc.*, 340 F. Supp. 3d 808, 844 (N.D. Iowa 2018) (motion for summary judgment denied); *Novartis Vaccines & Diagnostics, Inc. v. Regeneron Pharm., Inc.*, No. 18cv2434(DLC), 2018 WL 5282887, at \*1–3 (S.D.N.Y. Oct. 24, 2018) (motion to dismiss granted); *Bobcar Media, LLC v. Aardvark Event Logistics, Inc.*, No. 16-CV-885 (JPO), 2017 WL 74729, at \*6 (S.D.N.Y. Jan. 4, 2017) (motion to dismiss denied); *Koninklijke Philips N.V. v. Zoll Med. Corp.*, 257 F. Supp. 3d 159, 163 (D. Mass. 2017) (motion for summary judgment granted).

have exercised their discretion to award some multiple (up to three times) of damages, and others have declined to enhance damages.<sup>9</sup>

This Article reviews how district courts are addressing willful infringement allegations and requests for enhanced damages in light of *Halo*. Part I reviews the evolution of awarding enhanced damages for willful infringement pre-*Halo*. Part II discusses the Supreme Court's decision in *Halo*. Part III reviews trends observed in district court cases after *Halo*, including how willful infringement claims are disposed of before trial, how willfulness is resolved on a trial record, and how courts decide whether to enhance damages after a willfulness finding. Throughout the discussion, this Article also identifies practice tips considering the emerging trends.

## I. WILLFULNESS AND ENHANCED DAMAGES HISTORICALLY

As the Supreme Court recognized, “[e]nhanced damages are as old as U.S. patent law.”<sup>10</sup> Nevertheless, the law around enhanced damages continues to evolve following congressional acts and court rulings. Relevant highlights are set forth below.

### A. *The Development of the Willfulness Doctrine*

In its second session, Congress enacted the Patent Act of 1790, which required an infringing party to pay the patentee monetary damages.<sup>11</sup> Shortly thereafter, Congress enacted the Patent Act of 1793, which mandated that actual damages based on the price of the patentee's invention be, at a minimum, trebled in any successful suit.<sup>12</sup>

Congress has since limited the patentee's ability to obtain multiples of actual damages to treble damages. The Patent Act of 1800 limited a patentee's recovery to three times the verdict.<sup>13</sup> The Patent Act of 1836 introduced district court discretion in determining enhanced damages, not to exceed treble damages.<sup>14</sup> The Patent Act of 1952, codified at 35

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9. See, e.g., *Crane Sec. Techs., Inc. v. Rolling Optics AB*, 337 F. Supp. 3d 48, 60 (D. Mass. 2018) (awarding enhanced damages); *Schwendimann v. Arkwright Advanced Coating, Inc.*, Civ. No. 11-820 (JRT/HB), 2018 WL 3621206, at \*15 (D. Minn. July 30, 2018) (declining to award enhanced damages).

10. *Halo*, 136 S. Ct. at 1928; see also Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322 (repealed 1836).

11. Act of Apr. 10, 1790, ch. 7, § 5, 1 Stat. 109, 111 (repealed 1836).

12. Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322 (repealed 1836).

13. Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 37, 38 (repealed 1836).

14. Act of July 4, 1836, ch. 357, § 14, 5 Stat. 117, 123.

U.S.C. § 284, still governs patent damages today. Under § 284, upon a finding of infringement, “the court may increase the damages up to three times the amount found or assessed.”<sup>15</sup> Although Congress has changed the amount of enhanced damages available to a patent holder, Congress has not provided courts with guidance for determining when, or to what extent, to enhance damages.<sup>16</sup>

In the absence of legislative instruction, the judiciary developed guidelines for courts to follow. These guidelines became known as the willfulness doctrine. As early as 1854, the Supreme Court described the “very great injustice” that resulted from the mandatory enhancement of damages across all cases without regard to their merits.<sup>17</sup> The Court reversed an enhanced damages award, stating its unwillingness to punish an infringer “who acted in ignorance or good faith,” and limited such punitive damages to infringers exhibiting “wanton or malicious” behavior.<sup>18</sup> The courts continued to develop the willfulness doctrine over the years.<sup>19</sup>

More recently, in 2007, the Federal Circuit, sitting en banc, addressed the standard for determining willfulness in *Seagate*.<sup>20</sup> Prior to *Seagate*, the applicable willfulness standard at the time imposed “an affirmative duty [on a potential infringer] to exercise due care to determine whether or not he is infringing.”<sup>21</sup> As the *Seagate* court pointed out, that “standard was announced shortly after the creation of the court, and at a time ‘when widespread disregard of patent rights was undermining the national innovation incentive.’”<sup>22</sup> However, the court noted that “[t]he term willful is not unique to patent law, and it has a well-established meaning in the civil context,” which includes reckless, but not merely negligent, behavior captured by the due care standard.<sup>23</sup> The court concluded that the due care standard could allow an infringer to be

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15. 35 U.S.C. § 284 (2012).

16. See Justin P. Huddleson, Note, *Objectively Reckless: A Semi-Empirical Evaluation of In re Seagate*, 15 B.U.J. SCI. & TECH. L. 102, 105 (2009) (reviewing the history of 35 U.S.C. § 284).

17. *Seymour v. McCormick*, 57 U.S. 480, 488–89 (1854).

18. *Id.* at 488–89, 491.

19. See Huddleson, *supra* note 16, at 105 (reviewing the history of 35 U.S.C. § 284).

20. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1365 (Fed. Cir. 2007).

21. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983), *overruled by Seagate*, 497 F.3d 1360.

22. *Seagate*, 497 F.3d at 1369 (quoting *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc)).

23. *Id.* at 1370–71.

subject to punitive damages for merely negligent behavior, contrary to the interpretation of willfulness in other civil contexts.<sup>24</sup>

Accordingly, *Seagate* created a two-part test for willful infringement. First, “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”<sup>25</sup> This came to be known as the “objective” prong.<sup>26</sup> The court noted that “[t]he state of mind of the accused infringer [was] not relevant” in this step.<sup>27</sup> Second, a patentee must show that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.”<sup>28</sup> This second requirement came to be known as the “subjective” prong.<sup>29</sup>

*Seagate*’s two-pronged review resulted in a complicated tripartite appellate review rubric for any enhanced damages award. First, courts treated *Seagate*’s objective prong as a question of law, subject to de novo appellate review.<sup>30</sup> The objective inquiry also created a loophole that allowed a malicious infringer to avoid enhanced damages so long as a lawyer could later develop some objectively reasonable legal theory of noninfringement or invalidity.<sup>31</sup> Second, the patent owner had to prove *Seagate*’s subjective prong by clear and convincing evidence,<sup>32</sup> which was reviewed for substantial evidence on appeal. Third, the ultimate decision of whether to award enhanced damages was reviewed for abuse of discretion.<sup>33</sup>

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24. *Id.* at 1371 (contrasting the due care standard with willfulness as a statutory condition of civil liability for punitive damages, as set forth in *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 53 (2007)).

25. *Id.* at 1371.

26. *See* *Spine Sols., Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010).

27. *Seagate*, 497 F.3d at 1371.

28. *Id.*

29. *See* *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 860 (Fed. Cir. 2010).

30. *See* *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1005 (Fed. Cir. 2012) (remanding to the trial court to make a determination on the objective *Seagate* prong as a question of law); Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 445 (2012) (finding “an increase in district-court decisions granting motions for [judgment as a matter of law] during trial on willfulness after *Seagate*”).

31. Dmitry Karshedt, *Enhancing Patent Damages*, 51 U.C. DAVIS L. REV. 1427, 1459 (2018).

32. *Seagate*, 497 F.3d at 1371.

33. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1930 (2016).

