Patent Law

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Wednesday, April 15, 2015
Class 23 – Remedies:
Willfulness and Attorney Fees

Recap

Recap

→ Damages framework

→ Lost profits

→ Reasonable royalty

Today's agenda

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- → Willfulness and enhanced damages
- → Attorney fees

Willfulness and enhanced damages

35 U.S.C. § 281 — Remedy for infringement of patent (post-AIA)

A patentee shall have **remedy by civil action** for infringement of his patent.

35 U.S.C. § 283 — Injunction (post-AIA)

The several courts having jurisdiction of cases under this title **may grant injunctions** in accordance with the **principles of equity** to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

35 U.S.C. § 284 — Damages (post-AIA)

Upon finding for the claimant the court shall award the claimant **damages adequate to compensate for the infringement**, but in no event less than a **reasonable royalty** for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court **may increase the damages up to three times the amount found** or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154 (d).

The court may receive **expert testimony** as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

Willfulness

- → § 271(a): patent infringement is a strict-liability offense
- → § 284: "up to three times" damages
- → Federal Circuit: this is available only in the case of willful infringement

Willfulness

→ Also can matter for other things:

- Entitlement to equitable relief under *eBay v. MercExchange*

Willfulness

→ Willfulness alleged in 92% of patent complaints

→ Willfulness found in 55% of infringement trials

- 67% of jury trials

→ Willfulness affirmed in 94% of appeals

→ Pre-*Seagate,* never decided on summary judgment

→ Post-*Seagate,* often subject of summary-judgment motions

Willfulness

→ Opinion letters

- Get-out-of-jail-free card for big companies, at least for willfulness
- Typically cost $10–$50K
- Attorney-shopping is an issue
- Good way to build business
- Typically, separate from litigation counsel

Willfulness

→ *Underwater Devices v. Morrison-Knudsen* Co. (Fed. Cir. 1983)

- Era of widespread disregard for patent rights
- Attorney advised client to ignore patent because most patents were invalidated, without analyzing patent
- Court: Upon notice of patent, potential infringer has "duty to exercise due care to determine whether or not he is infringing," including duty to obtain legal opinion

Willfulness

→ *Kloster Speedsteel* (Fed. Cir. 1986)

- Failure to produce a legal opinion leads to an adverse inference

→ *Knorr-Bremse Systeme v. Dana Corp.* (Fed. Cir. 2004) (en banc)

- Adverse inference may not be made from failure to obtain legal opinion, or failure to produce it
- So there's no real reason not to get a letter

In re Seagate

→ Two big holdings:

- Standard for willfulness
- Scope of privilege waiver

In re Seagate

→ Standard for willfulness?

In re Seagate

→ Standard for willfulness?

- *Underwater Devices:* just required negligence
- Now: requires at least objective recklessness
- Unlike most pieces of patent law, willfulness has a *mens rea* requirement

In re Seagate

→ Standard for willfulness?

- "[A] patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." –M&D 977–78
- "…must also demonstrate that this objectively-defined risk … was either so known or so obvious that it should have been known to the accused infringer." –M&D 978

In re Seagate

→ So now there's no duty to obtain an opinion of counsel

- Should companies do so anyway?

→ The old law gave companies an incentive to bury heads in the sand

- What about the new law?

In re Seagate

→ Scope of privilege waiver?

In re Seagate

→ Scope of privilege waiver?

- Court: extends only to opinion counsel, not litigation counsel
- Risk of distorting attorney-client relationship is too great

In re Seagate

→ Hypothetical #1

- Suppose I get a letter saying I infringe a patent
- I consult a patent attorney, who says it's close – a 50/50 chance of validity and infringement
- I keep selling the accused product
- Reckless?

In re Seagate

→ Hypothetical #2

- Suppose I get a letter saying I infringe a patent
- I consult general counsel (non-patent lawyer), who says "I'm no expert, but I think we're fine"
- I keep selling the accused product
- Reckless?

In re Seagate

→ Hypothetical #3

- Suppose I get a letter saying I infringe a patent
- Patent lawyer #1: "You infringe."
  Patent lawyer #2: "You infringe."
  Patent lawyer #3: "You don't infringe."
- I keep selling the accused product
- Reckless?

i4i v. Microsoft

→ So how do we tell if someone acted willfully?

