

Infringing Patents With Knowledge

May 11, 2023

Amy Dachtler

Klarquist

In this CLE we will cover:

- Knowledge Requirement for 35 U.S.C. § 271(b) – Inducement of Patent Infringement
- Knowledge Requirement for 35 U.S.C. § 271(c) – Contributory Patent Infringement
- Willfulness Standard in Patent Infringement under 35 U.S.C. § 284

Direct Infringement

- Direct infringement is a strict-liability offense. A defendant's mental state is irrelevant. *Commil USA, LLC v. Cisco Sys. Inc.* 575 U.S. 632, 639 (2015)
- Direct infringement is a requirement for inducement, contributory infringement, and willfulness.
 - “It is axiomatic that ‘[t]here can be no inducement or contributory infringement without an underlying act of direct infringement.’” *In re Bill of Lading*, 681 F.3d 1323 (Fed. Cir. 2012) (citations omitted)

Knowledge Requirement is an Issue of Fact

- Inducement, Contributory Infringement, and Willfulness knowledge requirements are all issues of fact.
- Subjective intent element of induced infringement is a fact issue. *TecSec, Inc. v. Adobe Inc.*, 978 F.3d 1278 (Fed. Cir. 2020)
- Inducement and contributory infringement of a patent are issues of fact. *Bio-Rad Labs, Inc. v. ITC*, 998 F.3d 1320 (Fed. Cir. 2021)
- Entire decision of willfulness is a fact finder issue. *Exmark Manf. Co. Inc. v. Briggs & Stratton Power Prods. Grp., LLC*, 879 F.3d 1332 (Fed. Cir. 2018), citing *Halo*.

Inducement to Infringe §271(b)

Inducement to Infringe a Patent

35 U.S.C. § 271(b) states:

Whoever **actively induces** infringement of a patent shall be liable as an infringer.

Knowledge Requirement for Inducement – *Global-Tech*

Global-Tech Appliances, Inc. v. SEB S.A., 563 U.S. 754 (2011)

- The term “induce” when used with “actively” suggests inducement under §271(b) **“must involve the taking of affirmative steps to bring about the desired result.”**
- Prior to the Patent Act of 1952, contributory infringement was judicial doctrine and covered the conduct now addressed by § 271(b) and § 271(c).
- § 271(c) has a knowledge requirement. Inducement must too.

Knowledge Requirement for Inducement – *Global-Tech*

- Ambiguity for knowledge requirement – is it:
 - Merely that an inducer leads another to engage in conduct that happens to amount to infringement?
- OR
- Must the infringer persuade another to engage in conduct that the inducer knows is infringement?

Knowledge Requirement for Inducement – *Global-Tech*

- Holding: Induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.
- The Court in *Commil USA, LLC v. Cisco Systems, Inc.* (2015) clarifies the holding in *Global Tech*, that in an action for induced infringement, it is necessary for the plaintiff to show:
 - (1) that the alleged inducer knew of the relevant patent, and
 - (2) knew the induced acts were infringing.

Knowledge of the Patent – *Global-Tech*

- SEB invents a cool-touch deep fryer for home use, obtains a US Patent for its design, and later starts selling it in US. Commercially successful.
- Sunbeam asked Pentalpha (a Hong Kong maker of home appliances) to make it a deep fryer for home use.



Knowledge of the Patent – *Global-Tech*

- Pentalpha bought a SEB fryer in Hong Kong, knowing that the fryer was selling well in US.
- The foreign fryer did not have US Patent markings.
- Pentalpha copied SEB's design.
- Hired an attorney to conduct a right-to-use study, but did not tell the attorney the product was copied directly from an SEB product.
- Pentalpha claims it first knew of the SEB patent when Sunbeam was sued.

Knowledge of the Patent – *Global-Tech*

Pentalpha did not know about the patent. Did Pentalpha avoid inducement?

No.

Willful Blindness *Global-Tech*

- Doctrine is well established in criminal law.

Two basic requirements:

- (1) The defendant must *subjectively* believe that there is a high probability that a fact exists;
and
- (2) The defendant must take deliberate actions to avoid learning of that fact.