*B. Potential Factors for Enhancing Damages*

The patent damages statute permits the district court to exercise its discretion to enhance damages against an infringer up to three times the amount of actual damages awarded.<sup>34</sup> A district court may address whether enhanced damages should be awarded “once an affirmative finding of willfulness has been made.”<sup>35</sup> Therefore, once willful infringement has been found, the district court in its discretion must decide whether to enhance damages and by how much (up to the statutory maximum). The central determination in whether to grant an enhancement, and in what amount (up to the statutory maximum), “is the egregiousness of the defendant’s conduct based on all the facts and circumstances.”<sup>36</sup>

Although not required, district courts commonly consider the factors the Federal Circuit laid out in *Read Corp. v. Portec, Inc.*<sup>37</sup> to determine when an infringer’s misconduct merits the enhancement of damages.<sup>38</sup> The *Read* factors include:

- (1) [W]hether the infringer deliberately copied the ideas or designs of another;
- (2) [W]hether 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) [T]he 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.<sup>39</sup>

Irrespective of whether the district court considers the *Read* factors, it must explain the basis for an enhanced damages award.<sup>40</sup>

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34. 35 U.S.C. § 284 (2012).

35. *Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.*, 946 F.3d 1367, 1378 (Fed. Cir. 2020); *see also Seagate*, 497 F.3d at 1368 (citing *Beatrice Foods Co. v. New Eng. Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991)).

36. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992).

37. 970 F.2d 816 (Fed. Cir. 1992).

38. *Id.* at 826.

39. 970 F.2d at 827 (footnote omitted) (citations omitted).

40. *See Polara Eng’g Inc. v. Campbell Co.*, 894 F.3d 1339, 1355 (Fed. Cir. 2018) (“Although ‘the district court is not required to discuss the *Read* factors,’ it ‘is obligated to explain the basis for the [enhanced damages] award, particularly where the

II. THE SUPREME COURT'S *HALO* OPINION

In *Halo*, Chief Justice Roberts, writing for a unanimous Court, addressed the question of whether the two-part inquiry set forth by the Federal Circuit in *Seagate* was consistent with 35 U.S.C. § 284.<sup>41</sup> The Supreme Court concluded that it was not.<sup>42</sup>

The Court first examined the plain text of § 284, observing that the “language contains no explicit limit or condition, and we have emphasized that the ‘word “may” clearly connotes discretion.’”<sup>43</sup> At the same time, however, the Court recognized that in awarding damages under § 284, district courts should exercise their discretion in light of underlying considerations.<sup>44</sup> The Court explained:

Awards of enhanced damages under the Patent Act over the past 180 years establish that they are not to be meted out in a typical infringement case, but are instead designed as a “punitive” or “vindictive” sanction for egregious infringement behavior. 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.<sup>45</sup>

The Court recognized that the *Seagate* test “reflects, in many respects, a sound recognition that enhanced damages are generally appropriate under § 284 only in egregious cases,” but held that the test is unduly rigid in constricting the discretion granted to the district courts.<sup>46</sup> In particular, the Court criticized the *Seagate* test because it (1) required a finding of objective recklessness to award enhanced damages; (2) required clear and convincing evidence to prove recklessness; and (3) employed a tripartite framework for appellate review that removed the enhanced damages determination from the district court’s discretion.<sup>47</sup>

First, the Court noted that *Seagate*’s requirement of a finding of objective recklessness can in effect insulate from liability for enhanced

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maximum amount is imposed.” (internal citations omitted) (first quoting *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 875 F.3d 1369, 1382 (Fed. Cir. 2017); then quoting *Read*, 970 F.2d at 828)).

41. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1928 (2016).

42. *Id.* at 1928.

43. *Id.* at 1931 (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 136 (2005)).

44. *Id.* at 1932 (citing *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014)).

45. *Id.*

46. *Id.*

47. *Id.* at 1932, 1934.



damages some of the worst patent infringers.<sup>48</sup> Under *Seagate*, the existence of a reasonable defense at trial shields the infringer from enhanced damages, even in cases where the infringer did not act on the basis of the reasonable defense or was not even aware of it.<sup>49</sup> But allowing an infringer to escape enhanced damages “solely on the strength of his attorney’s ingenuity” later at trial is inconsistent with the fact that “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct.”<sup>50</sup> The Court determined that the *Seagate* test unduly restricts the district court’s ability “to punish the full range of culpable behavior” under § 284.<sup>51</sup> The Court directed that courts should decide whether to award damages, and in what amount, given the particular facts of the case without “inelastic restraints.”<sup>52</sup> The Court also cautioned that “none of this is to say that enhanced damages must follow a finding of egregious misconduct.”<sup>53</sup>

Second, the Court criticized the *Seagate* test because it required “clear and convincing evidence to prove recklessness.”<sup>54</sup> Because § 284 does not impose a specific evidentiary burden, the Court rejected a heightened standard of proof for an award of enhanced damages.<sup>55</sup> The Court emphasized that a preponderance of the evidence standard has always governed patent infringement litigation and there is no exception for enhanced damages.<sup>56</sup>

Third, the Court rejected *Seagate*’s tripartite framework for appellate review.<sup>57</sup> The Court emphasized that “[§] 284 gives district courts discretion in meting out enhanced damages” and therefore the determination should be reviewed on appeal for abuse of discretion.<sup>58</sup>

In conclusion, the Court emphasized that nearly two centuries of case law under the Patent Act provides sound legal principles that guide district courts to exercise their discretion to award enhanced damages in “egregious cases of misconduct beyond typical infringement.”<sup>59</sup> The

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48. *Id.* at 1932.

49. *Id.* at 1933.

50. *Id.*

51. *Id.* at 1933–34.

52. *Id.*

53. *Id.* at 1933.

54. *Id.* at 1934.

55. *Id.* (citing *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545, 557 (2014)).

56. *Id.* (citing *Octane Fitness*, 572 U.S. at 557).

57. *Id.* at 1934.

58. *Id.*

59. *Id.* at 1935.

Court abrogated the unduly restrictive *Seagate* test in favor of providing district courts more flexibility to enhance damages.<sup>60</sup>

Justice Breyer, joined by Justices Kennedy and Alito, joined Chief Justice Roberts' majority opinion but also penned a concurring opinion. Justice Breyer wrote separately to highlight that § 284 imposes limits that promote uniformity and consistency in the law's application.<sup>61</sup> In particular, Justice Breyer noted that "the Court's references to 'willful misconduct' do not mean that a court may award enhanced damages simply because the evidence shows that the infringer knew about the patent *and nothing more*."<sup>62</sup> He emphasized that enhanced damages amount to a "punitive" sanction and should be reserved for only egregious cases.<sup>63</sup>

### III. WILLFULNESS AND ENHANCED DAMAGES TRENDS IN LIGHT OF *HALO*

To understand how district courts have implemented the Supreme Court's *Halo* decision, we reviewed subsequent court opinions that address willfulness claims and/or requests for enhanced damages. In particular, we reviewed the posture upon which district courts considered willfulness, including decisions that address willfulness on a motion to dismiss, summary judgment, and judgment as a matter of law. Decisions disposing of willfulness claims pre-trial are analyzed in Section III.A. Decisions considering the substantial evidence for jury verdicts involving willful infringement claims are analyzed in Section III.B. Decisions evaluating whether to award enhanced damages after the jury found willful infringement are analyzed in Section III.C.

#### A. *Disposing of Willfulness Claims Pre-Trial*

Parties to a patent litigation have two primary opportunities<sup>64</sup> to dispose of willful infringement claims before the question is set for trial. First, at the outset of the case, the accused infringer can file a motion to dismiss for failure to state a claim upon which relief can be granted under Federal Rule of Civil Procedure 12(b)(6). Second,

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60. *Id.*

61. *Id.* at 1936 (Breyer, J., concurring).

