Halo and its Aftermath – What’s Changed for Willful Infringement and Enhanced Damages

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Agenda

- Federal Circuit Decisions
- District Ct. Decisions (Sound Bites)
- Strategically and Efficiently Addressing the Doctrine of Equivalents and Prosecution History Estoppel
- Litigation Perspectives (privilege, waiver, etc.)
- Practical Thoughts and Possible Implications
Agenda

► *Halo v. Pulse* (S. Ct. 2016)
One’s view of the *Halo* decision can depend on whether, e.g., troll elimination/defense or enhancing damages (adding to the “value” of patents) is the priority.
Halo v. Pulse (S. Ct., June, 2016)

Background

► In re Seagate (Fed. Cir. 2007)
  ► 2 part “willfulness” test - patent owner must show:
    ► “objective willfulness” (objective recklessness) and
    ► “subjective willfulness”

► Halo (Dist. Ct. and Fed. Cir.)
  ► Plaintiff failed to show that defendant was objectively reckless
Halo v. Pulse (S. Ct., 2016)

Supreme Ct.’s Halo Decision

- Seagate’s test, particularly the objective prong “is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts.”
- The Seagate test “can have the effect of insulating some of the worst patent infringers from any liability for enhanced damages.”
- Court rejected the notion that the existence of a defense at trial (even if unsuccessful) “insulates the infringer from enhanced damages, even if he [was unaware of the defense prior to trial].”
  - “[C]ulpability is generally measured against the knowledge of the actor at the time of the challenged conduct.” [Emphasis added]
Halo v. Pulse (S. Ct., 2016)

► Court also stated that enhanced damages:
  ► are to be governed by a “preponderance of the evidence” standard, rather than “clear and convincing.”
  ► should be reviewed “for abuse of discretion” and not *de novo*.
  ► are to be applied in “egregious,” rather than “garden variety” cases – Consistent with nearly two centuries of precedent (i.e., nothing new…)
  ► Remanded consistent with this opinion
Agenda

► *Halo v. Pulse* (S. Ct. 2016)

► Federal Circuit Decisions
**WBIP v. Kohler** (Fed. Cir. July, 2016)

- Background
  - Judges Moore (Author), O’Malley and Chen
  - Defendant’s employees had visited patentee’s/Plaintiff’s trailer at a trade show and asked how the patentee’s product achieved its advantageous results. Patentee explained its technology
    - A year later, defendant launched its own similar product
  - Jury found the infringement willful
    - District Ct. granted motion for enhanced damages (50%), applying factors from *Read v. Portec*
  - D. Ct. proceedings were under the *Seagate* standard
    - E.g., district court concluded that defendant’s defenses at trial were “objectively unreasonable,” the “clear and convincing” standard was used, etc.
- Defendant appeals
Federal Circuit, reiterating mandate from *Halo*:

- Reviewed the district court for “abuse of discretion.”
- Under *Halo*, the court noted that “an infringer’s subjective bad faith alone may support an award of enhanced damages.”
- Also noted “the appropriate time frame for considering culpability is by assessing the infringer’s knowledge at the time of the challenged conduct.”
**WBIP v. Kohler** (Fed. Cir. 2016)

Other comments in consideration of *Halo*:

► “Knowledge of the patent alleged to be willfully infringed continues to be a prerequisite to enhanced damages.”

► There continues to be “a right to a jury trial on the willfulness question.”

**Analysis/Holding**

► Acknowledging the willful infringement finding and focusing on enhanced damages, the court stated “[w]e cannot say that the district court abused its discretion in enhancing damages for [defendant’s] willful infringement.”

► Thus, the finding of enhanced damages was affirmed
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“Lower” Court Statistics - Post-*Halo*  
(Fed. Cir. and Dist. Cts.)