Pentalpha's Willful Blindness

- Pentalpha had filed US Patents and knew that foreign products would not likely be marked.
- Pentalpha copied SEB's design.
- Withheld from the attorney doing the right-to-use opinion that the product was copied directly from SEB product.

Global-Tech Recap

- Inducement to infringe a patent requires:
 - (1) Knowledge of the relevant patent
 - (2) Knowledge that the induced acts were infringing
- Willful Blindness suffices for actual knowledge (*Commil* clarifies it suffices for both (1) and (2))

Commil - Knowledge Induced Acts Were Infringing

Commil USA, LLC v. Cisco Systems, Inc., 575 U.S. 632 (2015)

- Cisco sought reexamination of the patent just before trial, and the PTO granted the request and confirmed validity of the patent at issue.
- As a defense to inducement, Cisco submits it had a good faith belief the patent at issue was invalid. District Court does not allow evidence.

Commil - Knowledge Induced Acts Were Infringing

Global-Tech decision issued after verdict finding induced infringement.

- Cisco appeals.
- Federal Circuit agreed with Cisco – it is “axiomatic that one cannot infringe an invalid patent.” Good-faith belief of invalidity may negate the requisite intent for induced infringement.

Commil - Knowledge Induced Acts Were Infringing

- Question to Supreme Court: Is a good-faith belief in invalidity a defense to induced infringement?

No.

- Infringement and invalidity are separate issues under the Patent Act, and belief regarding validity cannot negate knowledge and intent required under § 271(b).
- If a defendant could prevail by proving a reasonable belief that the patent was invalid, it would circumvent the presumption of validity and clear and convincing standard.

Commil Court – tools for invalidating patent

- File a declaratory judgment seeking invalidity
- Seek *inter partes* review at the PTAB
- Seek *ex parte* reexamination by PTO
- Raise affirmative defense of invalidity

Practice Issues - Using the Invalidity Tools

At what point does a tool of invalidity impact a finding of inducement?

- *United Therapeutics Corp. v. Liquidia Techs, Inc.*, C.A. No. 20-755 (RGA) (D. Del.) Liquidia requested *inter partes* review of relevant patent and Final Written Decision issued July 19, 2022, finding the patent unpatentable.
- District Court in a bench trial held defendant induced infringement (prior art invalidity was not tried). Final Judgment included a permanent injunction. Motion to stay injunction is pending.
- District Court held FWD does not cancel claims. Claims are cancelled when Director issues a certificate confirming unpatentability. “Therefore, I find that the PTAB’s decision – which is not yet final – has no impact on my finding of induced infringement.” *United Therapeutics Corp. v. Liquidia Techs., Inc.* 2022 WL 3910252 (D. Del. Aug. 31, 2022).
- UTC filed a Request for Rehearing, and PTAB again found all claims unpatentable.
- Appeal filed arguing Liquidia does not meet the subjective intent requirement for 271(b), **because it cannot intend to infringe when the PTO repeatedly held the relevant patent to be unpatentable.**

Power Integrations – Actual Inducement

Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 843 F.3d 1315 (Fed. Cir. 2016)

- Jury instruction appealed.
- Instruction required party to intend others to use products in a way that would infringe, but also instructed “that infringement need not have been actually caused by the party’s actions. All that is required is that the party took steps to encourage or assist that infringement, regardless of whether that encouragement succeeded, or was even received.”
- Federal Circuit – a finding of induced infringement requires actual inducement.

Power Integrations – Actual Inducement

- **Actual Inducement can be shown by circumstantial evidence -** Circumstantial evidence of inducement (e.g. advertisements, user manuals) directed to a class of direct infringers is sufficient to find inducement without requiring hard proof that any individual third-party direct infringer was actually persuaded to infringe by that material.
 - *Ericsson, Inc. v. D-Link Sys., Inc.* 773 F.3d 1201 (Fed. Cir. 2014) – Induced Infringement upheld where defendant **advertised compliance with an infringing standard.**
 - *Arthrocare Corp. v. Smith & Nephew, Inc.*, 406 F.3d 1365 (Fed. Cir. 2005) – Induced infringement affirmed where defendant distributed **sales literature and manuals that instructed how to use product in infringing manner.**