→ Evidence supporting willfulness:

- Microsoft designed product to perform same process as i4i's product
- After notice, Microsoft took no remedial action (designing around or ceasing infringement)
- Emails: goal to make i4i's product "obsolete"

→ Fed. Cir.: this evidence supported both the objective and subjective prongs of *Seagate*

Risk test

→ Evidence of objectively likelihood of infringement:

- Merits of invalidity/noninfringement defenses
- Opinion of counsel (if it provides factual basis for defense)
- Relevant prior art
- Prior litigation

Risk test

→ Some courts: infringer's knowledge is relevant

- *i4i v. Microsoft:* Actual copying
- *Brilliant Instrument:* Inventor's knowledge provides "context" for determining whether defendant acted despite high likelihood of infringement
- *Power Integrations:* Evidence of copying so strong, and steps to avoid infringement so weak, it was "hard to understand" how an objectively high risk could not exist

Attorney fees

35 U.S.C. § 285 — Attorney fees (post-AIA)

The court in **exceptional cases** **may award** **reasonable attorney fees** to the prevailing party.

The "American Rule"

→ Each party normally pays its own attorney fees

- English rule: loser pays
- Theory: fee shifting rules prevent potential plaintiffs from bringing meritorious legal claims

Pre-*Octane* law

→ Three Federal Circuit doctrines:

- Attorney fees are limited to two cases:
  (1) material inappropriate conduct; or
  (2) litigation both brought in "subjective bad faith" and is "objectively baseless"
- Must be proved by clear and convincing evidence
- Reviewed de novo by Federal Circuit

→ All three overturned in *Octane/Highmark*

Fee shifting

→ Structure of § 285:

- "Exceptional cases"
- "May award"
- "Reasonable attorney fees"

Octane Fitness

→ What counts as an exceptional case?

Octane Fitness

→ What counts as an exceptional case?

- "One that stands out from others with respect to the substantive strength of a party's litigating position … or the unreasonable manner in which the case was litigated." –M&D 44

Oplus Technologies v. Vizio

→ District court (pre-*Octane Fitness*):

- Case was exceptional due to extensive litigation misconduct
- But, attorney fees not appropriate

→ Fed. Cir. (April 10, 2015):

- Vacated and remanded for reconsideration after *Octane Fitness*

Oplus Technologies v. Vizio

→ Misconduct:

- "Oplus misused the discovery process to harass Vizio by ignoring necessary discovery, flouting its own obligations, and repeatedly attempting to obtain damages information to which it was not entitled."
- "Oplus implemented an 'abusive discovery strategy' that involved 'avoid[ing] its own litigation and discovery obligations while forcing its opponent to provide as much information as possible about Vizio's products, sales, and finances.'"

Oplus Technologies v. Vizio

→ Misconduct:

- "The court noted that its "greatest concern … was Oplus's counsel's subpoena for documents counsel had accessed under a prior protective order.' In that instance, counsel for Oplus represented an unrelated patentee in a prior litigation against Vizio and, pursuant to the protective order in that prior litigation, retained copies of documents produced by Vizio. Here, counsel for Oplus, Niro, Haller & Niro, drafted what it called a tailored subpoena for documents retained by counsel for the earlier plaintiff, which also happened to be Niro, Haller & Niro. The court concluded that it 'strain[ed] credulity' to believe that Oplus 'issued the subpoena without using any knowledge by three attorneys [that both worked on the earlier case and the present case] as to the content of the discovery sought.'"

Oplus Technologies v. Vizio

→ Misconduct:

- "In another example, it noted that whereas 'Oplus's infringement contentions cite[d] a patent to show infringement' of Oplus's patents, its 'expert testifie[d] that the same patent did not disclose the methods of Oplus's patents.' It found that 'Oplus consistently twisted the Court's instructions and decisions' and attempted 'to mislead the Court.' It complained that when 'Oplus had no evidence of infringement of one element of a claim, it simply ignored that element and argued another.' It found that 'Oplus regularly cited to exhibits that failed to support the propositions for which they were cited' and that 'Oplus's malleable expert testimony and infringement contentions left Vizio in a frustrating game of Whac-A-Mole throughout the litigation.'"

Oplus Technologies v. Vizio

→ Misconduct:

- "In fact, Oplus admitted, it failed to address multiple noninfringement contentions in its summary judgment opposition. * * * Fees Order at 8 n.3 (noting that Oplus's opposition to summary judgment failed to even address several steps of the claimed method). Rather than stipulating to noninfringement, counsel forced the court to consider its opposition, which was predicated on the presentation of contradictory expert testimony. This conduct caused additional process and wasted party and judicial resources."

Oplus Technologies v. Vizio

→ Court:

- "Although the award of fees is clearly within the discretion of the district court, when, as here, a court finds litigation misconduct and that a case is exceptional, the court must articulate the reasons for its fee decision."

35 U.S.C. § 285 — Attorney fees (post-AIA)

The court in **exceptional cases** **may award** **reasonable attorney fees** to the prevailing party.

Next time

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→ Inventorship and inequitable conduct