- 46 decisions substantively addressing willful infringement (as of 3/1/17)
  - Findings of willfulness?
    - Yes: 15
    - No: 9
    - TBD/insufficiently pled: 21
  - Of the 15 that were “yes,” were damages enhanced?
    - Yes: 6
    - No: 5
    - TBD: 4
**District Ct. Sound Bites of Interest**

  - Jury found willful infringement and court awarded treble damages
    - Total of over $46M
  - Court found defendant to be “objectively reckless,” and seemed to suggest that by meeting the *Seagate* test, it would certainly meet the *Halo* test.
  - Defendant’s patent *agent* rendered a short, conclusory sentence during the relevant time frame (shortly after patent issued) and defendant sought advice of qualified counsel *years after* learning of the patents and selling infringing products
    - The court found that the lack of a competent opinion during the relevant time period favored enhancing damages.
PPC Broadband v. Corning, (N.D. N.Y. Nov. 3, 2016)

- Motion for enhanced damages (Jury had found that defendant willfully infringed plaintiff’s patents)
  - Noted Fed Cir continues to apply Read v. Portec factors post – Halo
  - Second factor: did infringer “investigate[] the scope of the patent and form[] a good faith belief that it was invalid or [] not infringed”
    - Corning performed a pre-suit investigation, but court determined it was for an earlier version of the product that was at issue in the litigation.
    - Corning later spoke to counsel about the right (updated) version, but “failed to provide a formal opinion [re] noninfringement”
      - “[W]hether the infringer obtained and presented a legal opinion is still relevant ‘[u]nder a Read factor analysis’ based on the ‘totality of the circumstances’”
      - Note: 35 U.S.C. 298 indicates that failure to obtain advice of counsel may not be used to prove willful infringement, BUT for proving enhanced damages, that did not seem to apply, at least not here.
  - Court doubled the damages

Jury found willful infringement, but court did not enhance damages.

- The court noted that opinions of counsel and the defendant’s pre-suit conduct weighed against a finding of egregiousness.
  - Defendants obtained opinions of counsel based on testing, and further provided samples of the allegedly infringing product to the plaintiffs to try demonstrating lack of infringement.

Generally, in comparing the previous Seagate standard to Halo, the court noted that “Halo reflects a sea change with respect to Seagate.”
District Ct. Sound Bites of Interest


► Jury found willful infringement, and court trebled damages.

► Analyzing the Read factors for enhanced damages, court found evidence of “copying” and that defendant tracked plaintiff’s patent portfolio since 2011 (suit filed in 2014) and had attempted to purchase the patents anonymously through a patent broker.

► Also, regarding opinions of counsel, the court specifically noted that “[d]espite knowing of Plaintiff’s patents since at least April 2011, Defendant never undertook any serious investigation to form a good-faith belief as to non-infringement or invalidity.”
District Ct. Sound Bites of Interest

  ▶ Court found defendant not a willful infringer
  ▶ Defendant “consulted with a patent attorney on several occasions throughout the design process. And patent counsel issued a noninfringement opinion before this litigation began.”
    ▶ In general, “Ongoing consultation with a patent lawyer remains a consideration” and is "highly probative evidence of good faith.” (citing Braun v. Dynamics Corp. (Fed. Cir. 1992))
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Addressing the Doctrine of Equivalents

Obligatory intro: If, e.g., an accused product literally has all elements in a competitor’s patent claim except for one, infringement can still be found under DOE if: the accused product has an equivalent element insubstantially different from that missing element of the claim, or if such equivalent element "performs substantially the same function, in substantially the same way, and accomplishes substantially the same result" as the missing element of the claim.
Addressing the Doctrine of Equivalents

Infringement under the doctrine of equivalents (DOE) currently is less utilized by courts than it was years ago, BUT there are recent Federal Circuit decisions still finding infringement under DOE:

- Intendis v. Glenmark Pharms. (Fed. Cir. 2016)
- Warsaw Orthopedic v. NuVasive (Fed. Cir. 2015)
- Ring & Pinion v. ARB (Fed. Cir. 2014)
Addressing the Doctrine of Equivalents

► Thus, DOE it is still alive and could make more of a comeback if, e.g., pro-patent forces start to prevail again
  ► Like willful infringement…

► Thus, still important to address it properly in non-infringement opinions while doing so strategically and efficiently

► Not going to delve into the nuances of DOE, but will note at a high level two general DOE concepts sometimes not addressed appropriately
Addressing the Doctrine of Equivalents

Doctrine of claim vitiation

Sometimes there is an automatic reaction to assert that, where a claim element is missing from an accused or analyzed device, there cannot be infringement under DOE since to hold otherwise would vitiate (i.e., to make ineffective) that particular claim element.