Inducement Elements – Circumstantial Evidence

- **Direct Infringement Can be Proven by Circumstantial Evidence:**
 - *C.R. Bard Inc. v. AngioDynamics, Inc.*, 979 F.3d 1372 (Fed. Cir. 2020) - **Instructional materials** provided by defendant that directed medical providers to perform each step of the claimed methods. Also, **representations made by defendant to customers and FDA of device capabilities constituted evidence of those capabilities**, they did not have to be shown by independent testing by plaintiff.
 - *Toshiba Corp. v. Imation Corp.*, 681 F.3d 1358 (Fed. Cir. 2012) – “Where an alleged infringer designs a product for use in an infringing way and instructs users to use the product in an infringing way, there is sufficient evidence for a jury to find direct infringement.”
- *Vita-mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317 (Fed. Cir. 2009) – Example of instructing away from infringement. Defendant changed product instructions to teach noninfringing method once had knowledge of patent. No inducement.

Power Integrations – Elements of Induced Infringement

- Federal Circuit in *Power Integrations* clarifies the elements of inducement.

Patentee must prove:

- (1) A third party directly infringed the asserted claims of the patent(s);
- (2) Defendant induced those infringing acts; and
- (3) Defendant knew the acts it induced constituted infringement.

TecSec – Subjective Intent

TecSec, Inc. v. Adobe Inc., 978 F.3d 1278 (Fed. Cir. 2020)

- TecSec stipulated that neither Adobe nor its users infringed the patents at issue based on claim construction issued March 3, 2011 (reserving the right to appeal).
- In October 2013, Federal Circuit reversed the claim construction and remanded for further proceedings.
- Adobe does not get free pass on good faith reliance of noninfringement.
- Adobe may have *subjectively* believed that the claim construction was incorrect, even if the construction was objectively reasonable, and thus had requisite intent for inducement.
- It's a question of fact.

When Does Inducer Have to Have Knowledge?

Complaint Suffices for Knowledge (majority view):

- *Merrill Mfg. Co. v. Simmons Mfg. Co.*, 553 F. Supp. 3d 1297 (N.D. Ga. 2021) (post-suit knowledge satisfies the knowledge element of indirect infringement)
- *Rembrandt Social Media, LP v. Facebook, Inc.*, 950 F. Supp. 2d 876 (E.D. Va. 2013)
- *Walker Digital, LLC v. Facebook, Inc.*, 852 F. Supp. 2d 559 (D. Del. 2012) (a defendant's receipt of the complaint and decision to continue conduct is enough to plead inducement)

Pre-Suit Knowledge is required (minority view):

- *Proxyconn Inc. v. Microsoft Corp.*, 2012 WL 1835680 (C.D. Cal. May 16, 2012)
- *Brandywine Commc'ns Techs., LLC v. T-Mobile USA, Inc.*, 904 F. Supp. 2d 1260 (M.D. Fla. 2012) (knowledge gained from the complaint is insufficient and irrelevant for indirect infringement)

Who Needs to Know? What is Sufficient for Knowledge?

Product Marking

- *Longhorn Vaccines & Diagnostics, LLC v. Spectrum Solutions LLC*, 564 F. Supp. 3d 1126 (D. Utah 2021)
 - Little if any support of knowledge, where complaint lacks reference to party's familiarity with product. Not enough to support actual knowledge of asserted patents alone.

Notice to Individual Employees?

- *Wrinkl, Inc. v. Facebook, Inc.*, 2021 WL 4477022 (D. Del. Sept. 30, 2021)
 - E-mail to Facebook VP including patent number and a link to a video describing the technology sufficient to survive MTD where VP responded acknowledging receipt and would discuss with team.
- *Allvoice Developments U.S., LLC v. Microsoft Corp.*, 988 F. Supp. 2d 1248 (W.D. Wash. 2013)
 - Inventor on patent met with manager responsible for developing technology and said there were patents applications. Once issued, informed manager of patents and an infringement complaint against another company. Manager said he never reviewed patents and did not know what technology was covered.
 - Held – Knowledge of patent, but no knowledge that induced acts constituted patent infringement

Who Needs to Know? What is Sufficient for Knowledge?

Citation in your patent application?