62. *Id.*

63. *Id.*

64. There may be other opportunities, for example, on a Federal Rule of Civil Procedure 12(c) motion for judgment on the pleadings or on a motion *in limine*. We focus on motions to dismiss and motions for summary judgment as these postures repeatedly appeared in the case law.

either party can move for summary judgment on the issue under Federal Rule of Civil Procedure 56. As discussed herein, sometimes these motions are successful.

1. *Motions to dismiss willful infringement claims*

Although courts may be reluctant to dismiss willful infringement at the pleading stage,<sup>65</sup> some alleged infringers have successfully moved to dismiss for failure to state a claim. In deciding Rule 12(b)(6) motions, district courts have considered whether the complaint includes allegations of pre-suit knowledge of the patent(s)-in-suit and/or whether the accused infringer allegedly engaged in misconduct.

a. *Pre-suit knowledge.*

A bare allegation of willfulness without more may not survive a motion to dismiss. Some courts have required accused infringers to allege pre-suit knowledge of the asserted patent(s) to overcome a motion to dismiss a willfulness claim. For example, in *Software Research, Inc. v. Dynatrace LLC*,<sup>66</sup> the patentee failed to plausibly allege pre-suit knowledge or notify the accused infringer of any of the asserted patents before filing suit.<sup>67</sup> As a result, the patentee did not allege facts that are “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.”<sup>68</sup>

To avoid dismissal under Rule 12(b)(6), the patentees in *Adidas America, Inc. v. Sketchers USA, Inc.*<sup>69</sup> had to sufficiently plead that the accused infringer had knowledge of the patent-in-suit (as well as the

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65. See, e.g., *Corephotonics, Ltd. v. Apple, Inc.*, No. 17-CV-06457-LHK, 2018 WL 4772340, at \*9 (N.D. Cal. Oct. 1, 2018) (denying motion to dismiss where factual allegations “raise the inference that [the accused infringer] was at least willfully blind to a high risk that it was infringing”); *Finjan, Inc. v. SonicWall, Inc.*, No. 17-CV-04467-BLF, 2018 WL 2234370, at \*3 (N.D. Cal. May 16, 2018) (denying motion to dismiss where “the Complaint contain[ed] allegations that support a reasonable inference that [the alleged infringer] knew about its infringement for about three years, but notwithstanding that knowledge, engaged in disingenuous licensing negotiations”).

66. 316 F. Supp. 3d 1112 (N.D. Cal. 2018).

67. *Id.* at 1137.

68. *Id.* (quoting *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1932 (2016)); see also *BlackBerry Ltd. v. Nokia Corp.*, No. 17-cv-155-RGA, 2018 WL 1401330, at \*3 (D. Del. Mar. 20, 2018) (“A party’s pre-suit knowledge of the patent is not sufficient by itself, however, to find ‘willful misconduct’ such that the Court can award enhanced damages.” (quoting *Halo*, 136 S. Ct. at 1936)).

69. No. 3:16-cv-1400-SI, 2017 WL 2543811, at \*1 (D. Or. June 12, 2017).

allegation of infringement).<sup>70</sup> But the patentees did not plead facts that would allow the Court to reasonably infer that the accused infringer knew of the patents-in-suit either when they issued or at any time before the patentees filed the lawsuit.<sup>71</sup> Further, in *Välinge Innovation AB v. Halstead New England Corp.*,<sup>72</sup> the district court set forth what it requires a patentee to plead to survive a motion to dismiss a willful infringement claim:

[A patentee] must allege facts plausibly showing that as of the time of the claim's filing, the accused infringer: (1) knew of the patent-in-suit; (2) after acquiring that knowledge, it infringed the patent; and (3) in doing so, it knew, or should have known, that its conduct amounted to infringement of the patent.<sup>73</sup>

This district court in Delaware noted the patentee could move for leave to amend to allege willfulness for any acts *preceding* the filing of the complaint.<sup>74</sup>

Nevertheless, other district courts have held that *Halo* ended *Seagate's* requirement that pre-suit conduct must be alleged, and the courts may now separately assess the adequacy of pre-suit and post-suit willfulness allegations. In other words, some courts have considered—for example, on a motion to dismiss an amended complaint—the sufficiency of the patentee's willfulness allegations based on the accused infringer's conduct after receiving notice via the filing of the initial complaint. In *M & C Innovations, LLC v. Igloo Products Corp.*,<sup>75</sup> the district court dismissed the patentee's pre-suit and post-suit willfulness claims because the accused infringer had no pre-suit knowledge of the patent and the accused infringer's post-suit conduct (i.e., manufacturing accused products) was the “kind of ‘garden-variety’ patent case that *Halo* affirms is ill-suited for a finding of willfulness.”<sup>76</sup>

Meanwhile, some courts have found that “mere notice of the charge of infringement resulting from service of the complaint” is enough to

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70. *Id.* at \*3.

71. *Id.* at \*4.

72. No. 16-1082-LPS-CJB, 2018 WL 2411218 (D. Del. May 29, 2018).

73. *Id.* at \*13.

74. *Id.*; see also *Wis. Alumni Research Found. v. Apple, Inc.*, 261 F. Supp. 3d 900, 917–18 & n.6 (W.D. Wis. 2017) (“[*Halo*] did not upset the Federal Circuit’s holding in *Seagate* that the focus of such a claim should be on prelitigation conduct.”), *aff’d in part, rev’d in part*, 905 F.3d 1341 (Fed. Cir. 2018).

75. No. 4:17-CV-2372, 2018 WL 4620713 (S.D. Tex. July 31, 2018).

76. *Id.* at \*3–6.

survive a motion to dismiss an enhanced damages claim.<sup>77</sup> In fact, one such district court explained:

[T]here is nothing in *Halo* suggesting that pre-suit knowledge is required for willfulness. In fact, *Halo* recognizes that “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct.” Culpability can arise pre- or post-suit—the scienter requirement is the same in either instance. The contrary conclusion would permit the very type of culpable behavior admonished by the Supreme Court in *Halo* simply because of timing. Such a conclusion is inconsistent with the flexibility provided by *Halo* and the elimination of the *Seagate* test.<sup>78</sup>

*b. Misconduct*

Some courts have found that a patentee must plausibly plead facts alleging knowing, intentional, deliberate, or even “egregious”<sup>79</sup> patent infringement to sufficiently state a claim for willful infringement. A majority of courts in the Ninth Circuit, for example, have explained that allegations of mere pre-suit knowledge of the patent and continued engagement in the allegedly infringing activity are not enough to survive a motion to dismiss.<sup>80</sup> And some courts have relied on *Halo*’s affirmation that enhanced damages awards should be limited

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77. Preferential Networks IP, LLC v. AT&T Inc. Mobility, LLC, No. 2:16-CV-01374-JRG-RSP, 2017 WL 3816109, at \*4 (E.D. Tex. July 15, 2017); see *T-Rex Prop. AB v. Regal Entm’t Grp.*, No. 6:16-cv-1029-RWS-KNM, 2017 WL 4229372, at \*8 (E.D. Tex. Aug. 31, 2017) (“Post-*Halo*, courts in [the Eastern District of Texas] have deemed allegations of willful infringement based on post-complaint conduct sufficient to survive Rule 12(b)(6) scrutiny.”).

