

No. 18-395

IN THE
Supreme Court of the United States

CORNING OPTICAL COMMUNICATIONS RF LLC,
Petitioner,

v.

PPC BROADBAND, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF FOR ASKELADDEN L.L.C. AS
AMICUS CURIAE IN SUPPORT OF PETITIONER**

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CORPORATE DISCLOSURE STATEMENT

Askeladden, L.L.C. is a wholly-owned subsidiary of The Clearing House Payments Company L.L.C. No corporation or publicly held company owns 10 percent or more of The Clearing House Payments Company L.L.C.

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INTEREST OF AMICUS CURIAE¹

Askeladden L.L.C. is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. Since its founding in 1853, The Clearing House has delivered safe and reliable payments systems, facilitated bank-led payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique capabilities to support bank-led innovation, including launching RTP[®], a real-time payment system that modernizes core payments capabilities for all U.S. financial institutions. As the country's oldest banking trade association, The Clearing House also provides informed advocacy and thought leadership on critical payments-related issues facing financial institutions today. The Clearing House is owned by 26 financial institutions and supports hundreds of banks and credit unions through its core systems and related services

Askeladden founded the Patent Quality Initiative ("PQI") as an education, information, and advocacy effort to improve the understanding, use, and reliability of patents in financial services and elsewhere. Through its PQI, Askeladden strives to improve the patent system by challenging the validity of low-quality patents

¹ No counsel for a party authored this brief in whole or in part, and no one other than Askeladden or its counsel made a monetary contribution intended to fund the preparation or submission of this brief. Counsel provided notice to counsel for the parties of Askeladden's intent to file this amicus curiae submission seven days prior to its filing. Counsel for the parties consented to the filing of this submission.

and questionable patent holder behavior, while also supporting effective intellectual property practices and improved innovation rights. To that end, Askeladden regularly files *amicus* briefs in cases presenting important issues of patent law.

This is one of those cases. The confusion among the district courts as to the proper considerations for the exercise of their discretion under 35 U.S.C. § 284 in light of this Court's decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016) presents a serious problem for the financial services industry and similarly-situated industries that drive the country's economic growth. As this Court recognizes, in recent years, some entities have made a business out of acquiring patents (without regard to quality) and then threatening and bringing suit against dozens or even hundreds of companies that use products or business methods with a tenuous connection to the claimed inventions in order to extract settlement payments. Financial services companies have been common targets for these abusive practices, as plaintiffs take advantage of the enormous exposure created by the sheer volume of transactions in which financial services companies and their customers engage. If district courts continue to ignore indicia of objective reasonableness in their totality of the circumstances analysis for enhanced damages, it will encourage patent abuse by disproportionately increasing the leverage patentees have to coerce defendants to settle even dubious claims.

Askeladden therefore asks this Court to grant the petition and provide much-needed guidance to the lower courts.

SUMMARY OF ARGUMENT

As did the district court in the decision at issue, many lower courts have incorrectly taken this Court's carefully reasoned decision in *Halo* as a directive to ignore evidence of objective reasonableness when determining whether and to what extent to award enhanced damages under 35 U.S.C. § 284.² This Court did not intend such a drastic overcorrection when it determined that objective reasonableness alone is not dispositive of whether enhanced damages are warranted. What is even more troubling in this case is that the indicium of objective reasonableness is a ruling from another federal court reaching the opposite conclusion on patent infringement. It simply cannot be that this Court intended *Halo* to allow a district court to impose enhanced damages without giving any weight to the fact that another tribunal had determined that the defendant did not infringe the same claims in the same patent. Of course, post-*Halo*, the district court could, if other evidence of culpability is strong enough, impose enhanced damages despite such a contrary ruling, but what the district court should not do is ignore the ruling as irrelevant to whether damages should be enhanced, as it did here.

