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PERSPECTIVE

Defending willful patent infringement in 2013

By Robert Galvin and Leizel Ching

The potential threat of treble damages and attorney fees awards for willful patent infringement has always been a significant concern for companies accused of patent infringement, particularly since the willfulness determination was generally viewed as a factual question to be submitted to the jury.

The Federal Circuit's en banc decision last year in *Bard Peripheral Vascular, Inc. v. W.I. Gore & Assocs., Inc.*, however, significantly altered the litigation landscape for such claims. It held that the objective prong of the willfulness standard — whether the accused infringer acted despite an objectively high likelihood that its action constituted infringement of a valid patent — is a question of law for the judge, not the jury.

While commentators predicted that the *Bard* decision would be favorable for accused infringers, it also raised new questions about when the court would make this objective determination regarding willfulness and how it would be coordinated with the jury's continued role in determining the subjective prong of willful infringement. A review of recent post-*Bard* decisions in California federal courts finds litigation strategies — such as filing a motion to dismiss or for summary judgment — can be effective in certain cases.

Motion to Dismiss

An accused infringer should initially consider filing a motion to dismiss a claim for willful infringement if the complaint fails to allege specific facts in support of the claim. After *Bard*, courts in the Northern and Southern Districts of California have recognized that a complaint with only a bare recitation of the required legal elements for willful infringement without any factual assertions will not survive a motion to dismiss. A bare allegation of actual knowledge is also insufficient. California courts also have dismissed claims of post-filing willful infringement if the patent owner fails to seek preliminary injunctive relief, though this requirement may be excused if the patent owner neither practices the patent(s)-in-suit nor directly competes with the alleged infringer.

Motion for Summary Judgment

Summary judgment of no willful infringement may be available if the accused infringer can establish reliance on

an objectively reasonable defense to a charge of infringement. The decision in *Multimedia Patent Trust v. Apple Inc.* is instructive.

The court entered summary judgment in favor of the defendant on the issue of willful infringement because it held the plaintiff could not prove by clear and convincing evidence that the defendant's noninfringement and invalidity arguments were objectively unreasonable, even though it denied defendant's corresponding motion for summary judgment of invalidity. Thus, denial of summary judgment on invalidity or noninfringement does not preclude an accused infringer from nevertheless successfully defeating a willful infringement claim if the court concludes that the accused infringer at least has an objectively reasonable defense.

After *Bard*, courts in the Northern and Southern Districts of California have recognized that a complaint with only a bare recitation of the required legal elements for willful infringement without any factual assertions will not survive a motion to dismiss.

Accused infringers are likely to have greater success resolving willful infringement claims on summary judgment if their underlying defenses on the merits rest on purely legal issues, like claim construction or undisputed noninfringement facts.

By contrast, if the accused infringer's underlying defenses turn on disputed factual questions, summary judgment may be denied, even though the objective prong of willful infringement is an issue for the court, not the jury. In *Fujitsu Ltd. v. Belkin Int'l, Inc.*, the court denied defendants' motion for summary judgment because the defendants raised arguments concerning disputed factual issues relating to anticipation and obviousness. The court held that these should be initially resolved by the jury's factual findings.

However, it is worth noting that disputed factual questions do not necessarily foreclose a finding of no willful infringement at the summary judgment stage. Notably, in *Multimedia Patent Trust v. Apple*, the court rejected plaintiff's argument that under *Bard*, whenever there are any disputed factual issues related to

the willfulness determination, then the factual issues must be decided first by the jury. Rather, the court emphasized that a judge may — but is not required to — allow the jury to decide any underlying factual issues relating to the willfulness determination.

Under *Bard*, if the accused infringer asserts a defense that is a question of fact or a mixed question of law and fact, then the judge may allow the jury to determine the underlying facts while still retaining the final decision of whether the objective prong is met.

The California post-*Bard* decisions do not indicate how courts will procedurally address willful infringement claims, where the underlying defense is a mixed question of law and fact. A few district courts outside of California, however, have endorsed the use of special interrogatories to the jury on disputes of fact when there is a mixed question of law and fact.

Motion for JMOL

In the only reported post-*Bard* California case addressing motions for judgment as a matter of law (JMOL) relating to willful infringement, *Apple, Inc. v. Samsung Elecs. Co., Ltd.*, the court denied plaintiff's JMOL motion of willful infringement as to one patent-in-suit while granting defendant's motion for JMOL of no willful infringement as to other patents-in-suit.

In denying plaintiff's motion, the court held that the jury's finding of no subjective willfulness was supported by substantial evidence. The court reasoned that it did not need to reach the objective analysis because a finding of willfulness requires both the objective and subjective prongs to be met.

On the other hand, in granting defendant's motion for JMOL of no willful infringement, the court held that even though the jury had found subjective willfulness, the accused infringer had objectively reasonable defenses. The court explained that since it found that the objective prong was not satisfied, the court did not need to examine the jury's findings on subjective willfulness.

If courts follow the procedure in *Apple v. Samsung* by submitting the subjective inquiry to the jury before the court considers the objective prong, then the accused infringer has the opportunity through a renewed JMOL motion after trial to convince the court that it at least had objectively reasonable defenses, even

if it did not prevail on the underlying claims.

The District of Connecticut, however, has refused to allow the jury to consider the subjective prong of the willfulness analysis before the court resolves the objective prong. In *Sargent Mfg. Co. v. Cal-Royal Prods., Inc.*, the court construed *Seagate* and *Bard* as holding that the objective prong of the willfulness analysis is a threshold isonconsidering the subjective prong.

Accordingly, the court denied a defendant's motion in limine to the extent that it requested that the court allow the jury to resolve the subjective prong before the court decided the objective prong.

Looking Ahead: Revisiting *Bard*?

The precedential value of *Bard* is currently being debated among Federal Circuit judges. For example, in *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, the five-member dissent argued that the court should revisit *Bard* en banc because its holding that the objective prong should always be decided as a matter of law by the judge could not be reconciled with *Powell v. Home Depot U.S.A., Inc.* *Powell* held that the jury should determine whether a defense is objectively reasonable if the underlying defense rests on disputed issues of fact. As more courts grapple with *Bard*, the Federal Circuit will likely provide further guidance on this issue in the near future.

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