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The author traces the willful infringement standard, including the impact of a recent Federal Circuit ruling that the standard's objective recklessness prong is a question of law.

The Evolution of the Standard for Establishing Willful Infringement—After Five Years the Objective Recklessness Component of *Seagate* Is Now a Question of Law



BY JOHN T. GALLAGHER

For years, in an attempt to satisfy the “affirmative duty of due care” standard that immunized accused infringers against a finding of willful infringement and the imposition of enhanced damages, a party accused of patent infringement often relied upon an exculpatory opinion of counsel. See *SRI International Inc. v. Advanced Technologies Laboratories Inc.*, 127 F.3d 1462, 1468, 44 USPQ2d 1322 (Fed. Cir. 1997) (“Prudent behavior generally requires that competent

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legal advice was obtained before the commencement of the infringing activity.”); *Read Corp. v. Portec Inc.*, 970 F.2d 816, 828, 23 USPQ2d 1426 (Fed. Cir. 1992) (“affirmative duty normally entails obtaining advice of the legal counsel”).

In a series of en banc decisions in 2004, the Federal Circuit began to address the application of the “opinion of counsel” defense, and to redefine the standard controlling the willful infringement inquiry. See, e.g., *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 72 USPQ2d 1560 (Fed. Cir. 2004) (68 PTCJ 529, 9/17/04) (eliminating the negative or adverse inference arising when an accused infringer decided not to rely upon, or failed to obtain, an opinion of counsel); *In re EchoStar Communications Corp.*, 448 F.3d 1294, 78 USPQ2d 1676 (Fed. Cir. 2004) (72 PTCJ 39, 5/12/06) (clarifying the waiver associated with the opinion of counsel defense).

In 2007, with monetary awards in patent disputes escalating dramatically and congressional efforts to statutorily control the impact of willful infringement allegations on patent litigation gaining momentum, the Federal Circuit decided to revisit the legal standard for willful infringement. It was believed that the Federal

Circuit would use this opportunity to reign in excessive damage awards by making it more difficult for a patentee to prevail on the issue of willful infringement, and by clarifying the standard for establishing willful infringement.

The Federal Circuit's decision, *In re Seagate Technology LLC*, 497 F.3d 1360, 83 USPQ2d 1865 (Fed. Cir. 2007) (74 PTCJ 491, 8/24/07) (en banc), did make it more challenging to prove willful infringement by replacing the "affirmative duty of due care" standard, which had guided patentees, potential infringers, litigants, and courts for more than two decades, with a two-prong test, having separate objective and subjective components. However by the court's own admission, the *Seagate* decision failed to resolve the legal criteria for evaluating whether infringement was willful. In fact, the Federal Circuit expressly acknowledged that it would be incumbent upon future courts to provide the necessary framework to govern the analysis of willful infringement under the new two-prong test of *Seagate*.

Over the last five years, there has been considerable uncertainty regarding the contours of *Seagate's* two-prong test. Litigants, trial courts, as well as the Federal Circuit, have struggled with procedural issues surrounding the application of *Seagate*. This struggle was particularly evident in cases where it was left to the jury to decide whether a party, already found to have infringed the asserted patent, also acted willfully.

On June 14, the Federal Circuit held that the determination of the threshold objective prong of *Seagate* will no longer be decided by the jury. *Bard Peripheral Vascular Inc. v. W.L. Gore & Associates Inc.*, 682 F.3d 1003, 103 USPQ2d 1008 (Fed. Cir. 2012) (84 PTCJ 309, 6/22/12). Instead, objective recklessness will now be a question of law to be decided by the trial court judge, subject to de novo review on appeal. After only five years, the Federal Circuit has again significantly altered the legal standard for establishing willful infringement.

This time, however, the court has provided the guidance that was originally absent in its en banc *Seagate* decision. The Federal Circuit's recent ruling effectively makes the trial court the gatekeeper for the willful infringement inquiry, allowing the ultimate decision regarding willfulness to rest in the hands of the jury only if the court rules that an adjudged infringer was objectively reckless as a matter of law.

It will take some time before the full impact of this latest change in the legal standard for establishing willful infringement is seen by patentees and accused infringers. However, the Federal Circuit's new willfulness standard will likely develop into a double-edged sword. On one hand, it is believed that the Federal Circuit's ruling will make it more difficult for a patentee to demonstrate that an infringer's activities have been willful since the trial court may prevent many allegations of willfulness from ever being reaching the jury. However, should the trial court judge determine that an adjudged infringer's actions were objectively reckless as a matter of law, it would appear that most juries will be hard pressed, after first finding infringement, to then return a verdict that infringement was not also willful.

I. BACKGROUND

A. ENHANCEMENT OF DAMAGES

In a patent infringement action, the court has statutory discretion to enhance patent damages and may in-

crease damages by up to three times the amount awarded. 35 U.S.C. § 284 ("[T]he court may increase the damages up to three times the amount found or accessed."); see *Signtech USA Ltd. v. Vutek Inc.*, 174 F.3d 1352, 1358, 50 USPQ2d 1372 (Fed. Cir. 1999) (57 PTCJ 493, 4/15/99) ("[T]he district court enjoys discretion to choose whether to award enhanced damages to the claimant and in what amount This discretion however is limited to a trebling of the basic damage award.") (citations omitted).