- *BillJCo, LLC v. Apple Inc.*, 583 F. Supp. 3d 769 (W.D. Tex. 2022)
 - Cited patent in application can be an inference of knowledge.
 - The Court will not, however, establish a rule that notice of one patent in a portfolio or large family constitutes constructive notice of every patent in that portfolio or family.
- *Longhorn Vaccines & Diagnostics, LLC v. Spectrum Solutions LLC*, 564 F. Supp. 3d 1126 (D. Utah 2021)
 - Cites a string of cases supporting Court's finding that an IDS citing the asserted patents supports an inference that the party submitting the IDS had knowledge of the patents.
 - Cites a separate string of cases holding that citing patents in an IDS fails to show knowledge of the patents when plaintiff fails to show how the accused infringer was connected to the IDS and patent prosecution (e.g., disclosure of a patent in prosecution by a subsidiary not sufficient).

Roche – Labels, Contracts, and Inducement

Roche Diagnostics Corp. v. Meso Scale Diagnostics, LLC, 30 F.4th 1109 (Fed. Cir. 2022)

- 1995 - Meso formed as joint venture between IGEN and Meso Scale Tech. JV includes license to relevant patents for ECL technology.
 - ... Lots of licensing and agreements take place.
- BioVeris is formed as a subsidiary and holds all of the relevant patents.
- 2007 – A Roche affiliate acquired BioVeris and its 100+ patents.
 - Roche Press Release – Roche now owns the complete patent estate of ECL technology and can provide unrestricted access to all customers.
 - Letter to Customers – Roche prepares a customer letter saying the field restriction labels were “now obsolete” and would soon be removed, but in the meantime “please ignore the restrictions.”
 - Removes field restriction from labels.

Roche – Labels, Contracts, and Inducement

- Roche brings DJ that it doesn't infringe Meso's rights arising from 1995 JV. Meso counterclaims for patent infringement, including inducement.
- Jury finds Meso holds exclusive license to patent claims, Roche directly infringes some claims, induces infringement of others, and infringement was willful.
- The district court made clear that "Roche's interpretation of the operative contracts was entirely reasonable," even though the jury sided with Meso. Grants JMOL of no willfulness.

Roche – Labels, Contracts, and Inducement

- Federal Circuit Reverses - No inducement.
- 2 reasons:
 - (1) Absence of intent, and
 - (2) Absence of inducing act during damages period.
- Absence of intent to induce -
 - Roche reasonably interpreted contract provisions,
 - Roche lacked subjective intent to infringe or induce infringement.

Roche – No inducing act during damages period

- Per 35 U.S.C. § 286, there's no recovery for infringement more than six years prior to bringing suit.
- In this case, damages period began in 2011.
- What the Federal Circuit considered Roche's inducing activity – the press release, customer letter, and decision to stop putting field-restrictions on the labels – happened in 2007.

Roche – No inducing act during damages period

- District Court – Even though the acts occurred before the damages period, they had a “continued impact” into the damages period and induced third parties to infringe.
- Federal Circuit – No cite or points of authority support “continuing-impact” standard. Also, in tension with *Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345 (Fed. Cir. 1985) (No damages recovery for inducement where Nippon performed all activity prior to six years before infringement suit was brought).

Roche – No inducing act during damages period

- Meso argued – Roche committed inducing acts during the relevant period when it sold products without the field-restriction label.
- Federal Circuit – “But sales without restricting labels are not acts of inducement where, as here, the products have both in-field (non-infringing) and out-of-field (infringing) applications.”
 - *Takeda Pharmaceuticals U.S.A., Inc. v. West-Ward Pharmaceutical Corp.*, 785 F.3d 625 (Fed. Cir. 2015) (“[A] generic manufacturer may avoid infringement by proposing a label that does not claim a patented method of use, ensuring that ‘**one patented use will not foreclose marketing a generic drug for other unpatented ones.**’”)
 - *Sanofi v. Watson Labs. Inc.*, 875 F.3d 636 (Fed. Cir. 2017) (**Substantial Noninfringing Use Doesn’t Shield Inducement**)
- Lack of evidence of reliance on inducing activity – no evidence that any customers relied on 2007 activities or omission in label.

