

Overlooked Patent Cases: Willful Infringement Developments

By **Rachel Elsby, Michael Petegorsky and Hannah Price** (January 4, 2021)

The U.S. Supreme Court's 2016 decision in *Halo Electronics v. Pulse Electronics Inc.* discarded the requirement for objective recklessness and made the subjective beliefs of an accused patent infringer the central focus for any determination of willful infringement.[1]

As recent district court decisions demonstrate, this narrowed focus on a party's subjective beliefs can present challenges to patentees attempting to plead and prove willful infringement where direct evidence of the accused infringer's belief may not be available.

Accused infringers face similar challenges attempting to disprove hyperbolic presentations of circumstantial evidence, as opinions of counsel have not proved to be a bulletproof defense to willful infringement following *Halo*.

Maneuvering Subjective Belief Under Halo — the Pitfalls of Pleadings and Proofs

Do I need an opinion of counsel when defending a claim of willfulness?

Accused infringers are more dependent on direct evidence tending to show their state of mind at the time of the challenged conduct than circumstantial evidence. One form of such direct evidence is an opinion of counsel. Decisions out of the district courts in 2020 have shown, however, that opinions of counsel can be detrimental if they are not properly prepared and have their own evidentiary challenges.

In fact, at least one court, the U.S. District Court for the Northern District of Illinois, found an opinion of counsel so unreliable, it characterized the accused infringer's reliance on the opinion as evidence of bad faith that supported an award of enhanced damages.[2]

In *Sunoco Partnership Marketing & Terminals LP v. U.S. Venture Inc.*, the accused infringer's "failure both to provide [opinion counsel] with detailed, accurate information or review the letter for accuracy as [it] proceeded in building its systems undermined any legitimate claim for good-faith reliance on the letter." [3]

Therefore, before asserting an opinion of counsel as evidence of no willfulness, strong consideration should be given to the quality of the opinion, whether it was relied on, and the strength of other evidence tending to show subjective belief. The following is a checklist of factors that should be evaluated before asserting any opinion of counsel as a defense to willfulness:

- Is the opinion premised upon the best information available and founded on sound legal principles?[4]



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- Does the opinion rely on the same or similar claim constructions as those pursued in the district court?[5]
- Is this opinion consistent with any positions taken at or by the Patent Trial and Appeal Board in related inter partes review proceedings?[6]
- Is the opinion adequately reported in writing?[7]
- Is there evidence the advice of counsel was actually and accurately relied upon by the accused infringer?[8]

If an opinion is vulnerable based on any of the requirements above, it may be preferable to challenge willfulness allegations head-on.[9] Many parties have found success, even post-Halo, with this approach. For example, in the April case J&M Industries Inc. v. Raven Industries Inc., the U.S. District Court for the District of Kansas found evidence of noninfringing use sufficient to award a defendant summary judgment of no willfulness.[10]

Similarly, several district courts have refused to find willfulness or enhance damages based on the timing of a party's entrance into the market,[11] a party's continued sales of its product after a patentee alleges infringement,[12] or a party's refusal to stop selling a product that was sold before the patent issued.[13] In each instance, the lack of additional evidence suggesting bad faith, such as evidence of copying, was fatal to the patentee's claims.

Knowledge of the patents is likely not enough even at the pleading stage.

In contrast to accused infringers, patentees seeking to plead or prove willfulness in district courts tend to be much more reliant on circumstantial evidence. However, Halo's emphasis on subjective belief and the U.S. Court of Appeals for the Federal Circuit's lack of clear authority on what is required to support a pleading of willful infringement have created ambiguity in the district courts over what that circumstantial evidence must include.

This ambiguity has made motions to dismiss or strike allegations of willful infringement popular early in district court litigation. Most district courts agree that conclusory assertions are rarely sufficient at the pleading stage. In certain districts, presuit knowledge or willful blindness may suffice.[14] But in most district courts, presuit knowledge is not enough,[15] and there is little consensus as to what more is required.