However, before a court can even begin to consider awarding enhanced damages, there first must be a determination that infringement was willful. See, e.g., *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578, 17 USPQ2d 1553 (Fed. Cir. 1991).

Courts are typically guided by nine factors for determining if, and by how much, damages should be enhanced under Section 284 after there is a finding of willful infringement. *Read*, 970 F.2d at 827; see *Spectralytics Inc. v. Cordis Corp.*, 649 F.3d 1336, 1348-49, 99 USPQ2d 1012 (Fed. Cir. 2011) (82 PTCJ 216, 6/17/11).

The nine "*Read* factors" include whether the adjudged infringer "deliberately copied the ideas or design of another," and whether the infringer "investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed." *Read*, 970 F.2d at 827.

Since both of these factors are frequently considered in the first instance when determining whether infringement was willful, courts have often blurred the issues of willfulness and the enhancement of damages. Nevertheless, it is clear that "[t]he test for willfulness is distinct and separate from the factors guiding a district court's discretion regarding enhanced damages." *Idi L.P.hip v. Microsoft Corp.*, 598 F.3d 831, 859 93 USPQ2d 1943 (Fed. Cir. 2010) (82 PTCJ 182, 6/10/11), affirmed on other grounds, 131 S. Ct. 2238, 98 USPQ2d 185 (2011).

B. Willful Infringement: Pre-*Seagate*

Willful infringement is a question of fact that must be established by clear and convincing evidence and on appeal is subject to a clearly erroneous standard of review. See, e.g., *Cohesive Technologies Inc. v. Waters Corp.*, 543 F.3d 1351, 1374, 88 USPQ2d 1903 (Fed. Cir. 2008) (76 PTCJ 862, 10/17/08); and *Stryker Corp. v. Intemedics Orthopedics Inc.*, 96 F.3d 1409, 1413, 40 USPQ2d 1065 (Fed. Cir. 1996). Up until 2007, the seminal decision governing willful infringement was the Federal Circuit's decision, *Underwater Devices v. Morrison-Knudsen Co.*, holding that:

[when] a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing [and that] affirmative duty includes, inter alia, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.

717 F.2d 1380, 1390, 219 USPQ 1983 (Fed. Cir. 1983) (italics in original) (citations omitted).

To be in position to advance the "opinion of counsel" defense, most companies heeded the Federal Circuit's admonition and obtained some assurance from counsel that a new product offering or contemplated activity would not infringe the valid patent rights of another.

The expense incurred obtaining counsel's opinion was often viewed as a necessary cost of doing business since willful infringement was alleged in virtually every patent infringement action, often simply included as a boilerplate afterthought.

A detailed analysis by Kimberly A. Moore, before she was appointed to the Federal Circuit, illustrated this fact. During the two-year period of 1999–2000, more than 90 percent of all patent infringement complaints included an allegation of willful infringement. Kimberly A. Moore, *Empirical Statistics on Willful Infringement*, 14 Fed. Cir. B.J. 227, 232 (2004).¹

There are two primary reasons why patentees feel compelled to pursue a charge of willful infringement in virtually every patent infringement dispute. First, an allegation of willful infringement and the possibility of treble damages and the award of reasonable attorney fees under 35 U.S.C. §§ 284 and 285 can dramatically increase the financial exposure faced by an accused infringer. Thus, if successful, the charge of willful infringement can mature into a financial windfall for a patentee. See *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126, 35 USPQ2d 1065 (Fed. Cir. 1987) (willful infringement serves as “an economic deterrent to the tort of infringement”). A subsidiary reason, but one that cannot be ignored, is the havoc that can be caused when an accused infringer is forced to decide whether to produce and rely upon an opinion of counsel to defend against an allegation of willful infringement. While the scope of the waiver associated with the opinion of counsel defense has been addressed by the Federal Circuit in both *In re EchoStar* and *In re Seagate*, the motion practice and other distractions that typically accompany the waiver of attorney-client privilege,

¹ It still remains under clear what impact the Supreme Court's decisions in *Twombly* and *Iqbal* will have on the seemingly automatic inclusion of a willful infringement allegation in most patent infringement complaints. See, e.g., *Gradient Enterprises Inc. v. Skype Technologies S.A.*, 10-CV-6712L, 2012 BL 79131 (W.D.N.Y. Mar. 13, 2012) (there is a “lack of complete uniformity in recent district court authority addressing willful infringement claims in view of *Twombly* and *Iqbal*”) (citation omitted); see *Netgear Inc. v. Ruckus Wireless Inc.*, No. 10-999-SLR, 2012 BL 74820 (D. Del. Mar. 28, 2012) (“This court ‘declines to require more detail with respect to plaintiff's willful infringement claims than is required by Form 18.’”) (citation omitted); *Investpic LLC v. FactSet Research Systems Inc.*, No. 10-1028-SLR, 2011 BL 252053 (D. Del. Sept. 30, 2011) (allegation that asserted patent was “well-known in the industry” sufficient to support a claim of willful infringement); *Milwaukee Electric Tool Corp. v. Hitachi Koki Co.*, No. 09-C-948 (E.D. Wis. Feb. 14, 2011) (“alleging that the defendants were aware of the plaintiffs' patents and that the defendants were infringing and continue to infringe upon each of the plaintiffs' patents” is sufficient to plead willful infringement); *IPVenture Inc. v. Cellco Partnership*, No. C 10-04755 (N.D. Cal. Jan. 21, 2011) (a “bare recitation of the required legal elements for willful infringement” is insufficient); *Automated Transactions LLC v. First Niagara Financial Group Inc.*, No. 10-CV-00407 (W.D.N.Y. Aug. 31, 2010) (“notwithstanding *Twombly* and *Iqbal*, conclusory pleadings [of willful infringement] ‘suffice’ ”); see also *In re Bill of Lading Transmission Processing and System Patent Litigation*, 103 USPQ2d 1045, n.6 (Fed. Cir. June 7, 2012) (84 PTCJ 263, 6/15/12) (whether a complaint contains enough information under *Twombly* “will depend upon the level of specificity required by the particular form [found in the Appendix of the Federal Rules of Civil Procedure], the element of the cause of action . . . and the phrasing of the complaint”).