78. *Huawei Techs. Co. v. T-Mobile US, Inc.*, Nos. 2:16-CV-00052-JRG-RSP, 2:16-CV-00055-JRG-RSP, 2:16-CV-00056-JRG-RSP, 2:16-CV-00057-JRG-RSP, 2017 WL 1129951, at \*4 (E.D. Tex. Feb. 21, 2017) (citation omitted). *But see* *Wis. Alumni Research Found.*, 261 F. Supp. 3d at 917–18 & n.6 (“[*Halo*] did not upset the Federal Circuit’s holding in *Seagate* that the focus of such a claim should be on prelitigation conduct.”).

79. *Välinge Innovation AB v. Halstead New England Corp.*, No. 16-1082-LPS-CJB, 2018 WL 2411218, at \*6 (D. Del. May 29, 2018) (“[A]fter having further considered *Halo* and Federal Circuit precedent, the Court has now determined that it was wrong . . . [T]he Court [now] concludes that ‘egregiousness’ should not be a part of the calculus for determining whether a patentee has set out a plausible claim of willful infringement.”); see also *id.* (collecting cases).

80. See, e.g., *Document Sec. Sys., Inc. v. Lite-On, Inc.*, No. CV 17-06050 JVS(JCGx), 2018 WL 2422589, at \*2 (C.D. Cal. Feb. 5, 2018); *XpertUniverse, Inc. v. Cisco Sys., Inc.*, No. 17-cv-03848-RS, 2017 WL 4551519, at \*6 (N.D. Cal. Oct. 11, 2017); *CG Tech. Dev., LLC v. Zynga, Inc.*, No. 2:16-cv-00859-RCG-VCF, 2017 WL 662489, at \*4 (D. Nev. Feb. 17, 2017); see also *Novartis Vaccines & Diagnostics, Inc. v. Regeneron Pharm., Inc.*, No. 18CV2434(DLC), 2018 WL 5282887, at \*3 (S.D.N.Y. Oct. 24, 2018).

“to *egregious* cases of misconduct beyond typical infringement.”<sup>81</sup> In dismissing without prejudice the patentee’s willful infringement claims, the court in *Continental Circuits LLC v. Intel Corp.*<sup>82</sup> explained that the patentee must sufficiently allege both (1) knowledge of the patent at the time of the challenged conduct and (2) “egregious” behavior.<sup>83</sup>

The Federal Circuit recently stated, in *Eko Brands, LLC v. Adrian Rivera Maynez Enterprises, Inc.*,<sup>84</sup> that willfulness “requires a jury to find no more than deliberate or intentional infringement,” whereas “considerations of egregious behavior and punishment are relevant” when the district court addresses whether to enhance damages.<sup>85</sup> Going forward, some district courts might not require allegations of “egregious” conduct but may consider whether the patentee has plausibly pled misconduct—or more than typical infringement—to survive a motion to dismiss a willfulness claim.<sup>86</sup>

*c. Practice tips*

When drafting a complaint, the patent owner should see if the anticipated jurisdiction has any pleading requirements for seeking enhanced damages for willful infringement. If the patent owner does not adequately plead willful infringement, the accused infringer may want to file a motion to dismiss for failure to state a claim upon which relief can be granted under Rule 12(b)(6). Although several district courts have granted motions to dismiss bare allegations of willful infringement, others have not.<sup>87</sup> Such motions take time and money, and even when successful, any dismissal would likely be without prejudice to patentee filing an amended complaint if the facts permit.

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81. *Document Sec. Sys.*, 2018 WL 2422589, at \*1 (quoting *Halo*, 136 S. Ct. at 1932, 1935) (emphasis added); see also, e.g., *CG Tech.*, 2017 WL 662489, at \*4; *XpertUniverse*, 2017 WL 4551519, at \*6.

82. No. CV16-2026 PHX DGC, 2017 WL 2651709 (D. Ariz. June 19, 2017).

83. *Id.* at \*11.

84. 946 F.3d 1367 (Fed. Cir. 2020).

85. *Id.* at 1378.

86. See, e.g., *NNCrystal US Corp. v. Nanosys, Inc.*, No. CV19-1307-RGA, 2020 WL 616307, at \*4 (D. Del. Feb. 10, 2020) (“To plead a claim of willful infringement, the complaint must allege that the accused infringer knew of the patent-in-suit, and knowingly or intentionally infringed the patent after acquiring that knowledge.” (citing *Eko Brands*, 946 F.3d at 1378-79)).

87. *Compare* *Blackberry Ltd. v. Nokia Corp.*, No. 17-cv-155-RGA, 2018 WL 1401330, at \*3-4 (D. Del. Mar. 20, 2018) (dismissing a bare allegation of willful infringement), *with* *MyMedicalRecords, Inc. v. Jardogs, LLC*, 1 F. Supp. 3d 1020, 1026 (C.D. Cal. 2014) (denying a motion to dismiss and finding that patentee had adequately pleaded willful infringement).

There are several considerations that weigh for and against filing such a motion, including party and judicial resources. Filing an early motion to dismiss could result in delaying the litigation and/or making the patentee appear unprepared at the outset.

Further, such an early motion will drive up litigation costs for both parties. The accused infringer may need to spend money on the motion to dismiss and potentially oppose a subsequent motion for leave to amend the complaint. The patentee will need to consider whether to spend resources (1) opposing the motion to dismiss because the willfulness claim is sufficiently pled; (2) amending the complaint, if possible, to address any alleged deficiencies; and/or (3) subsequently moving for leave to amend the complaint if the discovery or other facts bear out a plausible willful infringement claim. To reduce or eliminate such costs, the parties could use this opportunity to negotiate a potential settlement or some other mutually beneficial arrangement, for example, a consent motion to extend time to respond after an amended complaint is filed. Before filing any such motion, the accused infringer will need to carefully consider the relevant court's jurisprudence and the specific facts of the case.

## 2. *Summary judgment of no willful infringement*

Some accused infringers have successfully moved for summary judgment under Federal Rule of Civil Procedure 56 because there was no genuine dispute as to any material fact concerning patentee's willfulness claim. Although several motions were denied,<sup>88</sup> some were granted.<sup>89</sup> As with motions to dismiss, in deciding summary judgment motions district courts focused on whether (1) there was evidence that

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88. *See, e.g.*, *Asia Vital Components Co. v. Asetek Danmark A/S*, 377 F. Supp. 3d 990, 1022 (N.D. Cal. 2019) (denying motion for summary judgment regarding enhanced damages because a jury could reasonably find willful infringement when presented with evidence that accused infringer "knew about the patents soon after they issued" and "unsuccessfully tried to [license] the . . . patents"); *Sound View Innovations, LLC v. Hulu, LLC*, No. LA-CV-17-04146 JAK (PLAx), 2019 WL 4640393, at \*5 (C.D. Cal. Aug. 5, 2019) (denying summary judgment of no willful infringement because there was a genuine issue of material fact with respect to alleged infringer's control over a third party and intent during the six months between when it learned of the asserted patents and the filing of the complaint).

89. *See, e.g.*, *bioMérieux, S.A. v. Hologic, Inc.*, No. 18-21-LPS, 2020 WL 759546, at \*13 (D. Del. Feb. 7, 2020); *Power Integrations, Inc. v. ON Semiconductor Corp.*, 396 F. Supp. 3d 851, 891–92 (N.D. Cal. 2019); *Olaf Sööt Design, LLC v. Daktronics, Inc.*, 325 F. Supp. 3d 456, 462 (S.D.N.Y. 2018); *EcoServices, LLC v. Certified Aviation Servs., LLC*, 312 F. Supp. 3d 830, 842 (C.D. Cal. 2018).

the accused infringer had pre-suit knowledge of the patent(s)-in-suit and/or (2) the accused infringer allegedly engaged in misconduct.

