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The Post-Halo Shift from Willfulness to Read

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For years, it was fairly common for defendants in patent infringement lawsuits to rely on noninfringement or invalidity opinions to decrease their odds of being ordered to pay enhanced damages under 35 USC § 284. Then the Federal Circuit's *In re Seagate* case all but eliminated that practice for the better part of a decade.

Now, more than a year and a half after the US Supreme Court's decision in *Halo Electronics v. Pulse Electronics*, it appears that relying on a noninfringement or invalidity opinion is once again a helpful strategy in avoiding enhanced damages under Section 284. *Halo* seems to have shifted the Section 284 battleground from "Was the infringement willful?" to "Are enhanced damages warranted based on the nine factors set forth in the Federal Circuit's 1992 *Read v. Portec* decision?" This article outlines the post-*Halo* shift from willfulness to *Read*.

The Halo Decision

The US Supreme Court's June 2016 *Halo* decision focused on Section 284 and willful infringement. Under Section 284, courts may enhance damages for patent infringement "up to three times the amount found or assessed." *Halo* rejected the Federal Circuit's *Seagate* test for willful infringement and made three noteworthy holdings:

1. District courts may award enhanced damages to punish egregious conduct irrespective of whether the conduct was objectively reckless.
2. The burden of proving willful infringement is the preponderance-of-the-evidence standard, not the clear-and-convincing-evidence standard.
3. Whether an infringer acted willfully depends on its state of mind at the time of the infringement; legal positions developed later in litigation are not relevant.

Notably, *Halo* also emphasized the district courts' discretion in deciding whether to enhance damages:

[N]one of this is to say that enhanced damages must follow a finding of egregious misconduct. As with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount.

Post-Halo Lower Court Decisions

Lower courts' approach to applying *Halo* is captured well in this quote from the Federal Circuit's September 2016 *WesternGeco v. Ion Geophysical* decision: "[T]he Court stressed throughout *Halo* that, if willfulness is established, the question of enhanced damages must be left to the district court's discretion."

In other words, courts have asked the following two questions in determining whether to enhance damages under Section 284:

1. Was the infringement willful?
2. If so, do the facts of the case warrant enhancing damages?

The first question is generally for the jury, and the second is for the court.

Since *Halo*, there have been many findings of willful infringement and motions for enhanced damages under Section 284. In deciding whether to enhance damages, district courts have considered the following nine *Read* factors:

1. Did the infringer deliberately copy the ideas or design of the patent?
2. When the infringer learned of the patent, did it investigate the scope of the patent and form a good-faith belief that it was invalid or not infringed?
3. How did the infringer behave as a party to the litigation?
4. What is the infringer's size and financial condition?
5. How close was the infringement case?

6. What was the duration of the infringement?
7. Did the infringer take any remedial action?
8. Was the infringer motivated to harm the patentee?
9. Did the infringer attempt to conceal its misconduct?

District courts have noted that the *Read* factors are non-exclusive guideposts and that the touchstone is whether the infringer's conduct was egregious.

Noninfringement and invalidity opinions are relevant under the second *Read* factor. Here are quotations from post-*Halo* district court cases that awarded enhanced damages based, in part, on a lack of evidence that the infringer assessed patent infringement risk before moving ahead with the infringing activity:

- “[I]t is incomprehensible that counsel would refrain from issuing a written opinion of no infringement or invalidity to his client at or near the time that [the infringer] launched the accused products. No reasonable explanation for this highly unusual practice was offered by [the infringer].”¹
- “[A]lthough [the infringer] argues it investigated the scope of each of the subject patents and formed a good faith belief in its defenses, it provides no evidence to support a finding to such effect”²
- “[The infringer] presented no evidence that it investigated the scope of [the patentee’s] patents to form a good faith belief about invalidity or infringement prior to trial, let alone at the time it learned about the patents.”³
- “The evidence does not support a finding that Defendants investigated the scope of [the patentee’s] patent rights, made any attempt to design around the asserted patents or had a good faith belief of noninfringement.”⁴
- “[T]here is no evidence that [the infringer] investigated the scope of [the patentee’s] patent or formed a good-faith belief that the patent was invalid and that it was not infringed.”⁵

35 USC § 298

In addition, *Halo*'s lower standard for proving willful infringement and the resulting shift in battleground to the damages enhancement determination and the *Read* factors have undermined 35 USC § 298. Section 298 was added as part of the 2011 America Invents Act and states:

ADVICE OF COUNSEL. 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

Such failures may not be used to prove willful infringement—the first Section 284 question noted above. But they certainly have been relevant to the second Section 284 question. Post-*Halo* district courts have considered the failure to obtain the advice of counsel and to offer that advice as evidence under the second *Read* factor in determining whether to enhance damages. Such failures have been viewed as part of the totality of the circumstances.

Conclusion

For patent infringement defendants, noninfringement and invalidity opinions are more helpful for avoiding enhanced damages under Section 284 after *Halo* than they were before. As always, they can help convince a jury that any infringement was not willful. But such opinions are even more important in convincing district courts that enhanced damages are not warranted. According to the second *Read* factor, having a noninfringement or invalidity opinion weighs against enhancement, and not having one weighs in favor of enhancement.

1. *Omega Patents, LLC v. Calamp Corp.*, No. 13-cv-1950 (M.D. Fla. Apr. 5, 2017).
2. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, No. 09-cv-05235 (N.D. Cal. Jan. 13, 2017).
3. *Stryker Corp. v. Zimmer, Inc.*, No. 1:10-CV-1223 (W.D. Mich. July 12, 2017).

4. *NobelBiz, Inc. v. Global Connect, L.L.C.*, No. 12-CV-244 (E.D. Tex. Oct. 27, 2016).
5. *Innovation Toys, LLC v. MGA Entm't, Inc.*, No. 07-6510 (E.D. La. Mar. 8, 2017).