Facts akin to those in the case below are not unusual post-*Halo*, and the implications of the lower courts' misinterpretation extend far beyond the dispute that is the subject of the petition. If a district court may treat as irrelevant a contrary Article III ruling when analyzing whether to enhance damages, district courts will

² Askeladden takes no position with respect to whether the lower courts in this case could have properly found enhanced damages warranted if they had considered the indicia of objective reasonableness.

also continue to feel free to ignore rulings in *Inter Partes* Review, Covered Business Method proceedings and Section 337 proceedings before the U.S. International Trade Commission as indicia of objective reasonableness. Without some consideration of this strong evidence of objective reasonableness, the enhancement determination becomes far less predictable, and it disregards over a century of prior decisions on enhanced damages. The effect on companies that must make real, on-the-ground decisions about product development in the face of even spurious patent infringement allegations is significant.

Enhancement determinations that fail to even consider evidence of objective reasonableness are particularly concerning for financial services companies who are regular defendants in lawsuits brought by plaintiffs—often non-practicing entities (NPEs)—eager to force the company into settlement on frivolous claims of infringement often based on low-quality patents. The lower courts' erroneous rule encourages this behavior by making it more expensive for a defendant to take the risk of litigating the suit.

While, ordinarily, the U.S. Court of Appeals for the Federal Circuit would be expected to help ensure uniformity and compliance with this Court's *Halo* decision, the Federal Circuit has not performed this function and does not appear inclined to do so. *Halo* was clearly not intended to stifle innovation by increasing the bargaining power of plaintiffs wielding dubious patents or asserting frivolous infringement claims. This Court should grant the petition to clarify its *Halo* decision and ensure that indicia of objective reasonableness are *considered* in the totality of the circumstances analysis prior to applying enhanced damages under 35 U.S.C. § 284.

ARGUMENT**I. THE ISSUE PRESENTED IS OF BROAD IMPORTANCE TO INNOVATORS IN THE FINANCIAL SERVICES AND OTHER INDUSTRIES****A. The Lower Courts' Misinterpretation Of *Halo* To Allow Evidence Of Objective Reasonableness To Be Disregarded Is A Widespread Problem**

The lower courts' misinterpretation of *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016) presents a significant challenge to the financial services industry and other companies that are regular targets for frivolous patent infringement suits by non-practicing entities. If this Court does not correct the lower courts' erroneous understanding that enhanced damages for "egregious" infringement under 35 U.S.C. § 284 can be imposed without consideration of all relevant circumstances, in particular evidence that the defendant's position was objectively reasonable, there will be significant consequences for financial services companies and similarly-situated defendants.

The issue presented by ruling that Corning is asking this Court to review is not limited to the facts of the dispute between Corning and PPC. Courts are regularly required to interpret 35 U.S.C. § 284 to determine the applicability of treble damages after a patent infringement finding where there are parallel or other proceedings pertaining to the asserted patent. So long as that continues to be the case, the circumstances presented by this petition will continue to arise. Without course correction by this Court, many lower courts and other tribunals will continue to ignore objective reasonableness from those adjacent proceedings as a part of the totality

of the circumstances test that should provide the basis for any enhanced damages determination.

Particularly disturbing—but not unusual—about the facts of the dispute that underlie this petition is the district court’s decision to ignore a finding of non-infringement by another federal tribunal—here, the Court of International Trade (CIT). Pet. App. 21a (“Finally, Corning’s reliance on the 2013 Court of International Trade opinion is misplaced because it was decided years after Corning knew of both PPC’s patents and infringement allegations.”). The district court’s decision to brush aside the 2013 CIT decision in Corning’s favor opens the door for courts to ignore other evidence of objective reasonableness that should be considered in a proper totality of the circumstances analysis.

