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'I Didn't Mean to Do It!'—A Post-'Halo' Good Faith Defense to Willful Infringement

Allegations of willfulness inject the subjective intent of the accused infringer into the otherwise strict liability framework of patent infringement.

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Special to the Legal

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Allegations of willfulness inject the subjective intent of the accused infringer into the otherwise strict liability framework of patent infringement. Such allegations raise the stakes of patent litigation and tend to make it more personal—depending on the infringer's behavior, a court may enhance damages up to three times the amount assessed by the factfinder. Willfulness claims also expand the scope of discovery and invariably lead to thorny disputes concerning the attorney-client privilege. This is particularly so when an accused infringer presents a defense based on evidence of a subjective good faith belief of non-infringement or invalidity. Since the U.S. Supreme Court's 2016 decision in *Halo Electronics v. Pulse Electronics*, an accused infringer's subjective beliefs are central to the willfulness inquiry. Accused infringers must therefore decide early on how they intend to defend themselves and whether they will rely on evidence that might otherwise be protectable under the attorney-client privilege.

'Halo' Focuses the Willfulness Inquiry

Before *Halo*, a patentee had to prove, by clear and convincing evidence, that infringement was both objectively reckless and subjectively willful. *Halo* removed the "objective" prong and focused the inquiry solely on the accused infringer's subjective belief at the time of infringement. *Halo* also lowered the evidentiary burden on patentees to a preponderance of the evidence.

With respect to enhanced damages, *Halo* confirmed that willful infringement is a necessary, but not sufficient, condition under Section 284. Specifically, "'willfulness' requires a jury to find no more than deliberate or intentional infringement … The question of enhanced damages is addressed by the court once an affirmative finding of willfulness has been made," see *Eko Brands v. Adrian Rivera Maynez Enterprises,* 946 F.3d 1367, 1378 (Fed. Cir. 2019).

Because *Halo* focused the willfulness inquiry on the actual subjective intent behind infringement, accused infringers may no longer rely on the strength of litigation defenses as an objective proxy for their beliefs. This increased consideration of subjective intent brings back the importance of presuit opinions of counsel, but reliance on the advice of counsel to support beliefs of non-infringement or invalidity raises difficult questions of its own. If an accused infringer did not obtain such an opinion or does not wish to waive the attorney-client privilege over the subject matter of an opinion, other evidence may establish its good faith belief of non-infringement or invalidity, but only if it reflects beliefs actually held by the accused infringer. Although the law concerning what constitutes admissible evidence of a good faith belief is still developing, certain touchstones have emerged.

The Advice of Counsel Defense Requires Actual Reliance

First, a presuit opinion will not automatically shield a defendant from enhanced damages: to be exculpatory, an opinion of counsel must be competent and reasonably relied upon by the alleged infringer. See *Comark Communications v. Harris,* 156 F.3d 1182, 1191 (Fed. Cir. 1998). As a result, an opinion of counsel may be inadmissible or minimally probative if there is no evidence that a party actually relied on its contents.

For example, in *Power Integrations v. Fairchild Semiconductor International*, the court precluded Fairchild from relying on an advice of counsel defense because it failed to disclose "linking evidence that Fairchild relied on advice of counsel and actually believed that PI's patents would be found invalid or that Fairchild's products would be found not to infringe those patents." The court noted that "general knowledge" of information potentially relevant to invalidity or noninfringement "does not equate to actual, subjective belief by Fairchild in the invalidity and noninfringement of the asserted patent claims." Similarly, in *Acantha v. Depuy Synthes Sales,* 406 Fp. 3d 742, 754-56 (E.D. Wis. 2019), the court denied the defendants' motion for judgment as a matter of law of no willful infringement. The court found that although the defendants produced presuit opinions of counsel, they failed to present any evidence supporting that anyone actually read or relied upon the opinions. The mere existence of the opinions was insufficient to overturn the jury's willfulness determination.