whether voluntary or involuntary, remains a chilling prospect to many accused infringers.

Because an allegation of willful infringement can dramatically impact the strategy and course of a patent dispute, an accused infringer often seeks to bifurcate the issue of willfulness. Compare *In re Seagate*, 497 F.3d at 1369 (bifurcation is “often considered too onerous to be regularly employed”), with *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644, 19 USPQ2d 1799 (Fed. Cir. 1991) (courts “should give serious consideration to a separate trial on willfulness”). Most courts, however, have been reluctant to bifurcate the issue of willfulness when the case is tried before a jury. See, e.g., *Lutron Electronics Co. v. Crestron Electronics Inc.*, No. 2:09-CV-707 (D. Utah May 19, 2010) (bifurcation denied because there are “overlapping issues that are not clearly separable and that there is significant overlap in evidence”); *Computer Associates International Inc. v. Simple.com Inc.*, 247 F.R.D. 63, 69 (E.D.N.Y. 2007) (“the overlap of evidence on the issues of liability and willfulness . . . heavily disfavors” bifurcation).

Nevertheless, at least one district court judge has found that bifurcation of willful infringement should be the rule, rather than the exception. Judge Sue L. Robinson of the U.S. District Court for the District of Delaware has recognized the “mischief that lawyers can perpetrate with extravagant damages figures or the hyperbole that can accompany claims of willfulness,” and has ruled that “bifurcation is appropriate, if not necessary, in all but exceptional patent cases” because willfulness “is an intrusive and inflammatory issue to discover and try” and “is of no moment unless and until the district court, in its sole discretion, chooses to increase damages by reason of the finding [of willful infringement].” *Robert Bosch LLC v. Pylon Manufacturing Corp.*, No. 08-542-SLR (D. Del. Aug. 26, 2009).

In fact, Paragraph 2(a) of Robinson's “Patent Case Scheduling Order” provides that “[t]he issues of willfulness and damages shall be bifurcated for purposes of discovery and trial, unless good cause is shown otherwise.” (Available at www.ded.uscourts.gov/sites/default/files/Chambers/SLR/Forms/Sched-Order-Patent_04-03-12.pdf).

II. *In Re Seagate*: The Federal Circuit's New Standard for Establishing Willful Infringement

The Federal Circuit's *Seagate* decision originated as a typical discovery dispute that frequently arises when an accused infringer decides to produce and rely upon an opinion of counsel to defend against the charge of willful infringement. Specifically, Seagate Technology LLC (“Seagate Technology”) produced three opinion letters prepared by outside opinion counsel evaluating the patents-in-suit.

The plaintiff argued that the production of these opinions, and Seagate Technology's reliance upon the opinion of counsel defense, resulted in a broad waiver that included all of Seagate Technology's communications with both its in-house and trial counsel regarding the subject matter addressed in the opinions. Seagate Technology refused to produce the communications with its counsel relating to the opinions, and plaintiff filed a motion to compel.

The district court ruled that Seagate Technology's production and reliance upon the opinions triggered a waiver of attorney-client privilege and work product immunity that extended to communications between

Seagate Technology and both its in-house counsel and trial counsel. The court also ruled that Seagate Technology's waiver began when it first became aware of the asserted patents, and lasted until all allegedly infringing activities ceased. As a result, the court ordered production of documents and testimony relating to the issues addressed in the counsel's opinions.

Based upon the scope of the district court's order, the plaintiff demanded production of all documents relating to trial counsel's opinions regarding the patents-in-suit. In addition, the plaintiff noticed the deposition of Seagate Technology's trial counsel.

Seagate Technology petitioned for a writ of mandamus, and the Federal Circuit stayed the trial court's discovery order compelling production documents and witnesses relating to the subject matter addressed in the three opinions. The Federal Circuit also ordered en banc review of Seagate Technology's petition to address the scope of waiver, and indicated that it would sua sponte reconsider the court's decision in *Underwater Devices* and the "affirmative duty of due care" standard governing willful infringement. *In re Seagate Technologies LLC*, Misc. Docket No. 830 (Fed. Cir. Jan. 26, 2007) (73 PTCJ 360, 2/2/07).