For example, the Patent Trial and Appeals Board proceeds with *Inter Partes* Reviews (IPR) and Covered Business Method (CBM) proceedings in circumstances where the petitioner has a reasonable basis for challenging the validity of the patent. See 35 U.S.C. § 314(a) (explaining that an IPR may be instituted when “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”); see also 35 U.S.C. § 321 notes (explaining that a CBM proceeding “shall employ the standards and procedures of, a post-grant review under Chapter 32 of title 35, United States Code”); 35 U.S.C. § 324(a) (providing that a post-grant review may be instituted when the petition “demonstrate[s] that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable”). That is to say that institution of an IPR or CBM proceeding is in and of itself at least some evidence that a petitioner’s belief that it has not infringed a valid claim of an asserted patent is objectively reasonable. A deci-

sion on the merits of an IPR or CBM proceeding holding the asserted claims unpatentable is even greater evidence of objective reasonableness. But the rule applied by the district court in this case, and summarily left undisturbed by the Federal Circuit, would ignore this evidence as irrelevant. Additionally, if not corrected by this Court, the rule applied in this case will leave the door open for courts to ignore non-infringement findings in proceedings before the U.S. International Trade Commission under 19 U.S.C. § 1337, in the U.S. Court of Federal Claims under 28 U.S.C. § 1498(a), or in other federal fora.

These tribunals are tasked by statute with determining whether an alleged act does infringe a patent and/or that the patent is invalid. A finding in the accused infringer's favor in any of these tribunals means that there is at least some evidence of objective reasonableness in the accused infringer's belief that it was not acting in a manner that would be viewed as "willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate." *Halo*, 136 S. Ct. at 1932. Of course, post-*Halo*, a court could consider such evidence of objective reasonableness and ultimately determine that enhanced damages are still appropriate, but what no court should be able to do is act as though these classic indicia of reasonable decision-making do not bear at all on an enhanced damages determination.

To give an example of why it is so important for this Court to address the issue presented in the petition, consider a case in which a patent owner alleges infringement by a defendant in district court. Simultaneously, the alleged infringer proceeds before the PTAB, which ultimately determines that the asserted patent is invalid in an IPR. In the district court, a jury

reaches the opposite conclusion—finding the alleged infringer liable for infringement and the patent not invalid. But, despite the finding by the PTAB that one of the patents allegedly infringed is invalid, the district court enhances damages under 35 U.S.C. § 284 and refuses to consider the PTAB’s invalidity findings in its totality of the circumstances analysis.

That factual scenario, while seemingly far-fetched, is real and reflective of the factual circumstances in *Imperium IP Holdings (Cayman), Ltd. v. Samsung Electronics Co.*, No. 4:14-CV-00371, 2017 WL 1716788 (E.D. Tex. Apr. 27, 2017). There—citing *Halo*—the district court concluded that it need not consider the PTAB’s invalidity finding because “the Court was not required to assess the objective reasonableness of Defendant’s positions.” *Id.* at *4. That rule—the same rule applied in lower court decisions under review in the petition—is inconsistent with this Court’s decision in *Halo* and must be corrected.

B. The Lower Courts’ Erroneous Rule Poses A Threat To The Financial Services Industry

The rule applied in this case is particularly concerning for financial services firms that are typically sued by NPEs in fora considered to be plaintiff-friendly. It is not news to this Court that “an ‘industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.’” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (quoting *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring)). That industry “may use patents as a sword to go after defendants for money, even when their claims are frivolous.” *Id.* Even worse, the industry’s tactics “may be designed to obtain payments

that are based more on the costs of defending litigation than on the merit of the patent claims” and “impose a ‘harmful tax on innovation.’” *Id.* (quoting L. Greisman, Prepared Statement of the Federal Trade Commission on Discussion Draft of Patent Demand Letter Legislation before the Subcommittee on Commerce, Manufacturing, and Trade of the House Committee on Energy and Commerce 2 (2014)).

Unfortunately, financial services companies have been frequent targets of these innovation-stifling tactics. At least one study has concluded that patents directed to financial services related technology are 27-39 times more likely to be asserted in litigation than patents generally. Lerner, *The Litigation of Financial Innovations*, 53 J. L. & Econ. 807, 808 (2010). Moreover, third-party patent owners (*i.e.*, parties other than the inventor or original assignee) brought an unusually high number of these suits, *id.* at 815-816, suggesting that most of the infringement litigation is driven by bulk patent buyers who are opportunistically seeking out lawsuits rather than by genuine innovators who are actually engaging in competition.