For example, although the U.S. District Court for the District of Delaware initially viewed Halo as requiring pleading and proof of egregious conduct, it recently changed course in APS Technology Inc. v. Vertex Downhole Inc. and now holds that knowledge of the patent and continued conduct the accused knew or should have known amount to infringement:

to state a claim of willful infringement to withstand a motion to dismiss, a plaintiff

must plausibly allege that the accused infringer deliberately or intentionally infringed a patent-in-suit after obtaining knowledge of that patent and its infringement.[16]

Other district courts, including the U.S. District Court for the District of Massachusetts in *Bio-Rad Laboratories Inc. v. 10X Genomics Inc.*, apply a similar standard and permit pleading based on circumstantial evidence.[17]

Meanwhile, at least some district courts, including many in the Ninth Circuit, require a showing that the accused infringer engaged in conduct that goes beyond typical patent infringement, and will dismiss a request for enhanced damages premised on willful infringement for failing to allege such conduct.[18]

As a best practice, patentees should endeavor to articulate some basis, even if circumstantial, from which a district court can infer the accused infringer both knew of the patent and knew or should have known that its actions, after learning of the patent, constituted infringement.

Different types of evidence can be relevant to proving an accused infringer's subjective beliefs.

Allegations of knowledge and continued acts infringement may be enough to survive a motion to dismiss at the pleadings stage, but more is required to succeed beyond that point. However, direct evidence of an infringer's subjective beliefs can be difficult to discover. As a result, patentees are often forced to rely on circumstantial evidence to show willfulness.

For example, in *EagleView Technologies Inc. v. Xactware Solutions Inc.*, the U.S. District Court for the District of New Jersey denied a motion for a new trial after the jury found willful infringement, despite the lack of "direct 'smoking gun' evidence of copying." [19]

EagleView presented evidence from which it could be inferred that Xactware, as both EagleView's competitor and business partner, had motive and opportunity to copy — and did in fact copy — the patented technology. There was also evidence that after EagleView notified Xactware of its alleged infringement and that Xactware failed to investigate the allegation or instruct its engineers to avoid infringing EagleView's patents.

Similarly, in *Kaist IP US LLC v. Samsung Electronics Co. Ltd.*, the U.S. District Court for the Eastern District of Texas upheld a jury's willfulness finding based on circumstantial evidence indicating the accused infringer believed it needed a license and also copied the patented technology.[20] That evidence included presentations by the inventor to Samsung about his invention, Samsung's knowledge that the inventor had filed a patent application, and the inventor's offer of a license to his technology to Samsung prior to its development of the accused product.[21]

In contrast, the District of Delaware in *Bioverativ Inc. v. CSL Behring LLC* granted the defendant's motion for summary judgment of no willful infringement even though it was undisputed that CSL Behring knew of the asserted patents when they issued, and Bioverativ argued — like the plaintiff in *EagleView* — that CSL Behring copied the patented technology.[22]

The court found the evidence showed only competitive intelligence gathering consistent with the standards of behavior in its industry, which did not demonstrate or suggest an intent to infringe.[23] The court further found that CSL Behring's decision to continue selling its products after Bioverativ filed its complaint could not support a finding of willfulness.[24]

As each of these cases show, different types of evidence can be relevant to the subjective beliefs of an accused infringer. These include whether the infringer (1) intentionally copied a product covered by the patent, (2) reasonably believed it did not infringe the patent, (3) made a good-faith effort to avoid infringement, or (4) tried to conceal its infringement.[25]

However, there is no one fact or set of circumstances that is outcome determinative. Ultimately, each case turns on its specific facts, but more often than not, those facts will include some combination of direct and circumstantial evidence.

Conclusion

Evidence of an accused infringer's subjective belief can be elusive in patent litigation for both patentees and accused infringers. Nevertheless, the potential for enhanced damages that follows a finding of willful infringement warrants careful consideration of how such evidence will be prepared and presented to a jury.