Addressing the waiver issue, and building upon its earlier en banc decision, *In re EchoStar*, the Federal Circuit noted that absent "chicanery," reliance upon an opinion of counsel, would generally not result in a waiver of attorney-client privilege or work product immunity relating to communications with trial counsel. *In re Seagate*, 497 F.3d at 1374.

Turning to the standard for establishing willful infringement that had been in place for most of the Federal Circuit's existence, the court observed that the "duty of due care" standard of *Underwater Devices* "sets a lower threshold for willful infringement that is more akin to negligence, [and that] [t]his standard fails to comport with the general understanding of willfulness in the civil context . . ." *Id.* at 1371. Accordingly, the Federal Circuit overruled the "affirmative duty of due care" standard of *Underwater Devices*. *Id.*

In its place, the court adopted a two-prong test having discrete objective and subjective components. The objective prong requires clear and convincing evidence that the infringer "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Id.* at 1371.

Once this threshold determination of objective recklessness is satisfied, the willfulness analysis shifts to the accused infringer's subjective knowledge, requiring the patentee to "demonstrate that this objectively-defined 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." *Id.* In abolishing the "affirmative duty of due care" standard, the Federal Circuit "reemphasize[d] that there is no affirmative obligation to obtain opinion of counsel." *Id.*²

² Even though the Federal Circuit reiterated that there is no "affirmative duty" to obtain an opinion of counsel, reliance upon a competent opinion remains relevant when determining whether infringement is willful. See, e.g., *Spectralytics Inc. v. Cordis Corp.*, 649 F.3d 1336, 1348, 99 USPQ2d 1012 (Fed. Cir. 2011) (82 PTCJ 216, 6/7/11) (in evaluating willful infringement, "the district court could and should consider whether infringement has been investigated"); *Aspex Eyewear Inc. v. Clarity*

This new two-prong test significantly altered the long-standing legal criteria governing willful infringement and made it more difficult for a patentee to prove willful infringement. However, the Federal Circuit surprisingly offered little guidance regarding the practical application of Seagate's new two-prong test. In fact, the court specifically stated that it would be left to "future cases to further develop the application of this standard," and suggested that "the standards of commerce" could be one of the factors courts might consider. *Id.* at 1371, n.5.

In a concurring opinion, Judge Pauline Newman recognized that "new uncertainties are introduced by the court's evocation of 'objective standards' for such inherently subjective criteria as 'recklessness' and 'reasonableness,'" but hoped that "judicial wisdom" would provide the necessary guidance for the application of the new test for willful infringement. *Id.* at 1385.

III. The Development and Application of the Objective Recklessness Component of Seagate

The Federal Circuit began to mark the boundaries of the Seagate rubric almost immediately. For example, the court noted that "both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent," and that these defenses should be considered in evaluating whether the accused infringer was objectively reckless. *Black & Decker Inc. v. Robert Bosch Tool Corp.*, No. 2007-1243 (Fed. Cir. Jan. 7, 2008) (unpublished). The court also observed that the "objective" prong of Seagate tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement." *Spine Solutions Inc. v. Medtronic Sofamor Danek USA Inc.*, 620 F.3d 1305, 131, 96 USPQ2d 1640 (Fed. Cir. 2010) (80 PTCJ 650, 9/17/10); see *Uniloc USA Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1310, 98 USPQ2d 1292 (Fed. Cir. 2011) (81 PTCJ 275, 1/7/11) ("If the accused infringer's position is susceptible to a reasonable conclusion of no infringement, the first prong of Seagate cannot be met."); *DePuy Spine Inc. v. Medtronic Sofamor Danek Inc.*, 567 F.3d 1314, 1336-37, 90 USPQ2d 1865 (Fed. Cir. 2009) (accused infringer presented a substantial noninfringement defense, and when the record is "viewed objectively, indisputably shows that the question of equivalence was a close one, particularly insofar as equivalence 'requires an intensely factual inquiry'").

The ultimate success of an accused infringer's noninfringement and invalidity defenses often depends upon how the asserted patent claims are construed by the court. Consequently when evaluating the question of willful infringement, the Federal Circuit also determined that the parties' respective claim construction ar-

Eyewear Inc., 605 F.3d 1305, 1313, 94 USPQ2d 1856 (Fed. Cir. 2010) (80 PTCJ 161, 6/4/10) ("[T]he timing as well as the content of an opinion of counsel may be relevant to the issue of willful infringement, for timely consultation with counsel may be evidence that an infringer did not engage in objectively reckless behavior."); *Finisar Corp. v. DirecTV Group Inc.*, 523 F.3d 1323, 1339, 86 USPQ2d 1609 (Fed. Cir. 2008) (75 PTCJ 677, 4/25/08) (district court erred in denying JMOL of no willful infringement because a "competent opinion of counsel . . . would provide a sufficient basis for DirecTV to proceed without engaging in objectively reckless behavior").

guments could be considered in gauging whether an accused infringer was objectively reckless under *Seagate*. See, e.g., *Cohesive Technologies Inc. v. Waters Corp.*, 543 F.3d 1351, 1374, n.4, 88 USPQ2d 1903 (Fed. Cir. 2008) (76 PTCJ 862, 10/17/08) (“claim construction was a sufficiently close question to foreclose a finding of willfulness”).