Allowing the rule applied in this case to stand would aggravate the problem of abusive patent litigation often brought by but not limited to NPEs. Undoubtedly, with the risk of treble damages weighing over their heads, accused infringers will be less likely to challenge weak infringement claims, instead settling more readily claims of infringement that may in other circumstances have freed a technology from an illegitimate monopoly based on an invalid patent. Financial services companies, like any company, must make business judgments about when to settle suits based on the risk of the potential award should the litigation end in the plaintiff’s favor. When courts feel free to ignore (or

even that they are required to ignore) objective evidence of reasonableness when evaluating enhanced damages, it increases settlement value of these non-meritorious lawsuits. It is this increased settlement value that explains, at least in part, the low number of reported opinions on this issue relative to the common frequency of its occurrence. Businesses are simply not in a position to litigate a suit to judgment if there is an improperly inflated likelihood that they will be assessed treble damages despite the existence of strong evidence of their objective reasonableness. Accordingly, this Court should take this opportunity to correct the lower court's erroneous rule.

II. THIS COURT'S *HALO* DECISION IS BEING INCORRECTLY APPLIED BY MANY LOWER COURTS TO WHOLLY ELIMINATE CONSIDERATION OF OBJECTIVE EVIDENCE OF REASONABLENESS

In *Halo*, this Court abrogated the Federal Circuit's test for enhanced damages established in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007). Rejecting the *Seagate* test as "unduly rigid," this Court found that "the principal problem with *Seagate's* two-part test is that it *requires* a finding of objective recklessness *in every* case before district courts may award enhanced damages." *Halo*, 136 S. Ct. at 1932 (emphasis added). In rejecting the *Seagate* framework, the Court noted that "district courts are to be guided by the sound legal principles developed over nearly two centuries of application and interpretation of the Patent Act." *Id.* at 1935.

In conflict with the purpose and spirit of *Halo* to dispose of a "rigid" framework, district courts have overcorrected, adopting a bright-line rule that eliminates evidence of objective reasonableness in the de-

termination of enhancement. For example, district courts have ignored indications by the PTAB that asserted claims are invalid. *See, e.g., Imperium IP Holdings (Cayman), Ltd.*, 2017 WL 1716788, at *4 (despite PTAB finding asserted claims of one of the patent-in-suits invalid, finding that court was “not required to assess the objective reasonableness of Defendants’ positions”); *Ericsson Inc. v. TCL Commc’n Tech. Holdings, Ltd.*, No. 2:15-CV-00011-RSP, 2018 WL 2149736, at *11 (E.D. Tex. May 10, 2018) (noting Patent Office’s decision “to institute *inter partes* review of the [patent-in-suit] would ordinarily be evidence of ... reasonableness,” but declining to consider objective reasonableness after *Halo*). At least one court ignored a prior determination by the Federal Circuit that an invalidity defense is objectively reasonable. *See, e.g., Innovation Toys, LLC v. MGA Entm’t*, No. CV 07-6510, 2017 WL 3206687, at *1 (E.D. La. Mar. 8, 2017) (affording no consideration to prior finding from Federal Circuit that invalidity defense was objectively reasonable, claiming *Halo* “rejected the argument that the existence of an objectively reasonable defense precludes enhanced damages”), *aff’d sub nom.*, 733 F. App’x 1024 (Fed. Cir. 2018). Citing *Halo*, these district courts have determined that there should be *no* consideration of objectively reasonable defenses when considering enhanced damages.

But in *Halo* this Court did not hold that objective evidence of reasonableness should be ignored. Instead, *Halo* eliminated the *prerequisite* of finding objective recklessness before awarding enhanced damages. Consistent with precedent established well before *Seagate*, this Court should confirm that objective reasonableness, although not dispositive, must still be considered when awarding enhanced damages.