*a. Requisite knowledge*

Without facts supporting knowledge of the alleged patent infringement, courts have granted motions for summary judgment of no willful infringement. In doing so, courts have recognized that “[k]nowledge of the patent alleged to be willfully infringed continues to be a prerequisite to enhanced damages.”<sup>90</sup>

In granting the accused infringer’s motion for summary judgment on patentee’s willfulness claim, the court in *Olaf Sööt Design, LLC v. Daktronics Hoist, Inc.*<sup>91</sup> explained that when the accused infringer points to an absence of record evidence concerning its knowledge of the asserted patent, summary judgment is proper.<sup>92</sup> Similarly, the court in *Power Integrations, Inc. v. ON Semiconductor Corp.*<sup>93</sup> granted in part a motion for summary judgment where the patentee produced no evidence that the accused infringer had pre-suit notice of patent infringement and the patentee lacked evidence or arguments to support its willful infringement claim.<sup>94</sup>

As with motions to dismiss, some courts separately consider pre-suit and post-suit willfulness allegations. In granting summary judgment of no pre-suit willful infringement, the district court in *EcoServices, LLC v. Certified Aviation Services, LLC*<sup>95</sup> explained that by failing to show pre-suit knowledge of the patent, the patentee “failed to establish a prerequisite of willfulness.”<sup>96</sup> The district court, however, denied the motion as to willfulness following service of the complaint, which of course put the accused infringer on notice of the asserted patents.<sup>97</sup>

*b. Knowledge alone is insufficient*

Relying on Justice Breyer’s concurrence in *Halo*, some courts have found that knowledge of an asserted patent alone does not create a

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90. *EcoServices, LLC*, 312 F. Supp. 3d at 842 (quoting *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341 (Fed. Cir. 2016)).

91. 325 F. Supp. 3d 456 (S.D.N.Y. 2018).

92. *Id.* at 461.

93. 396 F. Supp. 3d 851 (N.D. Cal. 2019).

94. *Id.* at 891–92.

95. 312 F. Supp. 3d 830 (C.D. Cal. 2018).

96. *Id.* at 842.

97. *Id.* at 842 n.12.



genuine issue of material fact when no other willful misconduct is alleged.<sup>98</sup> For example, in *Vehicle IP, LLC v. AT&T Mobility LLC*,<sup>99</sup> the district court granted summary judgment because no reasonable jury could find willful infringement based solely on pre-suit knowledge of the patent.<sup>100</sup>

Some courts have deemed willful blindness—which at most establishes “actual knowledge”—without more similarly insufficient to show “egregious behavior.”<sup>101</sup> In *Ansell Healthcare Products LLC v. Reckitt Benckiser LLC*,<sup>102</sup> the district court granted a motion for summary judgment of no willful infringement because the patentee failed to allege that the accused infringer “engaged in any sort of ‘egregious’ behavior while knowing or being willfully blind to the patents-in-suit.”<sup>103</sup>

Additionally, some district courts have found that a citation to a patent number in Patent Office correspondence alone does not support a willful infringement finding. Indeed, in *Intellectual Ventures I LLC v. Symantec Corp.*,<sup>104</sup> the district court granted the accused infringer’s motion for summary judgment of no willful infringement notwithstanding the fact that the accused infringer cited the asserted patent in prosecuting two of its own patents because even if the accused infringer had knowledge of the asserted patent, “pre-suit knowledge alone is not sufficient to support a finding of willful infringement.”<sup>105</sup>

### *c. Misconduct*

Some courts have granted summary judgment when “a reasonable factfinder could not find that [the accused infringer] engaged in the type of egregious conduct to permit a finding of willful infringement, even taking the evidence in the light most favorable to [the patentee].”<sup>106</sup> For example, the district court in *Plastic Omnium Advanced*

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98. *Ansell Healthcare Prods. LLC v. Reckitt Benckiser LLC*, No. 15-cv-915-RGA, 2018 WL 620968, at \*6 (D. Del. Jan. 30, 2018) (“[A] party’s pre-suit knowledge of the patent is not by itself sufficient to find ‘willful misconduct’ such that the Court can award enhanced damages.” (citing *Halo Elecs., Inc. v. Pulse Elecs.*, 136 S. Ct. 1923, 1936 (2016) (Breyer, J., concurring))).

99. 227 F. Supp. 3d 319 (D. Del. 2016).

100. *Id.* at 331.

101. *Ansell*, 2018 WL 620968, at \*7.

102. No. 15-cv-915-RGA, 2018 WL 620968 (D. Del. Jan. 30, 2018).

103. *Id.* at \*8.

104. 234 F. Supp. 3d 601 (D. Del. 2017), *aff’d*, 725 F. App’x 976 (Fed. Cir. 2018).

105. *Id.* at 611–12.

106. *Plastic Omnium Advanced Innovation & Research v. Donghee Am., Inc.*, 387 F. Supp. 3d 404, 421 (D. Del. 2018).

*Innovation & Research v. Donghee America, Inc.*<sup>107</sup> granted summary judgment of no pre-suit willful infringement where in the “[l]ess than a month of pre-suit conduct” the accused infringer merely declined to design around the patent.<sup>108</sup> Further, the district court found that the record was devoid of evidence of post-complaint willful infringement where the accused infringer simply continued to sell the accused product and made preparations for future sales.<sup>109</sup>

Applying *Halo*, some district courts have granted summary judgment of no willful infringement because no reasonable jury could find willfulness absent evidence of misconduct beyond typical infringement. For example, in granting summary judgment, the district court in *Intellectual Ventures I LLC v. Symantec Corp.*<sup>110</sup> explained that the accused infringer’s continuing to “update, produce, and sell” the accused product even after the suit was filed could not support willful infringement because such behavior is not “beyond typical infringement.”<sup>111</sup> Similarly, in *Move, Inc. v. Real Estate Alliance Ltd.*,<sup>112</sup> the district court granted a summary judgment motion after determining that the accused infringer conducted no “misconduct beyond typical infringement.”<sup>113</sup> The court concluded that, at most, the evidence showed the accused infringer continued to use the allegedly infringing method after learning of the asserted patent, but the accused infringer advanced “several reasonable arguments as to why its conduct was non-infringing.”<sup>114</sup> The court in *bioMérieux, S.A. v. Hologic, Inc.*<sup>115</sup> granted summary judgment of no willful infringement where the accused infringers were prior inventors in the same patent space and continued to sell the accused products after litigation commenced.<sup>116</sup> The court explained that the fact that the accused infringers “continued to market the products they sold even before [patentees] obtained the patents-in-suit, and did not shift to another product (even if they could have done so without much delay or expense),” did not show that the accused infringers willfully

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107. 387 F. Supp. 3d 404 (D. Del. 2018).

108. *Id.* at 421.

109. *Id.* at 422.

110. 234 F. Supp. 3d 601 (D. Del. 2017), *aff’d*, 725 F. App’x 976 (Fed. Cir. 2018).

111. *Id.* at 612.

112. 221 F. Supp. 3d 1149 (C.D. Cal. 2016), *aff’d in part*, 721 F. App’x 950 (Fed. Cir. 2018).

113. *Id.* at 1173.

114. *Id.*

115. No. 18-21-LPS, 2020 WL 759546 (D. Del. Feb. 7, 2020).

116. *Id.* at \*11–13.

infringed.<sup>117</sup> And the court in *SiOnyx, LLC v. Hamamatsu Photonics K.K.*<sup>118</sup> granted summary judgment of no willful infringement when the accused infringer, after learning of the asserted patents, “merely continued to sell” the accused product during a “garden-variety” patent suit.<sup>119</sup>

*d. Practice tips*

If the allegations underlying patentee’s willful infringement claim amount to “typical” or “garden-variety” infringement, an accused infringer should consider filing a motion for summary judgment of no willful infringement. Even if unsuccessful, such a motion may put the district court on notice of the thin evidence in the record that the patentee seeks to rely on to support its willfulness claim. For example, in *Finjan, Inc. v. Eset, LLC*,<sup>120</sup> the district court denied a motion for summary judgment of no willful infringement, but cautioned the patentee that it must produce evidence at trial showing that the accused infringer “had knowledge of each of the asserted patents and committed subjective willful infringement as of the dates it became aware of those patents.”<sup>121</sup>

If, on the other hand, the facts regarding willful infringement are overwhelming, a patentee may wish to file a motion for summary judgment of willfulness. There are, however, several downsides to filing such a motion. As an initial matter, courts are hesitant to grant such motions when the question could simply be sent to the jury. Moreover, the facts bearing on such a claim are typically jury-friendly and advance the patentee’s case.