Willful infringement has always been a question of fact. See, e.g., *Slimfold Manufacturing Co. v. Kinkead Industries Inc.*, 932 F.2d 1453, 1459, 18 USPQ2d 1842 (Fed. Cir. 1991). The jury, therefore, is responsible for determining whether the patentee has satisfied both the objective and subjective components of *Seagate*. However, the decisions of the Federal Circuit finding that the “reasonableness” of the adjudged infringer’s noninfringement and invalidity defenses or the “closeness” of an infringer’s proposed claim construction should be considered when evaluating objective recklessness only highlighted the difficulty surrounding the “real world” application of *Seagate*.

For example, in finding that the reasonableness of an adjudged infringer’s defenses may be sufficient to defeat a charge of willful infringement, the Federal Circuit offered little insight into when a defense becomes sufficiently “reasonable” so as to preclude a finding of willfulness. Similarly, how the finder of fact was to decide that an adjudged infringer’s rejected claim construction arguments were nevertheless sufficiently “close” to preclude a finding of willful infringement remained elusive.

These issues and other questions regarding the practical application of *Seagate* exposed some of the flaws associated with having a jury decide whether an adjudged infringer was objectively reckless, and further compounded the confusion surrounding the particular evidence that should be presented in cases in which the jury is tasked with resolving *Seagate*’s threshold objective prong.

There can be little doubt that evidence supporting or refuting objective recklessness is viewed differently when the decision maker is a trial court judge as opposed to a lay jury. As a practical matter, a jury lacks the necessary points of reference to decide whether an accused infringer’s conduct was objectively reckless.

For example, the ability to evaluate the “reasonableness” of most invalidity and noninfringement defenses is beyond the skill set the vast majority of jurors bring with them to the court house. Additionally, compared to a trial court judge, many juries often fail to appreciate or comprehend the subtle nuances surrounding the reasonableness of the accused infringer’s noninfringement and invalidity challenges.

During the willfulness analysis, evidence refuting the threshold objective prong of *Seagate* is often dismissed out of hand in favor of evidence detailing the infringer’s subjective intent. For example, a jury can be easily swayed by evidence of the infringer’s knowledge of the asserted patent, copying, or innocent requests for a license. This evidence is often easier to understand and superficially more incriminating than arguments regarding the “reasonableness” of the accused infringer’s noninfringement and invalidity defenses or the “closeness” of its rejected claim construction positions.

As a result, a jury often fails to differentiate between the distinct types of evidence relevant to the separate objective and subjective components of *Seagate* when

deciding whether the adjudged infringer also acted willfully.

Asking a jury to decide whether an accused infringer was objectively reckless is further complicated because the jury is often not aware of all evidence associated with the defenses advanced by the accused infringer. For example, because of time constraints placed by judges on the length of the trial, an accused infringer is often forced to jettison defenses that are time consuming to present in order to streamline its case-in-chief, even though those defenses are far from frivolous and evince a lack of objective recklessness.

A jury, therefore, is frequently called upon to decide the issue of the objective recklessness without having the benefit of all evidence that the Federal Circuit has held to be relevant when determining whether an adjudged infringer was also objectively reckless. This has raised serious concerns about the practical application *Seagate*.

The Federal Circuit’s determination that the reasonableness of the parties’ competing claim construction positions is relevant when evaluating whether the accused infringer was objective recklessness raises additional questions regarding the jury’s role under *Seagate*. In particular, trial court judges routinely preclude arguments regarding the parties’ competing claim construction positions from being made before a jury.

Thus, a jury is often not apprised of claim construction positions, rejected by the court, that nevertheless afford the accused infringer reasonable invalidity and noninfringement defenses. While this may help avoid the prejudice and confusion resulting from a jury being informed of the accused infringer’s rejected claim construction positions, it prevents the jury from considering arguments that may help demonstrate that the accused infringer was not objectively reckless.

Willful infringement is a question of fact, and a jury is “free to decide for itself whether [the adjudged infringer] reasonably believed there were any substantial defenses to a claim of infringement.” *i4i Ltd.*, 598 F.3d at 860. However, even if a jury is able to process and understand all relevant evidence supporting or refuting objective recklessness, the “reasonableness” of an accused infringer’s noninfringement and invalidity defenses or the “closeness” of claim construction positions does little to militate against a finding of willful infringement.

In reality, once a jury decides that there was infringement, the adjudged infringer is then faced with the daunting task of trying to convince the jury that many, if not all, of the same defenses that were just rejected in reaching a verdict of infringement were nevertheless reasonable so as to preclude the further determination that infringement was also willful.

