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Client Alert **Intellectual Property**

Willful Infringement Will Now Be Harder to Prove

On June 14, 2012, the U.S. Court of Appeal for the Federal Circuit issued a decision that significantly altered the law pertaining to the question of willful infringement. Specifically, the Federal Circuit ruled that the threshold objective component of the controlling two-prong test for willful infringement is a question of law to be decided by the judge, not the jury. The Court's ruling effectively makes the trial court the gatekeeper for the issue of willful infringement, allowing the ultimate issue of willfulness to be decided by the jury only if there is a finding by the trial court judge that the infringer was objectively reckless. The Court's ruling should have the practical effect of preventing many willful infringement allegations from ever being presented to the jury. However, this new standard may prove to be a double-edged sword for patentees and accused infringers. On one hand, it will be more challenging for a patentee to demonstrate that infringing activities have been willful. Yet, if the judge finds that the accused infringer was objectively reckless as a matter of law, it is difficult to envision the jury returning a verdict that infringement was not also willful.

Background – Willful Infringement

In a patent infringement case, upon a finding that infringement was willful, a court has discretion to enhance damages by up to a factor of three, and also award the patentee its attorney fees. *See, e.g.,* 35 U.S.C. §§ 284, 285. Up until 2007, an accused infringer had "an affirmative duty to exercise due care" that activities were not infringing the valid patent rights of another. This duty of due care standard approached simple negligence. Thus, once there was a finding of infringement, it was relatively easy for

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the trier of fact, particularly a jury, to conclude that the adjudged infringer's activities were also negligent and that infringement was therefore willful.

In 2007, the Federal Circuit overruled the duty of care standard that had guided patentees, potential infringers, litigants, and courts for over twenty years. In its place, the Federal Circuit, in *In re Seagate Technology, L.L.C.,* adopted a heightened standard for demonstrating willful infringement. To satisfy this new standard, the Federal Circuit articulated a two-prong test having both objective and subjective components. The objective prong of this test required clear and convincing evidence that the accused infringer "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." Once this threshold determination of objective recklessness was satisfied, the willfulness analysis shifted to the infringer's subjective knowledge, requiring the patentee to "demonstrate that this objectively-define risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer."

Post-*Seagate* decisions have found that reasonable claim construction arguments supporting non-infringement and legitimate defenses to infringement claims and credible invalidity arguments tend to demonstrate that there was no objective recklessness on the part of the accused infringer. Courts have also held that evidence such as the accused infringer's knowledge of the asserted patent, copying the patented invention, requests to license the asserted patent, or the failure to obtain an exculpatory opinion of counsel could be used to satisfy the subjective prong of *Seagate.*

The Federal Circuit's New Standard for Willful Infringement

In 2003, Bard Peripheral Vascular ("Bard") sued W.L. Gore & Associates, Inc. ("Gore") for infringing a patent directed to vascular grafts. In 2010, a jury found that Gore willfully infringed Bard's patent and awarded damages of approximately $185 million. The trial court doubled that amount and also awarded over $19 million in attorney fees because of the jury's finding that Gore's infringement was willful. On appeal, over a strongly worded dissent, a panel majority of the Federal Circuit affirmed, *inter alia,* the finding of willful infringement and the award of enhanced damages. In particular, the majority found that Bard had presented "substantial evidence to satisfy both prongs of the *Seagate* standard" supporting the jury's finding of willfulness. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.,* 670 F.3d 1171 (Fed. Cir. 2012).

Gore petitioned for rehearing and rehearing *en banc,* challenging, *inter alia,* the panel majority's willfulness analysis. The Federal Circuit denied full *en banc* review, but granted Gore's petition "for the limited purposed of authorizing the panel to revise the portion of its opinion addressing willfulness."

On June 14, 2012, in a 2-1 decision, the original panel reiterated that the ultimate question of willful infringement remained a question of fact. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.,* No. 2010-1510, slip op. at 5 (Fed. Cir. June 14, 2012). The Court also determined that the trial court failed to consider the objective prong of willfulness as "a separate legal test" from *Seagate's* subjective prong, and held that:

> the court is in the best position for making the determination of reasonableness. The court therefore holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review. *Id.* at 6-7.

The Court concluded that:

> the ultimate question of whether a reasonable person would have considered there to be a high likelihood of infringement of a valid patent should always be decided as a matter of law by the judge. *Id.* at 9.

Practical Implications

Since willful infringement has always been treated as a question of fact, post-*Seagate* trial courts had permitted juries to evaluate both the objective and subjective components of *Seagate* in deciding the ultimate question of willful infringement. Although evidence supporting or refuting the objective prong often involved consideration of the reasonableness of the parties' claim construction arguments, trial courts routinely precluded arguments regarding competing claim construction positions from being presented to the jury. Additionally, juries often failed to appreciate or understand the subtle nuances relating to the reasonableness of the accused infringer's invalidity or non-infringement defenses. Further, it was easy for juries to conflate the distinct types of evidence relevant to both the objective or subjective prongs of *Seagate,* or simply disregard evidence supporting the threshold objective prong, and focus instead on the more understandable and seemingly incriminating evidence supporting the subjective prong (*e.g.,* the accused infringer's state of mind, knowledge of the asserted patent, copying, or innocent requests for a license) in arriving at the ultimate decision on willfulness.

The Federal Circuit's recent decision in *Bard* will have several practical implications for litigants. For example, it is difficult to dispute that, compared to a jury, the court is better equipped to evaluate the reasonableness of the parties' claim construction arguments and the accused infringer's invalidity and non-infringement defenses.

Because under *Bard,* the threshold objective prong of willfulness is a separate legal inquiry, this evidence, should be given its appropriate weight and not overlooked or minimized when being considered by the court. Additionally, as opposed to a jury, the court is less apt to allow evidence of the accused infringer's state of mind, knowledge of the asserted patent, requests for a license, or copying to enter into the evaluation of the threshold objective prong of *Seagate*. Further, based upon the Federal Circuit's holding in *Bard*, trial court judges may also now be more inclined to dispose of a willful infringement allegation on summary judgment, particularly where the parties' respective claim construction arguments, a question of law, are close. In those situations in which summary judgment is inappropriate because an accused infringer's invalidity defenses are based on a question of fact, such as anticipation, or a legal question with underlying factual issues, such as obviousness, a finding of willfulness may be less likely to survive a post-verdict JMOL motion when the jury is permitted to resolve the underlying facts relevant to the infringer's defense in the first instance.

Litigants must be cognizant of the Federal Circuit's holding in *Bard*, and the dramatic impact this decision will have on the law of willful infringement. Because the threshold inquiry of objective recklessness is now a question of law, it will be more difficult for a patentee to prevail on the issue of willful infringement at trial. At the same time however, once a patentee is able to demonstrate that the accused infringer's activities were objectively reckless as a matter of law, a finding of willful infringement by the jury may be a foregone conclusion.

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