Nonattorney Evidence of Good Faith Beliefs

Justice Stephen Breyer wrote, in his concurrence in *Halo*, that analysis and beliefs of nonattorneys can also be probative of a good faith belief. This category of evidence, however, may be more susceptible to evidentiary challenges. Its strength and admissibility depends on multiple factors, including the business role of those involved, the competence of the analysis, and the type of evidence presented. In some cases, non-attorney evidence may not be sufficient to avoid a willfulness finding by the jury, but may be enough to avoid enhanced damages on review by the judge. See *Alfred E. Mann Foundation For Scientific Research v. Cochlear*, No. CV 07-8108 FMO (SHx), 2018 U.S. Dist. LEXIS 223877, at *77 (C.D. Cal. Nov. 4, 2018) ("The principal considerations in enhancement of damages are the same as those of the willfulness determination, but in greater nuance as may affect the degree of enhancement.").

Beliefs of Decision-Makers

A corporate "good faith belief" may be presented, for example, by decision-makers responsible for the accused products. In *Omega Patents v. CalAmp*, 920 F.3d 1337, 1352 (Fed. Cir. 2019), the U.S. Court of Appeals for the Federal Circuit held that a senior director of business development could testify regarding the infringer's state of mind because he analyzed the patent landscape and reported his findings to a member of the executive team. That information was "central" to the decision to launch the accused products and "critical to the question of whether [the defendant] had the required mental state" for willfulness. The court noted, however, that the "investigation is only pertinent in so far as it was communicated to the defendant's decision-makers prior to the alleged infringement." See also *Erfindergemeinschaft Uropep GbR v. Eli Lilly*

& Co., 240 F. Supp. 3d 605, 618 (E.D. Tex. 2017) (denying summary judgment of no willfulness where the party failed to provide sufficient evidence of the subjective beliefs of its decisionmakers.").

Competent Analysis

The weight given to nonattorney evidence may also depend on the experience of the person assessing noninfringement or invalidity. For example, in *Halo*'s district court remand, the court declined to enhance damages in part because the defendant's engineer testified that he analyzed Halo's patent *before* infringement began and concluded it was invalid. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 281 F. Supp. 3d 1087, 1093-95 (D. Nev. 2017). In that case, the "engineer had 30 years of experience in and knowledge of the relevant field, so it was reasonable for Pulse to rely on his opinion. He also testified that he told members of Pulse's management team about his conclusions, so they knew, too."

Conversely, in *Crane Security Technologies, Inc. v. Rolling Optics AB*, the court discounted testimony from the defendant's co-founder concerning non-infringement and invalidity. 337 F. Supp. 3d 48, 58-59 (D. Mass. 2018). "[T]he opinions of [the co-founder], who is not a lawyer and has no expertise in U.S. patent law, alone could not have supported a good faith belief by [defendant] that [plaintiff's] patents were invalid or that [defendant's] products did not infringe [plaintiff's] patents."

And, just like in situations concerning attorney advice, evidence of actual reliance upon non-attorney analysis of an affirmative good faith belief is likely necessary in view of *Omega*.

Circumstantial Evidence of Good Faith Belief

While direct evidence of good faith may provide a defense to willfulness, circumstantial evidence may also be used to challenge willfulness and argue against enhanced damages. For example, in *Nox Medical Ehf v. Natus Neurology*, No. 1:15-cv-00709-RGA, 2018 U.S. Dist. LEXIS 206844, at *7 (D. Del. Dec. 7, 2018), the court held that the defendant's "consistent course of action regarding the invalidity of patents on Plaintiff's invention," including seeking inter partes review of the asserted claims and challenging the validity of the European counterpart to the asserted patent, was "circumstantial evidence that the defendant held a good faith belief that the '532 Patent was invalid." Similarly, the court in the *Halo* remand found that "evidence that Pulse independently developed expanding transformer designs similar to that disclosed in Halo's patent … supports Pulse's assertion that it subjectively believed that Halo's patent was invalid or that Pulse's products were noninfringing."

While circumstantial evidence may be relevant to a court's consideration of "the totality of the circumstances" surrounding the defendant's conduct, its effectiveness as a defense to willfulness may be limited absent a link to the accused infringer's actual, subjective beliefs given *Halo's* emphasis on subjective intent.

Conclusion

With the shift to a subjective willfulness analysis, the actual intent of the accused infringer will be the deciding factor not only for the jury in assessing willfulness, but also for the court in determining whether to enhance damages. Based on post-*Halo* jurisprudence, the most compelling evidence supporting a good faith defense to patent infringement will be evidence concerning actual beliefs and actual reliance prior to litigation.

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