*B. Willfulness Resolved on the Trial Record*

If a willful infringement claim is not disposed of before trial, the issue will most likely be set for trial before a jury. A majority of juries have found any infringement to be willful.<sup>122</sup> Although not common,

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117. *Id.* at \*12.

118. 330 F. Supp. 3d 574 (D. Mass. 2018).

119. *Id.* at 613.

120. No. 17-183-CAB-BGS, 2019 WL 5212394 (S.D. Cal. Oct. 16, 2019), *reconsideration granted*, No. 17-183-CAB-BGS, 2019 WL 7290961 (S.D. Cal. Dec. 30, 2019) (dismissing the willful infringement claim).

121. *Id.* at \*6.

122. This could be in part due to self-selection. As discussed above, the district court can dismiss the claim at the outset on a motion to dismiss or on a motion for summary judgment. In addition, where willfulness is not a close call—for example, where there is no evidence of knowledge of the patent pre-suit, and the accused infringer adopted a non-infringing alternative design post-suit—the patentee may elect to drop the claim. There are

some district courts have granted motions for judgment as a matter of law that any infringement was not willful. Some courts have granted such a motion before the issue is put to the jury and others have found that substantial evidence did not support the jury's verdict of willful infringement post-trial. Exemplary cases are discussed below.

1. *Judgment as a matter of law of no willful infringement*

Accused infringers may be able to avoid a jury verdict on a patentee's willful infringement claim by filing a Federal Rule of Civil Procedure 50(a) motion for judgment as a matter of law of no willful infringement before the case is submitted to the jury. The court may grant such a motion "[i]f a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue."<sup>123</sup> In *Bayer Healthcare LLC v. Baxalta Inc.*,<sup>124</sup> the district court granted the accused infringers' Rule 50(a) motion because "there was insufficient evidence at trial to support a finding of willful infringement by either [accused infringer]."<sup>125</sup> In granting an accused infringer's Rule 50(a) motion in *TecSec, Inc. v. Adobe Inc.*,<sup>126</sup> the district court explained that "even if post-suit conduct alone were sufficient for a finding of willful infringement, and even if the jury would have agreed with [the patentee] that [the accused infringer] willfully infringed, an award of enhanced damages would not have been appropriate under the facts in this case."<sup>127</sup>

If a jury finds that an infringer acted willfully, the infringer can challenge the jury's determination post-trial by renewing its motion for judgment as a matter of law or, in the alternative, moving for a new trial pursuant to Federal Rule of Civil Procedure 50(b). In fact, in *SRI International, Inc. v. Cisco Systems, Inc.*,<sup>128</sup> the Federal Circuit vacated and remanded a denial of the accused infringer's renewed motion for judgment as a matter of law of no willful infringement where the

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of course cases where courts sent willfulness claims to the jury, and the jury found no willful infringement. *See, e.g.*, *Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, Inc.*, No. 3:17-cv-01781-HZ, 2018 WL 1805101, at \*1 (S.D. Cal. Apr. 17, 2018); *Evonik Degussa GmbH v. Materia, Inc.*, 305 F. Supp. 3d 563, 580 (D. Del. 2018); *EMC Corp. v. Zerto, Inc.*, No. 12-956 (GMS), 2017 WL 3434212, at \*5 (D. Del. Aug. 10, 2017).

123. Fed. R. Civ. P. 50(a)(1).

124. No. 16-1122-RGA, 2019 WL 4016235 (D. Del. Aug. 26, 2019).

125. *Id.* at \*9.

126. No. 10-115, 2019 WL 1233882 (E.D. Va. Mar. 14, 2019).

127. *Id.* at \*3.

128. 930 F.3d 1295 (Fed. Cir. 2019).

accused product was developed independently about six years before the accused infringer first had notice of the patents-in-suit.<sup>129</sup> The Federal Circuit disagreed with the district court that the jury's willfulness determination was supported by substantial evidence based on (1) the accused infringer's engineers failed to read the patents-in-suit until their depositions; and (2) the accused infringer designed "the [accused] products and services in an infringing manner" and "instructed its customers to use the products and services in an infringing manner."<sup>130</sup>

The Federal Circuit also considered additional evidence identified to support the jury's willfulness verdict, but concluded that even when weighing all inferences in the patentee's favor, the evidence in the record was insufficient.<sup>131</sup> The Federal Circuit explained that the jury's verdict of willful infringement before patentee sent its notice letter was not supported by substantial evidence because the accused infringer undisputedly lacked notice of the asserted patent.<sup>132</sup> The Federal Circuit cautioned that *Halo* requires culpability to be assessed based on what the accused infringer knew at the time of the challenged conduct.<sup>133</sup> The Federal Circuit, however, remanded the case so the district court could decide in the first instance whether substantial evidence supports the jury's willfulness finding after patentee's notice letter given the legal standard and the court's analysis regarding patentee's willfulness evidence.<sup>134</sup>

## 2. *Jury verdict of willful infringement supported by substantial evidence*

Many juries presented with the issue post-*Halo* have found that infringing conduct is willful. Although any such finding is fact specific and based on "the particular circumstances of each case,"<sup>135</sup> as highlighted below, certain evidence repeatedly has been found to support a willfulness verdict.<sup>136</sup>

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129. *Id.* at 1309, 1312.

130. *Id.* at 1308.

131. *Id.* at 1308–09.

132. *Id.* at 1309.

133. *Id.* at 1309–10.

134. *Id.* at 1310.

135. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933 (2016).

136. Having an opinion of counsel or lack thereof is not indicative of whether any infringement may be found willful. In fact, cases go both ways. *See, e.g.*, *Acantha LLC v. DePuy Synthes Sales Inc.*, 406 F. Supp. 3d 742, 755 (E.D. Wis. 2019) (finding willful infringement notwithstanding infringer's opinions of counsel where there was no evidence of reliance on those opinions); *Schwendimann v. Arkwright Advanced*

*a. Copying*

Courts may consider evidence of copying to support a willfulness determination. In *Apple Inc. v. Samsung Electronics Co.*,<sup>137</sup> the district court explained that substantial evidence supported the jury's finding of willfulness in part due to "evidence that Samsung engaged in copying."<sup>138</sup> Also, in *Polara Engineering Inc. v. Campbell Co.*,<sup>139</sup> the Federal Circuit affirmed the denial of a motion for judgment as a matter of law seeking to overturn the jury's finding of willful infringement.<sup>140</sup> The Federal Circuit agreed that "[b]ased on the evidence adduced at trial, the jury reasonably could have found that [the infringer] intentionally copied the [asserted] patent despite a significant known risk that its [product] would infringe . . . ."<sup>141</sup> Similarly, on remand from the Federal Circuit, the district court in *Exmark Manufacturing Co. v. Briggs & Stratton Corp.*<sup>142</sup> found that "outright and deliberate copying" constitutes willful infringement.<sup>143</sup>