A. Objective Reasonableness Should Continue To Play A Role In Whether To Enhance Damages

Well before *Halo* and *Seagate*, courts considered objective reasonableness in the determination of whether to enhance patent damages. For decades, courts recognized that willfulness “is established only where it is shown that there was a deliberate purpose to infringe, and such a purpose is not found where the validity of the patent and any possible infringement is open to honest doubt.” *Wilden Pump & Eng’g Co. v. Pressed & Welded Prods. Co.*, 655 F.2d 984, 989 (9th Cir. 1981); *Artmoore Co. v. Dayless Mfg. Co.*, 208 F.2d 1, 5 (7th Cir. 1953) (“[A] bona fide and reasonable belief that a patent was invalid removes the infringement from the class designated as wanton and wilful.”); *Enterprise Mfg. Co. v. Shakespeare Co.*, 141 F.2d 916, 921 (6th Cir. 1944) (“If honestly mistaken as to a reasonably debatable question of validity, an infringer should not be made to smart in punitive damages.”); *Rockwood v. General Fire Extinguisher Co.*, 37 F.2d 62, 66 (2d Cir. 1930) (“Punitive damages should not have been awarded by the court below. The infringement was not wanton and deliberate. The validity of the patent and its infringement was open to honest doubt[.]”).

Indeed, this Court has rejected willfulness claims where a party’s defenses are objectively reasonable. For example, in *Safeco*, the Court held that the defendant could not be held liable for willfully failing to adhere to the Fair Credit Reporting Act because its reading of the statute, though “erroneous,” was “not objectively unreasonable.” *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 57-58, 69 (2007). Similarly, in *Trans World Airlines*, the Court affirmed a finding of an employer’s violation of the Age Discrimination in Employment Act but va-

cated the lower court's award of "double damages" for the violation. *Trans World Airlines, Inc. v. Thurston*, 469 U.S. 111, 129 (1985). This Court found that the employer's violation was not "willful" because the employer had attempted to bring its policies into compliance based on a reasonable understanding of the law. *Id.* at 129-130.

Further, courts have looked to objective reasonableness in deciding whether to award enhanced damages for willful infringement of copyrights. Under 17 U.S.C. § 504(c)(2), courts may enhance damages for copyright violations if the defendant's conduct is knowing or reckless. *Sony BMG Music Entm't v. Tenenbaum*, 660 F.3d 487, 507-508 (1st Cir. 2011). However, the Copyright Act allows the court to reduce damages in cases "where an infringer believed and had reasonable grounds for believing" that its infringement was fair use. 17 U.S.C. § 504(c)(2).

Courts faced with conflicting determinations on patent validity or infringement have also historically declined to enhance damages for patent infringement. *Consolidated Rubber Tire Co. v. Diamond Rubber Co. of New York*, 226 F. 455, 464 (S.D.N.Y. 1915), *aff'd*, 232 F. 475 (2d Cir. 1916) ("[T]he validity of the patent remained open to honest question until the Supreme Court definitely settled it in April, 1911. During that period I shall add nothing for punitive damages."); *Philadelphia Rubber Works Co. v. U.S. Rubber Reclaiming Works*, 276 F. 600, 609 (W.D.N.Y. 1920) (given conflicting authority "malicious infringement cannot be successfully urged" while appeal was pending), *aff'd*, 277 F. 171 (2d Cir. 1921). Precedent confirms that district courts should, at the very least, consider objective reasonableness in determining whether to award enhanced damages.

B. The Court Should Clarify The Effect Of *Halo*

Post-*Halo* there is broad uncertainty and a lack of uniformity as to what evidence district courts will and should consider when determining whether to enhance patent damages. As noted, *infra* pp. 10-11, there are a growing number of district courts giving no consideration to evidence of objective reasonableness such as a non-infringement or invalidity ruling in parallel proceedings.