Inducement Takeaways

- Issue of fact that goes to jury.
- Fact intensive and can be proven with circumstantial evidence.
- Opinion letters – noninfringement, get them early. Contract provisions at issue?
- Now that you know of the patent, do instructions or labels for your product instruct an infringing use? Consider changing your instructions to demonstrate a noninfringing use. *See Vita-mix.*
- Patent Holders – send letters to infringing party to start the knowledge clock. Understand what requirements might be necessary in your jurisdiction to satisfy knowledge.
- Is the relevant patent cited in an IDS in any of your prosecuted patent applications?

Contributory Infringement

Contributory Infringement – 35 U.S.C. § 271(c)

- 35 U.S.C. § 271(c) states:

Whoever offers to sell or sells within the United States or imports into the United States **a component of a patented machine, manufacture, combination or composition, or a material or apparatus** for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

A Service is not Contributory Infringement

- “A party that provides a service, but no ‘material or apparatus,’ cannot be liable for contributory infringement.” *Cleveland Clinic Foundation v. True Health Diagnostics LLC*, 859 F.3d 1352, 1363 (Fed. Cir. 2017)
- Testing Service - Lab reports were how True Health reported results of the testing service. They were not a material or apparatus per §271(c).
- Can be subject to liability under § 271(b), but no connection between True Health and doctors that might prescribe infringing medication.
- “The mere knowledge of possible infringement by others does not amount to inducement; specific intent and action to induce infringement must be proven.”

Contributory Infringement – 35 U.S.C. § 271(c)

- 35 U.S.C. § 271(c) states:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, **knowing the same to be especially made or especially adapted for use in an infringement of such patent**, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

Contributory Infringement Knowledge Requirement

- “[C]ontributory infringement requires ‘only proof of a defendant’s *knowledge*, not *intent*, that his activity cause infringement.’” *Lifetime Industries, Inc. v. Trim-lok, Inc.* 869 F.3d 1372 (Fed. Cir. 2017).
- *Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325 (Fed. Cir. 2008) indicates the intent requirement for contributory infringement addressed through the substantial noninfringing uses defense.

Contributory Infringement – 35 U.S.C. § 271(c)

- 35 U.S.C. § 271(c) states:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for **substantial noninfringing use**, shall be liable as a contributory infringer.

Ricoh – Separate Components not a Noninfringing Use

Ricoh Co., Ltd. v. Quanta Computer Inc., 550 F.3d 1325 (Fed. Cir. 2008)

- Technology – CD and DVD rewrite technology
- Quanta drives *use separate hardware* and embedded software modules to perform the patented processes and the noninfringing uses.
- District Court - No contributory infringement because accused devices are capable of noninfringing uses.
- Federal Circuit - Vacates and remands summary judgment of no contributory infringement. **A party cannot avoid §271(c) by bundling it together with a separate noninfringing component before being distributed.**

Ricoh – Separate Components not a Noninfringing Use

One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention.

- Citing H.R.Rep No. 82-1923 (1952)

Quanta could not sell the bare component, so can't sell it bundled with other features.

Substantial noninfringing use exception of § 271(c) addressed intent to infringe.
“One who sells a product containing a component that has no substantial noninfringing use in that product *does so with the intent that the component will be used to infringe.*”

Vita-mix – Substantial Noninfringing Uses

Vita-mix Corp. v. Basic Holding, Inc., 581 F.3d 1317 (Fed. Cir. 2009)

- What does it mean to be a substantial use?
- **“Noninfringing uses are substantial when they are not unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.”**
- Existence of noninfringing uses defeats claim for contributory infringement here.

Vita-mix – Substantial Noninfringing Uses

- Basic's blenders have an opening that can be covered with a flat cap or can receive a stir stick.
- Additional features don't count as a noninfringing use. "The cap is an additional feature, and Basic cannot escape liability by simply including the cap with an otherwise infringing blender."
- However, there were features that were part of the blender's ball and socket joint, including a rubber o-ring and interrupted ribbing that are directly related to the use of the stir stick in a noninfringing manner.