For the reasons discussed above, attempts by the accused infringer to defend against a charge of willful infringement by relying upon the “reasonableness” of its defenses or the “closeness” of its proposed claim construction is perhaps best reserved, at least initially, for a summary judgment motion. See, e.g., *Tarkus Imaging Inc. v. Adobe Systems Inc.*, No. 10-63-LPS, 2012 BL 146300 (D. Del. June 14, 2012) (“assertion of reasonable claim construction positions” under which there would be no infringement and “credible noninfringement theories even under the court’s different constructions” support summary judgment of no willful infringement); *Solvay S.A. v. Honeywell Specialty Mate-*

rials LLC, 827 F. Supp. 2d 358, 366 (D. Del. 2011) (summary judgment of no willful infringement because accused infringer “presented a credible invalidity defense, precluding a finding of objective recklessness”); *Netscape Communication Corp. v. Valueclick Inc.*, 684 F. Supp. 2d 699 (E.D. Va. 2010) (“while not all of defendants’ arguments are meritorious, defendants do present legitimate defenses and credible invalidity arguments” to warrant summary judgment of no willfulness); *but see Dataquill Ltd. v. High Tech Computer Corp.*, No. 08cv543 (S.D. Cal. Dec. 1, 2011) (summary judgment denied because alleged infringer “has not shown at this point [in the litigation] that it has legitimate defenses to infringement and credible invalidity arguments”); *Yuyama Manufacturing Co. v. JVM Co.*, No. 06-2536, slip. op. at 38-39 (D. Md. Jan. 15, 2010) (summary judgment denied because issues of material fact regarding whether a jury would find infringer’s defenses “of sufficient potential to negate an objective recklessness determination”).

Nevertheless, in practice, the ability of an accused infringer to dispose of a willful infringement allegation on summary judgment is limited by the various restrictions many district court judges place on the number, length and timing of summary judgment motions.

Once the issue of willfulness is before the jury, short of an appeal to the Federal Circuit, an adjudged infringer could seek entry of judgment as a matter of law, pre or post verdict, under Rule 50 of the Federal Rules of Civil Procedure, based upon the “reasonableness” of its noninfringement and invalidity challenges or the “closeness” of its proposed claim construction. *See Saffran v. Johnson & Johnson*, No. 2:07-CV-451 (TJW), 2011 BL 87112 (E.D. Tex. Mar. 31, 2011) (adjudged infringer’s JMOL motion of no willfulness granted because, in part, “the issues of infringement and validity were both hotly contested, close, and required intensive factual inquiry”); *Centocor Ortho Biotech Inc. v. Abbott Laboratories*, No. 2:07-CV-139 (TJW) (E.D. Tex. Oct. 1, 2009) (in granting adjudged infringer’s JMOL motion on the issue of willfulness, “the fact that certain facts were not presented to the jury, such as the close issue of claim construction, does not preclude the court to consider them in its determination of, as a matter of law, whether the first prong of *Seagate* is met”); *but see Saint-Gobain Autover USA Inc. v. Xinyi Glass North America Inc.*, 707 F. Supp. 2d 737, 748-49 (N.D. Ohio 2010) (accused infringer’s JMOL regarding willful infringement denied because claim construction not “close” and accused infringer’s claim construction not reasonable).

However, because the ultimate question of willful infringement is one of fact, once a jury that determined that infringement was also willful, the willfulness verdict will only be set aside by the trial court if there is no legally sufficient evidentiary basis upon which a reasonable jury could find that the patentee satisfied both the objective and subjective prongs of the *Seagate*.

IV. The Federal Circuit Finally Provides Needed Guidance for the Application of *Seagate*

In 2003, Bard Peripheral Vascular Inc. (“Bard”) sued W.L. Gore & Associates Inc. (“Gore”) for infringing a patent directed to vascular grafts made from expanded polytetrafluoroethylene. The asserted patent, based on an application filed in 1974, issued in 2002 after 28

years of prosecution that included an 18-year interference proceeding and two appeals to the Federal Circuit.

In 2007, after a 17-day trial, a Phoenix jury found that Gore willfully infringed Bard’s patent and awarded damages of approximately \$185 million. The trial court doubled this amount and also awarded \$19 million in attorneys’ fees because of the jury’s finding that Gore’s infringement was willful. Although Bard’s request for a permanent injunction was denied, the trial court awarded an ongoing royalty of 12.5 to 20 percent for future infringing sales. Some estimates placed the total award at almost \$800 million. The trial court denied Gore’s post verdict motions seeking a judgment as a matter of law on the liability and damages issues, and Gore appealed.

After Gore’s appeal was fully briefed and submitted, but before the court issued its decision, the Federal Circuit addressed the jury’s role in determining whether an accused infringer was objectively reckless under *Seagate*. Specifically, the issue before the court was “whether the jury is the sole decider of the objective prong of the willful infringement inquiry and the type of evidence that may be presented to the jury regarding willful infringement.” *Powell v. Home Depot U.S.A Inc.*, 663 F.3d 1221, 1236, 100 USPQ2d 1742 (Fed. Cir. 2011) (83 PTCJ 85, 10/7/11).

In *Powell*, a jury found that there was willful infringement and awarded \$15 million in damages. The trial court enhanced that amount by \$3 million and also awarded \$2.8 million in attorney fees because of the jury’s willfulness determination. The accused infringer’s motion for judgment as a matter of law on the issue of willfulness was denied.

On appeal, the accused infringer argued that the strength of its inequitable conduct defense and the trial court’s denial of the patentee’s preliminary injunction motion compelled a finding that infringement was not willful. In response, the patentee maintained that these particular issues were never before the jury. Therefore, based upon the evidence that was actually presented to the jury, there was substantial evidence to support the jury’s finding of willful infringement. *Id.* at 1235.