At the same time, however, certain district courts still consider evidence of objective reasonableness when deciding whether to enhance damages. *See, e.g., Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 13-CV-05038 NC, 2016 WL 4208236, at *8 (N.D. Cal. Aug. 10, 2016) (declining to enhance damages after a jury finding of willfulness where the accused infringer “advanced several theories of invalidity, all of which appeared to be reasonable at trial”); *Trustees of Boston Univ. v. Everlight Elecs. Co.*, 212 F. Supp. 3d 254, 258 (D. Mass. 2016) (deciding not to enhance damages, in part, because defendants “did reasonably investigate the scope of the patent, and did form a good faith belief that their products did not infringe based on their view of the proper claim construction”), *rev’d on other grounds*, 896 F.3d 1357 (Fed. Cir. 2018); *Move, Inc. v. Real Estate All. Ltd.*, 221 F. Supp. 3d 1149, 1173 (C.D. Cal. 2016) (granting summary judgment of no willful infringement because the defendant “had several reasonable arguments as to why its conduct was non-infringing.... [T]he reasonableness of [the defendant’s] position precludes a finding of egregiousness”), *aff’d in part*, 721 F. App’x 950 (Fed. Cir. 2018); *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-02024-RMW, 2016 WL 4427490, at *8 (N.D. Cal. Aug. 22, 2016) (declining to enhance damages because “a reasonable jury could

have concluded from the trial record that the [prior art] satisfied the limitations of each asserted claim of [a patent-in-suit]”); *Presidio Components, Inc. v. American Tech. Ceramics Corp.*, No. 14-CV-02061-H-BGS, 2016 WL 4377096, at *21-22 (S.D. Cal. Aug. 17, 2016) (“[T]he Court notes that Presidio’s invalidity defense at trial, although ultimately rejected by the Court, was not meritless.... Accordingly, the Court, exercising its sound discretion, declines to award enhanced damages.”), *aff’d in relevant part*, 875 F.3d 1369 (Fed. Cir. 2017). Without intervention and clarification by this Court, district courts will continue to consider conflicting factors in their determination of enhanced damages.

Further, district courts have interpreted *Halo* differently, resulting in conflicting and inconsistent standards for willful infringement. For example, some courts have adopted the “should have known” standard from *WesternGeco*. See, e.g., Jury Instructions 31, *Precision Fabrics Grp., Inc. v. Tietex Int’l, Ltd.*, No. 17-cv-03037-TDS (D.S.C. Mar. 9, 2018), ECF 347 (instructing jury that “[t]he willfulness inquiry is one of subjective reasonableness, which has been described as proof that the defendant acted despite a risk of infringement that was known or so obvious that it should have been known to the accused infringer”); *Zen Design Grp. Ltd. v. Scholastic, Inc.*, No. 16-12936, 2018 WL 3096705, at *3 (E.D. Mich. June 22, 2018) (citing “should have been known” standard for awarding enhanced damages); *ZitoVault, LLC v. IBM Corp.*, No. 3:16-CV-0962-M, 2018 WL 2971131, at *1 (N.D. Tex. Mar. 29, 2018) (similar). District courts have also articulated slightly higher standards of culpability finding that the risk of infringement must be “high” or “unjustified.” See e.g., *Continental Circuits LLC v. Intel Corp.*, No. CV16-2026 PHX DGC, 2017 WL 679116, at *11 (D. Ariz. Feb.

21, 2017) (“Courts in this Circuit have held, after *Halo*, that awareness of the patent and continued use of the infringing product despite ‘an objectively high likelihood’ of infringement or ‘reckless disregard’ of that risk no longer compel a finding of willfulness.”); *Sprint Commc’ns Co. v. Time Warner Cable, Inc.*, No. 11-2686-JWL, 2017 WL 978107, at *13 (D. Kan. Mar. 14, 2017) (the risk of infringement must have been “high”). Even further, certain courts have quoted *Halo* directly in their articulation of the standard for willful infringement. See, e.g., *Polara Eng’g, Inc. v. Campbell Co.*, 237 F. Supp. 3d 956, 976-977 (C.D. Cal. 2017) (jury instructed to determine if conduct by defendant was “egregious,” which “could be described as ‘willful, wanton, malicious, bad faith, deliberate, consciously wrongful, flagrant, or characteristic of a pirate’” (quoting *Halo*, 136 S. Ct. at 1932)), *aff’d in relevant part*, 894 F.3d 1339 (Fed. Cir. 2018).