Toshiba – Substantial Noninfringing Use

Toshiba Corp. v. Imation Corp., 681 F.3d 1358 (Fed. Cir. 2012)

- Affirms no contributory infringement - product had a substantial noninfringing use.
- Burden is on plaintiff to plead and prove lack of substantial noninfringing use for the accused product.
- Toshiba presented no survey, expert, or other evidence showing the frequency of noninfringing use.
- Accused DVDs met industry standards, which were capable of infringing. Infringement occurs in order to use DVDs in different machines. Instructions recommended infringement and sometimes even recommended against noninfringing action.
- Appellees argue evidence shows users sometimes choose not to perform infringing steps, e.g., so they can continue recording on the DVD.

i4i – Not Substantial (noninfringing use)

i4i Ltd. Partnership v. Microsoft Corp., 598 F.3d 831 (Fed. Cir. 2010)

- Contrast *Toshiba* with *i4i*, who puts forth Dr. Rhyne as technical expert to opine that Microsoft's alternative noninfringing uses were not substantial.
- Rhyne explained that saving a document in the noninfringing, binary format deprived users of the very benefit XML was intended to provide.
- In assessing whether an asserted noninfringing use was “substantial,” the **jury was allowed to consider** not only the **use's frequency**, but also the **use's practicality**, the **invention's intended purpose**, and the **intended market**.
- “Here, the jury heard ample testimony that the noninfringing, binary file format was not a practical or worthwhile use for the XML community, for which the custom XML editor was designed and marketed.”

Contributory Infringement Takeaways

- Find out early in discovery what opposing party proposes as specific noninfringing uses.
- Provide expert testimony with support for position that noninfringing uses are not substantial.
- If defending against allegation of contributory infringement, compile list noninfringing uses of product sold. Gather survey or evidence of practice of the noninfringing uses.
- Get opinion of noninfringement (if applicable) since a reasonable and good faith belief of noninfringement negates the knowledge requirement for contributory infringement.

35 U.S.C. § 271(f)(1)

Whoever without authority supplies or causes to be supplied in or from the United States **all or a substantial portion of the components** of a patented invention, where such components are uncombined in whole or in part, in such manner as to **actively induce** the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

- **A single component is not a substantial portion** of a multicomponent invention. *Life Technologies Corp. v. Promega Corp.*, 580 U.S. 140 (2017).
- **Software** in the abstract (detached from medium) **is not a component** for 271(f). A master copy of the software sent to a foreign manufacturer for copying and installation abroad, is not within 271(f)(1). *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007)

35 U.S.C. § 271(f)(2)

Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and **not a staple article or commodity of commerce suitable for substantial noninfringing use**, where such component is uncombined in whole or in part, **knowing** that such component is so made or adapted and **intending that such component will be combined** outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

- **No direct infringement required** - Does not require actual assembly of infringing product, just intention that component will be combined into one. *Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364 (Fed. Cir. 2001).
- Knowledge and Intent requirement (open issue) – Maybe more than mere “knowledge” but less than “active inducement.”

35 U.S.C. § 284
Enhanced Damages and Willfulness

Section 284 of the Patent Act

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event **the court may increase the damages up to three times the amount found or assessed**. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

Halo – Preponderance of the Evidence Standard

Halo Electronics, Inc. v. Pulse Electronics, Inc., 579 U.S. 93 (2016)

- Prior to *Halo*, the *Seagate* test determined whether damages may be increased under § 284. Too rigid. Too restrictive. Clear and convincing evidence standard too high.
- Citing *Octane Fitness* analysis of attorney’s fees under § 285 instructive - § 284 imposes no specific evidentiary burden, much less such a high one.
- “[P]atent infringement litigation has always been governed by a preponderance of the evidence standard.’ Enhanced damages are no exception.”

Halo – Enhanced Damages Sanction for Egregious Behavior

- “The ***subjective willfulness*** of a patent infringer, **intentional or knowing**, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.”
- “Awards of **enhanced damages** under the Patent Act ... 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.**”

SRI International Cases - Willfulness

SRI International, Inc. v. Cisco Systems, Inc., 930 F.3d 1295 (Fed. Cir. 2019)

- **No willfulness prior to knowledge of patent.**

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

- Inducement was found. Based on jury instructions for inducement - Cisco knew of the patent, took action to encourage its customers to infringe, and knew that its customers actions (if taken) would infringe. JMOL of no willfulness.
- Inducement + unreasonable invalidity and noninfringement positions by Cisco made jury finding of willfulness supported by substantial evidence.
- **“Under *Halo*, the concept of ‘willfulness’ requires a jury to find no more than deliberate or intentional infringement.”**
- Compare with *Bayer Healthcare LLC v. Baxalta Inc.*, 989 F.3d 964 (Fed. Cir. 2021) (knowledge of patent and proof of direct infringement not enough for willfulness state of mind).