Drawing a distinction between defenses that are questions of law and those that are questions of fact, the Federal Circuit held that “whether an accused infringer’s reliance on a particular issue or defense is reasonable is a question for the court when the resolution of that particular issue or defense is a matter of law.” *Id.* at 1236.³ Further, when an issue or defense is a factual matter, “whether reliance on that issue or defense was reasonable under the objective prong [of *Seagate*] is properly considered by the jury.” *Id.* at 1236-37.

Accordingly the court noted that, “where separate issues of fact and law are presented by an alleged infringer as defenses to willful infringement, the objective recklessness inquiry may require analysis by both the court and the jury.” *Id.* at 1237. Since denial of Powell’s motion for preliminary injunction and the issue of inequitable conduct were both questions of law, the Federal Circuit held that the trial court correctly evaluated both

³ In a concurring opinion, Judge Timothy B. Dyk agreed with the majority’s “legal framework for willfulness,” but dissented from the determination that there was no reversible error when the trial court denied the infringer’s motion for judgment as a matter of law on the issue of willful infringement. *Id.* at 1242.

issues in deciding that the objective prong of *Seagate* was satisfied. *Id.*

Under *Powell*, the role the judge and the jury in determining objective recklessness under *Seagate* would now depend upon the specific invalidity and noninfringement defenses advanced by the accused infringer. Even the court in *Powell* recognized that it was likely that both the judge and jury would be called upon to offer separate findings regarding whether the objective prong of *Seagate* had been satisfied. *Id.*

Under *Powell*, therefore, if the accused infringer advanced invalidity defenses based upon both anticipation and obviousness to defend against willful infringement, the jury would evaluate the reasonableness of the accused infringer's challenge based on anticipation while the trial court would have to decide whether it was objectively reckless for the accused infringer to rely upon an obviousness defense. Although positing that both the judge and jury could effectively share in the decision making process regarding objective recklessness, the *Powell* court failed to explain how this division of labor would be applied in practice.

Almost three months after the court's decision in *Powell*, the Federal Circuit issued its opinion on the issues raised in Gore's appeal. *Bard Peripheral Vascular Inc. v. W.L. Gore & Associates Inc.*, 670 F.3d 1171 (Fed. Cir. 2012) (83 PTCJ 526 2/17/12). Writing for the majority, Senior Judge Arthur J. Gajarsa, affirmed the district court's judgment including, inter alia, the finding of willful infringement and the award of enhanced damages. Judge Pauline Newman issued a strongly worded dissent, referring to the trial court record as a "history of incorrect law, impropriety, questionable advocacy, and confessed perjury" *id.* at 1193, and characterizing the trial court's judgment as an "insult to the judicial process." *Id.* at 1202.

On the issue of willfulness, the majority in *Bard* found that the district court did not err in denying Gore's motion for judgment as a matter of law on willfulness, and determined that *Bard* presented "substantial evidence to satisfy both prongs of the *Seagate* standard." However, Gore's defenses at trial included joint inventorship and obviousness, both questions of law.

Thus, the *Bard* majority effectively permitted the jury to opine on the reasonableness of Gore's joint inventorship and obviousness defenses. This, however, was in direct conflict with *Powell* where, three months earlier the Federal Circuit held it would be the sole province of the judge to decide whether it was objectively reckless for an accused infringer to rely upon a defense that was question of law.

The inconsistent application of *Seagate* and the precise role of the judge and jury in resolving the threshold question of objective recklessness during the willfulness inquiry was highlighted once again in *Bard*.

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. Perhaps recognizing that post-*Seagate* decisions have not applied the two-prong test in a consistent fashion, and acknowledging that the legal standard needed to establish willfulness and the specific role of the judge and jury needed clarification, the Federal Circuit granted Gore's petition "for the limited purposed of authorizing the panel to revise the portion of its opinion addressing willfulness." 682 F.3d 1003, 103 USPQ2d 1008 (Fed. Cir. 2012) (84 PTCJ 309, 6/22/12).

On June 14, in another split decision with Judge Gajarsa again writing for the majority, the majority acknowledged the problems and confusion that had arisen by simply characterizing willful infringement as a question of fact, and indicated that it would now "clearly delineate the standard applicable to *Seagate*'s objective test." *Bard Peripheral Vascular Inc. v. W.L. Gore & Associates Inc.*, 682 F.3d 1003, 103 USPQ2d 1088 (Fed. Cir. 2012) (84 PTCJ, 6/22/12). The court observed that by referring to willful infringement as a question of fact "over-simplifies the issue." *Id.* Further, because objective recklessness requires an assessment of the reasonableness of the accused infringer's defenses, which are not limited to questions of law, the Federal Circuit stated that "the court is in the best position" to determine whether the threshold objective prong of *Seagate* has been satisfied, and expressly held 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 8.

In holding that the objective prong of *Seagate* is now a question of law, and that the "judge remains the final arbiter of whether the defense was reasonable," *id.* at 9, the Federal Circuit also recognized that the trial court may still allow the jury to determine the underlying facts relevant to defenses that involves questions of fact or mixed questions of fact (i.e., anticipation or obviousness). *Id.* at 13. Nevertheless, the court concluded that:

the ultimate legal 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.