The varying standards for awarding enhanced damages can lead to unfair and unreasonable results, which the Patent Act was designed to guard against. See *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938) (“The [Patent Act] seeks to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights.”). This Court should clarify the factors considered and standards for culpability for enhanced damages post-*Halo* so that accused infringers receive proper notice of what conduct may be subject to enhanced damages. See *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 574 (1996) (“[e]lementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice” about “the conduct that will subject him to punishment”).

III. CERTIORARI IS WARRANTED

Given the importance of this case to a broad spectrum of companies that are frequently subjected to frivolous patent suits, certiorari is necessary to correct the lower courts' error. That error—ignoring all indications of objective reasonableness in making an enhanced damages determination—raises the risk of high damage awards for financial services companies in patent infringement suits involving low quality patents or dubious infringement claims. While this Court has rejected objective reasonableness as dispositive of whether enhanced damages can be awarded under 35 U.S.C. § 284, district courts have misread *Halo* to require the enhancement analysis to disregard objective evidence of reasonableness altogether, rather than weighing that evidence along with other evidence when determining whether to enhance damages. *Halo*, 136 S. Ct. at 1932 (“[A]lthough there is ‘no precise rule or formula’ for awarding damages under § 284, a district court’s ‘discretion should be exercised in light of the considerations’ underlying the grant of that discretion.” (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014))). Excluding evidence of objective reasonableness makes the enhancement decision less predictable because, among other reasons, it runs counter to over a century of caselaw, which the district courts have now effectively determined is not relevant because of *Halo*.

Furthermore, since this Court’s decision in *Halo*, the Federal Circuit has shown no appetite for ensuring some amount of consistency across district court enhancement decisions.³ The Federal Circuit’s reluctance

³ With the exception of two cases where the district court failed to adequately explain the decision to enhance damages, the

to review enhancement awards—consistent with its summary affirmance of the district court decision here—has left the district courts that have taken *Halo* as license to ignore evidence of objective reasonableness free to continue to do so, and has provided no assistance to other district courts in determining the boundaries of their discretion under 35 U.S.C. § 284. And because the Federal Circuit is the only court with appellate jurisdiction over civil actions “relating to patents,” 28 U.S.C. § 1295, it is the final word—or silence, as the case may be—on this important issue. The Federal Circuit’s silence is not without its consequences. While the Federal Circuit’s exclusive jurisdiction prevents a modern circuit split on the interpretation of 35 U.S.C. § 284 in light of *Halo*, there is significant confusion among district courts as to the proper limits of their discretion. *See infra* pp. 14-16. Accordingly, the Federal Circuit’s failure to act should not prevent this Court from course correcting the lower courts’ misinterpretation of this Court’s precedent.

Federal Circuit has not reversed any enhanced damages determination since *Halo*. *See, e.g., Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1371 (Fed. Cir. 2017) (“[T]he district court did not abuse its discretion by trebling damages.”), *cert denied*, No. 17-1645, 2018 WL 2766092 (U.S. Oct. 1, 2018); *Georgetown Rail Equip. Co. v. Holland L.P.*, 867 F.3d 1229, 1245-1246 (Fed. Cir. 2017) (same). *But see Polara Eng’g Inc. v. Campbell Co.*, 894 F.3d 1339, 1355 (Fed. Cir. 2018) (reversing the enhanced damages determination because the district court’s “explanation [was] insufficient”); *WCM Indus., Inc. v. IPS Corp.*, 721 F. App’x 959, 973 (Fed. Cir. 2018) (reversing enhanced damages determination because “the district court provided only a single conclusory sentence as to why it was awarding the maximum amount”). Importantly, the Federal Circuit has not reversed any enhanced damages determinations for failure to consider objective evidence of reasonableness.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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OCTOBER 2018