Willfulness v. Enhanced Damages

- Fact finder determines willfulness, but judge uses discretion to enhance damages. Judge must consider the particular circumstances of the case.
 - “An award of enhanced damages does not necessarily flow from a willfulness finding.” *SRI* (Fed. Cir. 2021).
- **Willfulness - deliberate or intentional infringement.** *Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.*, 946 F.3d 1367 (Fed. Cir. 2020)
- **Enhancement - willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or –indeed– characteristic of a pirate.**
- *Ironburg Inventions Ltd. v. Valve Corp.*, 64 F.4th 1274 (Fed. Cir. Apr. 3, 2023) (affirming judgment)
 - Willfulness Found – In-house counsel received notification of patent but did not share with engineers. Willfulness may be found. Deliberate or reckless disregard of patent rights.
 - No Enhanced Damages – No evidence of copying. Only one claim known pre-suit was later declared invalid by PTAB.

Read Factors from Sunoco Court

Sunoco Partners Marketing & Terminals L.P. v. U.S. Venture, Inc., 32 F.4th 1161 (Fed. Cir. 2022)

- Nonexclusive factors to guide enhancement analysis
- District courts not required to discuss them
- Depends on circumstances of the case – keeping it non-rigid

Read Factors Can Guide Enhancement Analysis

- (1) deliberately copied ideas or design of another
 - (2) infringer investigated the scope of the patent and formed a good-faith belief that it was invalid or not infringed.
 - (3) behavior as a party to the litigation
 - (4) defendant's size and financial condition
 - (5) closeness of the case
 - (6) duration of misconduct
 - (7) remedial action by the defendant
 - (8) motivation for harm
 - (9) attempt to conceal misconduct
- Acts of litigation misconduct alone are not sufficient to increase damages because they are not related to the underlying act of infringement and say nothing about the culpability of the infringer.

Opinions of Counsel

- **Relevant for willfulness** - “As to willfulness, an accused infringer’s reliance on an opinion of counsel regarding noninfringement or invalidity of the asserted patent remains relevant to the infringer’s state of mind post-*Halo*.” *Omega Patents, LLC v. CalAmp Corp.*, 920 F.3d 1337 (Fed. Cir. 2019)
- **Invalidity opinions are relevant** but not dispositive in determining willfulness. Here, defendant knew of patent and intentionally copied patentee’s product. State of mind of defendant is issue of fact for jury. *C R Bard Inc. v. Angiodynamics*, 979 F.3d 1372 (Fed. Cir. 2020)

Opinions of Counsel - Competency

- But an opinion of counsel “must be *competent* or it is of little value in showing the good faith belief of the infringer.” *Sunoco*
- Considerations for “competency”:
 - Were they oral or written opinions – *Golden Blount* 438 F.3d 1354 (Fed. Cir. 2006)
 - When opinions were sought in light of when the patents were known to the infringer.
 - Whether from in-house or outside counsel – objectivity of counsel – *SRI v. Adv. Tech Labs*, 127 F.3d 1462 (Fed. Cir. 1997)
 - How detailed is the analysis? What were the materials considered?
 - Were materials intentionally withheld?

§ 298 – No Opinion of Counsel is Not Evidence of Inducement or Willfulness

35 U.S.C. § 298 (enacted in 2013) states:

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, 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 the patent or that the infringer intended to induce infringement of the patent.

Takeaways

- Be aware of jury instructions. Do they tie willfulness to a finding of inducement?
- Get opinions close in time to learning about patent.
 - A belief of invalidity is still a factor to be considered for willfulness.
 - A belief of noninfringement can defend against inducement, contributory infringement, and willfulness.
- Check out Klarquist Patent Defenses Tool: <https://klarquist.com/patent-defenses/>

Thank You

Klarquist