Based upon this new legal standard for objective reckless under *Seagate*, the Federal Circuit vacated the trial court's determination of willfulness and remanded the issue so that the district court could now apply the new willfulness standard, in reconsidering Gore's motion for judgment as a matter of law.⁴

V. The Future of Willful Infringement After the *Bard* Decision

The Federal Circuit's holding that the objective prong of *Seagate* is now a question of law subject to de novo review represents the continued evolution of the legal standard for establishing willful infringement. Only five years after the *Seagate* decision, courts, patentees, and accused infringers must again brace for significant substantive and procedural changes in cases that include an allegation of willful infringement.

⁴ Newman concurred in the vacatur but dissented from the majority's partial remand. Newman maintained that remand was unnecessary because Gore's joint inventorship and invalidity defenses demonstrate that "willful infringement is not supportable." *Id.* at 16. Alternatively, because Gore's defenses are relevant to the issue of willfulness, Newman urged the Federal Circuit to "review the issues of validity and inventorship on this appeal, and if appropriate order retrial of the entire case, in the interest of justice." *Id.* at 17.

Under the new standard for willful infringement announced by the Federal Circuit in *Bard*, it will now be incumbent upon the trial court, not the jury, to determine whether a patentee has satisfied the threshold objective prong of *Seagate*. Evidence relating the accused infringer's subjective intent that previously could have easily subsumed a jury's evaluation of willful infringement will no longer dictate resolution of the question of the accused infringer's objective recklessness. As a result, patentees will no longer be able to have the question of willfulness tainted by the accused infringer's state of mind, knowledge of the asserted patent or copying.

Further, because a trial court judge must determine whether the patentee has demonstrated by clear and convincing evidence the requisite objective recklessness, evidence relating to the reasonableness of an adjudged infringer's noninfringement and invalidity defenses will not be dismissed out of hand because of their legal complexity. The net result of the new standard for willful infringement is that it will now be more difficult for a patentee to prevail on the issue of willfulness.

The fact that it will likely to be more difficult for a patentee to demonstrate to a trial court judge that the objective prong of *Seagate* has been satisfied will translate into fewer damage awards of the magnitude that many have used to criticize the U.S. patent system. With the ability to recover enhanced damages and attorney fees becoming more challenging, some patentees will need to reassess the reason for commencing a patent infringement action in the first place. It will also force others who have decided to enforce their patent rights to have more realistic financial expectations during the course of the litigation. Further, some non-practicing entities, whose sole goal is to extract payments from perceived infringers, will have to reevaluate the underlying basis of their business model.

Trial court judges will now need to institute new procedures to take into account the court's new gatekeeper role. For example, trial courts may wish to consider Robinson's practice of bifurcating the issue of willful infringement as a matter of course.

Courts may also consider conducting special proceedings, similar to a *Markman* hearing, to determine whether the patentee has established objective recklessness. Further, both trial courts and litigants will need to develop revised jury instructions to reflect the separate roles the judge and the jury will now have in the willful infringement inquiry.

Although some trial courts have previously granted summary judgment on the issue of willfulness, the Fed-

eral Circuit's holding in *Bard* may place a renewed emphasis on disposing of a willful infringement allegation on summary judgment, particularly where the parties' respective claim construction arguments, a question of law, are close. Accordingly, certain courts may need to relax requirements placed on the number and length of summary judgment motions. This would afford both the patentee and accused infringer the opportunity to fully brief the issue, and hopefully receive the court's guidance on the viability of the patentee's willful infringement allegation prior to trial.

Early resolution of the objective recklessness prong of *Seagate* will provide litigants that a better understanding of the potential scope of damages which hopefully allow the parties to have more fruitful settlement discussions.

Because the determination of objective recklessness is now a question of law subject to de novo review on appeal, the clearly erroneous standard will no longer control in determining whether a finding of willful infringement will survive on appeal. Rather, the Federal Circuit will now review, without deference to the trial court, all evidence supporting or refuting objective recklessness on the part of the adjudged infringer.

The accused infringer, therefore, will be well advised to preserve all defenses and claim construction arguments for appeal. An accused infringer's pre- and post-verdict motions under Fed. R. Civ. P. 50 usually focus primarily on prevailing on liability issues. Given the new standard of review under *Bard*, particular care must now be taken to ensure that both pre- and post-verdict motions under Rules 50(a) and 50(b), include all noninfringement and invalidity defenses to avoid any potential waiver issues.

The Federal Circuit's decision in *Bard* has reassigned the role of the court and the jury in determining willful infringement. The threshold issue of objective recklessness, and the reasonableness of an adjudged infringer's failed defenses and claim construction positions, is now a question of law for the trial court subject to de novo review on appeal.

Only after a the court has decided as a matter of law that the adjudged infringer was objectively reckless is the jury asked to evaluate subjective intent and whether an adjudged infringer knew or should have known that its activities infringed the valid patent of another. As with the Federal Circuit's decision in *Seagate*, it will take some time for both the court and litigants to fully appreciate the impact of the court's decision in *Bard* will have on willful infringement.