As the cases cited above demonstrate, circumstantial evidence of subjective belief may be sufficient for a patentee to succeed on claims of willful infringement. In contrast, an accused infringer, faced with knowledge of a patent and evidence of infringement, will benefit the most from direct evidence of its subjective belief, regardless of whether it is asserting an opinion of counsel.

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[1] Halo Elecs., Inc. v. Pulse Elecs., Inc. , 136 S.Ct. 1923, 1932 (2016); Eko Brands, LLC v. Adrian Rivera Maynez Enterprises, Inc. , 946 F.3d 1367, 1378 (Fed. Cir. 2020).

[2] See Sunoco P'ship Marketing & Terminals L.P. v. U.S. Venture, Inc. , 436 F. Supp. 3d 1099, 1135 (N.D. Ill. 2020).

[3] Id. at 1134.

[4] J&M Indust., Inc. v. Raven Indust., Inc. , 457 F. Supp. 3d 1022 (D. Kan. 2020)

[5] Floodbreak, LLC v. Art Metal Indus., LLC , No. 3:18-cv-503, 2020 U.S. Dist. LEXIS 161209, at *36-37 (D. Conn. Sep. 3, 2020) (finding a two-page memorandum inadequate because it relied on a claim construction rejected by the court and provided no meaningful analysis on the proper construction of the relevant limitations).

[6] Dentsply Sirona Inc. v. Edge Endo, LLC , 1:17-cv-1041-JFG-SCY, 2020 U.S. Dist. LEXIS 205353, at *15 (D.N.M. Nov. 2, 2020) (denying a motion in limine to exclude evidence related to the PTAB's exercise of discretion to deny institution of inter partes reviews (IPRs) filed by the accused infringer because the accused infringer opened the door to such evidence when it asserted an opinion of counsel that analyzed the PTAB proceedings.).

[7] In *Floodbreak*, the court denied summary judgment of no willful infringement because "a reasonable factfinder could conclude that Biebel's reliance on AYR's opinion was unreasonable because: (1) the opinion was conveyed orally; (2) the memorandum on which the oral opinion was based was conclusory; (3) AYR prosecuted a patent application for AMI for a related technology; and (4) Biebel may not have shared with AYR important evidence relating to intent." 2020 U.S. Dist. LEXIS 161209, at *40.

[8] See *Western Plastics, Inc. v. Dubose Strapping, Inc.*, No. 5:15-cv-294-D, 2020 U.S. Dist. LEXIS 176332, at *6-7 (E.D.N.C. Sep. 24, 2020) (awarding treble damages where the accused infringer's "supposed interpretation" of two opinion letters was wrong).

[9] See, e.g., *C.R. Bard Inc. v. AngioDynamics, Inc.*, 979 F.3d 1372, 1380 (Fed. Cir. 2020) (reversing a district court judgment of no willful infringement even though AngioDynamics asserted an opinion of counsel regarding the invalidity of the asserted patents.). In *Bard*, the Federal Circuit explained that "[w]hile the existence of an invalidity opinion is a relevant factor in determining willfulness, it was not dispositive, and the question of whether AngioDynamics reasonably believed that the asserted claims were invalid was a question of fact for the jury."

[10] *J&M Indus., Inc. v. Raven Indus., Inc.*, 457 F. Supp. 3d 1022, 1071 (D. Kan. 2020).

[11] *Rehco LLC v. Spin Master Ltd.*, No. 13-cv-2245, 2020 U.S. Dist. LEXIS 222246, at *34-36, at *11-12 (N.D. Ill. Nov. 30, 2020) (refusing to enhance damages because evidence showing an accused infringer entered the market after the patent issues and litigation began, "without more, does not demonstrate perniciousness; on the contrary, such behavior is entirely consistent with a good faith belief of non-infringement").

[12] For example in *Sunoco*, the court held "[t]he [defendant's] decision to continue sales of its product and to litigate an allegation made by Plaintiff is hardly evidence of subjective bad faith." 436 F. Supp. 3d at 1071.