*b. Knowledge of infringement*

Courts may consider evidence regarding the infringer's knowledge and awareness of infringement to support a willfulness determination. In *Vectura Ltd. v. GlaxoSmithKline LLC*,<sup>144</sup> the district court held that the jury's verdict of willful infringement was supported by substantial evidence, including evidence that "[d]efendants' own pre-suit testing

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Coating, Inc., No. CV 11-820 (JRT/HB), 2018 WL 3621206, at \*18–19 (D. Minn. July 30, 2018) (finding no willful infringement despite absence of opinion of counsel and reiterating that "there is no affirmative obligation to obtain [an] opinion of counsel" (quoting *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007))); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 281 F. Supp. 3d 1087, 1091 (D. Nev. 2017) (finding on remand no willful infringement where infringer had an opinion of counsel). This may not be surprising in view of the fact that 35 U.S.C. § 298 provides that "[t]he failure of an infringer to obtain the advice of counsel" or "the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed." *Halo*, 136 S. Ct. at 1935 (quoting 35 U.S.C. § 298 (2012)). And as the Federal Circuit reiterated in *SRI International, Inc. v. Cisco Systems, Inc.*, an accused infringer's "decision not to seek an advice-of-counsel defense is legally irrelevant under 35 U.S.C. § 298." 930 F.3d 1295, 1309 (Fed. Cir. 2019).

137. 258 F. Supp. 3d 1013 (N.D. Cal. 2017).

138. *Id.* at 1027.

139. 894 F.3d 1339 (Fed. Cir. 2018).

140. *Id.* at 1353–54.

141. *Id.*

142. 348 F. Supp. 3d 907 (D. Neb. 2018).

143. *Id.* at 919.

144. 397 F. Supp. 3d 579 (D. Del. 2019).

provided information from which [d]efendants would have known their products infringed the asserted patent.”<sup>145</sup> In *Chamberlain Group, Inc. v. Techtronic Industries Co.*<sup>146</sup>, the district court denied the infringer’s motion to overturn the jury’s willfulness finding. The court explained that the jury heard evidence that the accused infringer was “put on notice of [one asserted] patent and the general dangers of possibly treading on [patentee’s] IP,” and it “investigated possible IP pitfalls and learned about the [other asserted] patent as far back as 2010,” and yet did nothing to avoid infringement.<sup>147</sup> As a result, a reasonable jury could conclude from this evidence that the accused infringer willfully infringed.<sup>148</sup> Similarly, in *Arctic Cat Inc. v. Bombardier Recreational Products, Inc.*,<sup>149</sup> in denying the accused infringer’s motion for judgment as a matter of law, the district court explained that the infringer’s IP specialist was aware of the patents at issue before they issued and “made a note in his file to reexamine the patent after its issuance.”<sup>150</sup>

*c. Disregard for the risk of infringement*

Courts also may consider evidence regarding the infringer’s disregard for, or willful blindness to, the risk of infringement to support a willfulness determination. In *Apple Inc. v. Samsung Electronics Co.*, the district court found that there was substantial evidence for the jury’s willfulness finding in part due to evidence showing Samsung could have, but decided not to, adopt a “less desirable non-infringing alternative.”<sup>151</sup> And in *Arctic Cat*, the district court explained that the infringer, despite understanding the relevance of the asserted patent, “chose not to seek advice of qualified and competent counsel until much later, after unsuccessfully attempting to purchase [the patentee’s] patents through a third party.”<sup>152</sup>

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145. *Id.* at 593.

146. 315 F. Supp. 3d 977 (N.D. Ill. 2018), *aff’d in part, vacated in part, rev’d in part sub nom.* Chamberlain Grp., Inc. v. Techtronic Indus. Co., 935 F.3d 1341 (Fed. Cir. 2019). After concluding that the asserted claims are invalid for one of the asserted patents, which was the primary focus of the district court’s analysis, the Federal Circuit vacated the enhanced damages award and remanded for the district court to reconsider whether the award is warranted with respect to only the other asserted patent. *Chamberlain Grp., Inc.*, 935 F.3d at 1352.

147. *Chamberlain Grp.*, 315 F. Supp. 3d at 997, 1002.

148. *Id.*

149. 198 F. Supp. 3d 1343 (S.D. Fla. 2016), *aff’d*, 876 F.3d 1350 (Fed. Cir. 2017).

150. *Id.* at 1348.

151. *Apple Inc. v. Samsung Elecs. Co.*, 258 F. Supp. 3d 1013, 1027 (N.D. Cal. 2017).

152. *Arctic Cat*, 198 F. Supp. 3d at 1348.

*d. Dishonesty or lack of candor*

Courts may also consider evidence of dishonest behavior to support a jury's willful infringement determination. In *Izzo Golf Inc. v. King Par Golf Inc.*,<sup>153</sup> the district court considered the infringer's dishonesty, among other factors, in upholding the jury's willfulness verdict.<sup>154</sup> The court explained that the jury could have made reasonable inferences that the infringer was aware of the patent at issue, "the infringement was not innocent," the infringer "was not truthful concerning the number of infringing bags that it sold," and the infringer "did not stop selling infringing bags in the first quarter of 2002 as it claimed."<sup>155</sup> And in *Spectrum Laboratories, LLC v. Dr. Greens, Inc.*,<sup>156</sup> the district court explained that the jury's finding of willfulness was supported by evidence.<sup>157</sup> The court described a litany of misdeeds, including the infringer's selling off its inventory of the accused product after litigation had commenced and failing to maintain any samples, "secretly chang[ing] suppliers and formulas" without advising the patentee or the court, and "covering up the infringing activity in its effort to deceive [the patentee] as to the nature of its infringing product."<sup>158</sup>

*3. Practice tips*

Patentees should work to obtain all evidence of any knowledge of infringement, blatant or reckless disregard for the risk of infringement, dishonesty or lack of candor, copying, and anything that bolsters a claim that the accused infringer is a "wanton and malicious pirate."<sup>159</sup> Conversely, the accused infringer should obtain all evidence establishing an absence of these facts. It is good practice to move for Rule 50(a) judgment as a matter of law. Even if such a motion is not successful, it preserves the litigant's rights and may put the district court on notice of the thin evidence in the record to support the patentee's willful infringement claim and any subsequent request for enhanced damages.<sup>160</sup> Further, any Rule 50(a) motion should be renewed post-

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153. No. 02-CV-6012 CJS, 2019 WL 4023562 (W.D.N.Y. Aug. 26, 2019).

154. *Id.* at \*7.

155. *Id.* at \*2.

156. No. 11cv0638-JAH (KSC), 2019 WL 1317725 (S.D. Cal. Mar. 22, 2019).

157. *Id.* at \*2.

158. *Id.*

159. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1928 (2016) (quoting *Seymour v. McCormick*, 57 U.S. 480, 488 (1854)).

160. See *infra* Section III.C.



trial along with a motion for a new trial in the alternative, if appropriate, under Rule 50(b).

### C. Enhanced Damages

District courts typically address whether to enhance damages “once an affirmative finding of willfulness has been made” by the jury or factfinder.<sup>161</sup> At this stage, “considerations of egregious behavior and punishment are relevant.”<sup>162</sup> As the Federal Circuit reiterated in *Presidio Components, Inc. v. American Technical Ceramics Corp.*,<sup>163</sup> “an award of enhanced damages does not necessarily flow from a willfulness finding.”<sup>164</sup> *Halo* explained that “[d]istrict courts enjoy discretion in deciding whether to award enhanced damages, and in what amount.”<sup>165</sup> While “such damages are generally reserved for egregious cases of culpable behavior,”<sup>166</sup> the Supreme Court has not propagated any particular test by which such behavior should be identified. At bottom, the district court should consider the totality of the circumstances to determine whether enhancement is appropriate on a case-by-case basis. Indeed, courts have recognized that the “continued sale of the infringing product without removing its infringing capability is merely typical infringement behavior that is not a proper basis for enhanced damages.”<sup>167</sup>

As may be expected, district courts have employed a variety of approaches in evaluating whether a willful infringer should be subject to enhanced damages after *Halo*. Some courts have taken a holistic approach, walking through the facts of the case and determining whether enhanced damages are appropriate considering the overall factual posture.<sup>168</sup> Other courts walk through the *Read* factors,

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161. *Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.*, 946 F.3d 1367, 1378 (Fed. Cir. 2020).