But the Fed. Cir. has noted that “[T]he vitiation test cannot be satisfied by simply noting that an element is missing from the [claim] because the doctrine of equivalents, by definition, recognizes that an element is missing that must be supplied by the equivalent substitute.” (Deere v. Bush Hog 2012)

“Vitiation is not an exception to the doctrine of equivalents, but instead a legal determination that ‘the evidence is such that no reasonable jury could determine two elements to be equivalent’” using the established “function/way/result” or “insubstantially different” test.

Claim vitiation comes into play where, e.g., “the accused device contain[s] the antithesis of the claimed structure”

Other Fed. Cir. decisions have found error in similar cases.
Addressing the Doctrine of Equivalents

- Narrowing amendment made for reasons of patentability does **not** automatically surrender territory between original and amended claim.
  - Need to consider issues of unforeseeability and tangentialness of the alleged equivalent, per S. Ct. *Festo* decision:
  - Thus, can’t just assume that PHE applies where there is a narrowing limitation.
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Waiver

- *In re EchoStar Comm., 448 F.3d 1294*
  - “Use of in-house counsel may affect the strength of the defense but it does not affect the legal nature of the advice.”
  - Attorney-client privilege “waiver applies to all other communications relating to the same subject matter.”
  - Work product
    - Embodying a communication to client
    - Analyzing law, fact or strategy and not communicated
    - Discussing communication with client
Krausz Indus. v. Smith Blair

- Opinion given
- New opinion after Markman in another suit
- After suit filed, advice sought
- Lit counsel sought advice re “discrete litigation matters”
- In-house supervised lit and offered no additional opinion
- Opinion relied upon—what was the scope of the waiver?
Krausz cont.

- Ongoing willful infringement, therefore, waiver post-filing
- Developments during litigation can affect good faith
- Opinion related to infringement—other advice not relied upon; therefore, no waiver
- Waiver reached trial counsel because opinion counsel was involved in trial strategy
- Trial counsel to client not waived unless related to communication from opinion counsel
- In-house communications to/from client on topic waived
- In-house with trial counsel not waived unless related to opinion counsel
Opinions-Who Should Author?

In house  Outhouse
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Practical Thoughts and Possible Implications

When might an opinion (or some type of analysis) generally make sense?

► Example scenarios include:
  ► Freedom to operate investigation uncovers a “risky” patent
  ► Litigious competitor patent comes to light
  ► Known litigious troll has sent a “letter”
  ► Desire to delve into the business case of whether there is infringement, in fact
    ► Can help inform a design-around analysis where an opinion then helps confirm the efficacy of the non-infringement effort and potentially protect the ultimate product from willful infringement

► In all cases above, “exposure” should be above a certain threshold
Practical Thoughts and Possible Implications

- Incremental analysis into the issues to determine if there even is a "problem" that warrants an opinion
  
  - Example: Client asked for quote to move ahead with a full opinion
  
  - Instead, suggested delving in deeper with one of the engineers with the mindset of whether we even needed an opinion (rather than what we needed for writing the opinion)
    
    - Cost-effective first step
  
  - The exercise effectively helped make us realize that opinions didn’t make sense in this context
If opinion(s) seems warranted, factors to then consider in determining the nature and extent of opinion(s):

► What is the level of exposure?
► What are the complexity of the issues?
► How many patents need to be analyzed?
► How likely is it the patentee will come after you?

In view of the above, can/should the issue be resolved with a “light” opinion?
Numerous commentators have noted that typical insurance policies will not cover damages “arising from willful infringement.”

Thus, base damages would seem to still be covered.

Some commentators, however, seem to imply that there will be no coverage for any damages where willfulness is determined.

That said, one commentator noted “the well-documented difficulty by the insurance industry to clarify the scope of coverage for specific types of IP-related claims, resulting in a wide array of and oftentimes inconsistent judicial interpretations.” [Schulman, NY Law Journal, 2/14/17]

Thus, check your policy carefully.....