[13] *bioMerieux*, 2020 U.S. Dist. LEXIS 25318, at *35 ("That Defendants continued to market the products they sold even before Plaintiffs obtained the patents-in-suit, and did not shift to another product (even if they could have done so without much delay or expense), does not show that they subjectively intended to infringe Plaintiffs' patents.").

[14] *Lexmark Int'l Inc. v. Universal Imaging Indus., LLC*, No. 8:18-cv-01047-T-02AEP, 2020 U.S. Dist. LEXIS 117535 (M.D. Fla. Jul. 6, 2020); *Kirsch Research & Dev., LLC v. Atlas Roofing Corp.*, 5:20-CV-00055-RWS, Dkt. No. 48 (E.D. Tex. Sep. 29, 2020); *Koninklijke Philips NV v. TTE Tech., Inc.*, No. 2-20-cv-01406, Dkt. No. 42, at *4 (C.D. Cal. Sept. 3, 2020) ("In lieu of direct knowledge, willful blindness to a patent's existence can support a claim for inducement or willfulness."); *T-Rex Prop. AB v. Regal Ent. Group*, No. 16-927, 2017 U.S. Dist. LEXIS 156859 (E.D. Tex. Aug 31, 2017) (holding that alleging that a defendant was aware of a patent before infringing it was sufficient to survive a motion to dismiss a willful infringement claim).

[15] *Michigan Motor Techs. LLC v. Volkswagen Aktiengesellschaft*, 19-cv-10485, 2020 U.S. Dist. LEXIS 122276 (E.D. Mich. Jul. 13, 2020); *Teradyne, Inc. v. Astronics Test Sys., Inc.*, No. 2-20-2713-GW-SHK, Dkt. No. 67 (C.D. Cal. Nov. 6, 2020).

[16] *APS Tech., Inc. v. Vertex Downhole, Inc.*, No. 1-19-cv-01166, 2020 U.S. Dist. LEXIS 133895, at *9 (D. Del. Jul. 29, 2020); see also *Guardant Health, Inc. v. Found. Med., Inc.*,

C.A. No. 17-1616, 2020 U.S. Dist. LEXIS 188276, at *63, n.8 (D. Del. Oct. 9, 2020) (citing Sunoco Partners Mktg & Terminals LP v. Powder Springs Logistics, LLC , C.A. No. 17-1390, 2019 U.S. Dist. LEXIS 136738, at *6 (D. Del. Aug. 7, 2019).

[17] Bio-Rad Laboratories, Inc. v. 10X Genomics, Inc. No. 1-19-cv-12533, 2020 U.S. Dist. LEXIS 76156, at *12-13 (D. Mass. Apr. 30, 2020).

[18] Smith v. Extreme Performance 1, LLC , 5:20-cv-00328-RGK-SHK, 2020 U.S. Dist. LEXIS 158942, at *13 (C.D. Cal. Jun. 23, 2020) (explaining that a majority of Ninth Circuit district courts have "concluded that although knowledge and continued infringement are prerequisites to showing willfulness, a plaintiff must also show that the defendant engaged in 'egregious misconduct.'"). See also FluorDx LLC v. Quidel Corp. , No. 19-cv-1998, 2020 U.S. Dist. LEXIS 138598, at *13 (S.D. Cal. Aug. 4, 2020).

[19] C.A. No. 1:15-cv-07025, 2020 U.S. Dist. LEXIS 164113, at *50-51 (D.N.J. Sept. 9, 2020).

[20] 439 F. Supp. 3d 860, 884-85 (E.D. Tex. 2020).

[21] Id. at 884.

[22] C.A. No. 17-914-RGA, 2020 U.S. Dist. LEXIS 49602, at *4-13 (D. Del. Mar. 23, 2020).

[23] Id.

[24] Id.

[25] bioMerieux, S.A. v. Hologic, Inc. , C.A. No. 18-21-LPS, 2020 U.S. Dist. LEXIS 25318, at *32-33 (D. Del. Feb. 7, 2020).