162. *Id.*

163. 875 F.3d 1369 (Fed. Cir. 2017).

164. *Id.* at 1382; *see Halo*, 136 S. Ct. at 1933 (“[N]one of this is to say that enhanced damages must follow a finding of egregious misconduct.”).

165. *Halo*, 136 S. Ct. at 1932.

166. *Id.*

167. *TecSec, Inc. v. Adobe Inc.*, No. 1:10-cv-115, 2019 WL 1233882, at \*2 (E.D. Va. Mar. 14, 2019); *see also Halo*, 136 S. Ct. at 1931.

168. *See, e.g., Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 281 F. Supp. 3d 1087, 1092–95 (D. Nev. 2017); *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, No. 14-CV-02061-H-BGS, 2016 WL 4377096, at \*20–21 (S.D. Cal. Aug. 17, 2016), *aff’d in part, vacated in part, remanded*, 875 F.3d 1369 (Fed. Cir. 2017).

examining whether they support or detract from enhancement.<sup>169</sup> Regardless of the framework applied, district courts have focused on the egregiousness of the behavior and assess whether the infringer is a “wanton and malicious pirate” who should be subject to enhanced damages.<sup>170</sup>

Even where some (or many) *Read* factors come out in favor of enhancement, the court may still decline to award enhanced damages if the infringer’s behavior was within the realm of a reasonable adversary. For example, in *Acantha LLC v. DePuy Synthes Sales Inc.*,<sup>171</sup> even though the court found that several *Read* factors at least somewhat supported enhancing damages, the court reviewed “the totality of the circumstances” and declined to enhance damages.<sup>172</sup> The court noted that the infringers’ behavior did not sink to the level of “wanton and malicious pirate[s]’ deserving of punishment.”<sup>173</sup>

Similarly, in *Greatbatch Ltd. v. AVX Corp.*,<sup>174</sup> the district court declined to enhance damages where the infringer took remedial action in an effort to avoid infringement and had a good faith belief of non-infringement.<sup>175</sup> The district court also explained the case was close as the jury was unable to reach a unanimous decision on willfulness.<sup>176</sup> In denying the patentee’s request for enhanced damages even though there had not been a final determination on willfulness, the court explained that having had already conducted two trials on the asserted patents and accused products, it was in a position to have thoroughly considered the totality of the circumstances for enhancement purposes.<sup>177</sup>

In evaluating whether to enhance damages, some courts have considered the jury’s damages award. In cases in which the jury finds willful infringement and awards compensatory damages, absent a special verdict form, it is difficult to know by how much (if any) the jury may have increased damages due to the accused infringer’s willful conduct (even if instructed not to do so). But some courts have

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169. See, e.g., *Siemens Mobility, Inc. v. Westinghouse Air Brake Techs. Corp.*, No. 16-284-LPS, 2019 WL 3240521, at \*7–9 (D. Del. July 18, 2019).

170. See, e.g., *Sociedad Espanola de Electromedicina y Calidad, S.A. v. Blue Ridge X-Ray Co, Inc.*, 226 F. Supp. 3d 520, 531 (W.D.N.C. 2016), *aff’d*, 721 F. App’x 989 (Fed. Cir. 2018) (quoting *Halo*, 136 S. Ct. at 1932).

171. 406 F. Supp. 3d 742 (E.D. Wis. 2019).

172. *Id.* at 758–62.

173. *Id.* at 762 (quoting *Seymour v. McCormick*, 57 U.S. 480, 488 (1854)).

174. No. 13-723-LPS, 2018 WL 1568872 (D. Del. Mar. 30, 2018).

175. *Id.* at \*6–7.

176. *Id.*

177. *Id.* at \*7.

recognized that the jury's award is a factor in declining to enhance damages. For example, in *Kolcraft Enterprises, Inc. v. Chicco USA, Inc.*,<sup>178</sup> the district court explained:

[W]ith the *Read* factors weighing only slightly in Kolcraft's favor, there is a unique circumstance that dictates, in the Court's view, rejection of enhanced damages: the jury's decision to use the 7.7% royalty rate. Although the Court has rejected the need for a new trial on damages, the rate still resulted in almost a half-million dollars more compensation than what Kolcraft asked for. This premium amount outweighs the slight advantage that the *Read* factors give to Kolcraft; the balance flips back in favor of declining enhanced damages.<sup>179</sup>

Similarly, in *Sociedad Espanola de Electromedicina y Calidad, S.A. v. Blue Ridge X-Ray Co, Inc.*,<sup>180</sup> the court observed that the jury awarded damages that were nearly three times the amount advocated as a reasonable royalty by the patentee's expert, apparently considering the profits realized by the infringing sales.<sup>181</sup> The court found that the patentee had been "amply compensated for the [d]efendants' infringement," which weighed against enhanced damages.<sup>182</sup> And in declining to enhance damages in *Brigham & Women's Hospital, Inc. v. Perrigo Co.*,<sup>183</sup> the district court noted that "the jury's award of \$10,210,071 in damages [was] at the high end of the damages sought," roughly equating to six times the royalty amount used in other licenses.<sup>184</sup>

### 1. Practice tips

Litigants should be mindful that the district court may rely on the *Read* factors in deciding whether to enhance damages. Patentees may seek to rely on fact-specific evidence that bears out at trial to support their claim for enhanced damages for any willful infringement. On the other hand, given that several courts have declined to enhance damages even where there is a finding of willfulness, accused infringers could ask courts to consider whether they would enhance before the issue of willfulness goes to a jury.<sup>185</sup> If the court concludes that the

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178. No. 09-CV-03339, 2019 WL 4242482 (N.D. Ill. Sept. 6, 2019).

179. *Id.* at \*21.

180. 226 F. Supp. 3d 520 (W.D.N.C. 2016), *aff'd*, 721 F. App'x 989 (Fed. Cir. 2018).

181. *Id.* at 533.

182. *Id.*

183. 251 F. Supp. 3d 285 (D. Mass. 2017).

184. *Id.* at 293.

185. Notably, in *Exergen Corp. v. KAZ USA, Inc.*, the Federal Circuit concluded that the district court did not abuse its discretion in ruling on enhancement of damages without an

behavior of the accused infringer could not rise to the level of egregiousness required to award enhanced damages, removing the question of willful infringement from the case would likely save party and judicial resources. Such an approach may also save the jurors' time and prevent the jury from being improperly influenced by evidence that may not be relevant to the issues to be decided.

#### CONCLUSION

The Supreme Court's decision in *Halo* is an important reminder that enhanced damages are reserved for "egregious cases of culpable behavior."<sup>186</sup> As a result, patentees seeking enhanced damages should ensure that any willfulness claims are sufficiently pled and pursued. Conversely, accused infringers should consider whether to seek relief from the district court if the patentee fails to allege misconduct beyond typical, garden-variety infringement. Ultimately, district courts will bear the responsibility of continuing to serve in their gatekeeping role to ensure that any willful infringement claims are properly before the jury.

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underlying jury verdict and affirmed a post-trial denial of enhancement based on the district court's consideration of the *Read* factors. 725 F. App'x 959, 972 (Fed. Cir. 2018).

186. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1932 (2016).