

Determining Enhanced Damages After *Halo Electronics*: Still a Struggle?

Veronica Corcoran

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Repository Citation

Veronica Corcoran, *Determining Enhanced Damages After Halo Electronics: Still a Struggle?*, 22 Marq. Intellectual Property L. Rev. 291 (2018).

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DETERMINING ENHANCED DAMAGES AFTER *HALO ELECTRONICS*:

STILL A STRUGGLE?

VERONICA CORCORAN*

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INTRODUCTION

35 U.S.C. § 284 of the Patent Act allows district courts to use their discretion to award enhanced damages up to three times the amount found or assessed in the case of patent infringement.¹ This Comment will consider how the Supreme Court of the United States’ holding in *Halo Electronics, Inc. v. Pulse Electronics, Inc.* changed the landscape of enhanced damages awards in light of willful infringement.

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1. 35 U.S.C. § 284 (2012) (“[T]he court may increase the damages up to three times the amount found or assessed.”).

Previously, in 2007, the Court of Appeals for the Federal Circuit, in *In re Seagate*,² rejected a subjective standard, and moved towards an objective standard, which introduced a two-part test used to establish willful infringement and thus subject an infringer to a claim of enhanced damages.³ First, a patent owner had to “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”⁴ This is the part of the test that establishes willful infringement. Second, a patent owner must establish by clear and convincing evidence that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.”⁵

The *Seagate* test had one significant limit:⁶ a patentee could only recover enhanced damages when an infringer acted with objective recklessness, shown by clear and convincing evidence, and such recklessness was “despite an objectively high likelihood that [the infringer’s] actions constituted infringement of a patent.”⁷ Consequently, in determining objective recklessness, the infringer was protected from enhanced damages if they could raise any valid defense at trial,⁸ even if the infringer did not act on the basis of the defense or was even aware of it at the time of their infringement.⁹ The mere

2. *In re Seagate Tech*, 497 F.3d 1365 (Fed. Cir. 2007). See also Randy R. Micheletti, *Willful Patent Infringement After In Re Seagate: Just What is “Objectively Reckless” Infringement?* 84 CHI-KENT L. REV. 975, 977 (2010).

3. *In re Seagate Tech.*, 497 F.3d at 1371.

4. *Id.*

5. *Id.*

6. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1933 (2016). In *Halo*, the Court explained:

The *Seagate* test aggravates the problem by making dispositive the ability of the infringer to muster a reasonable (even though unsuccessful) defense at the infringement trial. The existence of such a defense insulates the infringer from enhanced damages, even if he did not act on the basis of the defense or was even aware of it. Under that standard, someone who plunders a patent—infringing it without any reason to suppose his conduct is arguably defensible—can nevertheless escape any comeuppance under § 284 solely on the strength of his attorney’s ingenuity.

Id.

7. Chase Means, *Has the Supreme Court Breathed New Life into Patent Trolls in Halo and Stryker?*, IPWATCHDOG (June 15, 2016), <http://www.ipwatchdog.com/2016/06/15/supreme-court-patent-trolls-halo-stryker/id=70050/> [<https://perma.cc/2T6E-6ZZL>].

8. *Halo*, 136 S. Ct. at 1933.

9. *Id.*

fact that a “reasonable (even though unsuccessful) defense” for infringement existed protected the infringer from enhanced damages.¹⁰

However, in *Halo*, the Supreme Court reconsidered the *Seagate* analysis.¹¹ The facts of *Halo* are straightforward. In 2014, Halo Electronics sued Pulse Electronics for infringing its patents for electric packages containing transformers designed to be mounted to the surface of circuit boards.¹² A jury found that Pulse Electronics had committed infringement and further determined it was likely that Pulse willfully infringed Halo’s patents.¹³ The district court judge, however, declined to award enhanced damages under § 284 after determining that Halo had failed to demonstrate objective recklessness under the first step of *Seagate* and the Federal Circuit affirmed.¹⁴

The question before the Supreme Court, then, was whether the *Seagate* test was consistent with § 284.¹⁵ The Supreme Court held that § 284 gives district courts the discretion to award enhanced damages against those guilty of patent infringement free of a strict test, and that district courts are “‘to be guided by [the] sound legal principles’ developed over nearly two centuries.”¹⁶ In its reasoning, the Court noted that awards of enhanced damages under the Patent Act are designed as “punitive” or “vindictive” sanctions for “egregious infringement behavior.”¹⁷ The Court also specified that “egregious infringement behavior” is often described as “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.”¹⁸

Therefore, the Supreme Court held that the requirements of *Seagate*’s test were “unduly rigid” and “encumber[ed] the statutory grant of discretion to the district courts” to determine enhanced damages.¹⁹ Moreover, the Court noted such a high threshold would exclude from discretionary punishment many of the most guilty offenders, “such as the ‘wanton and malicious pirate’ who intentionally infringes on another’s patent . . . for no purpose other than to steal the patentee’s business.”²⁰ Further, the Court held that “[s]ection 284 gives

10. *Id.*

11. *Id.*

12. *Id.* at 1930.

13. *Id.* at 1931.

14. *Id.*

15. *Id.* at 1928.

16. *Id.* at 1935 (quoting *Martin v. Franklin Cap. Corp.*, 546 U.S. 132, 136 (2005)).

17. *Id.* at 1932.

18. *Id.*

19. *Id.* (quoting *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S.Ct. 1749, 1755 (2014)).

20. *Id.*

district courts the discretion to award enhanced damages against those guilty of patent infringement” free of a strict test.²¹ Although the Supreme Court suggested a flexible inquiry, the Court concluded that there were three important guideposts for such an inquiry: (1) that the district court have discretion in awarding enhanced damages; (2) that the district courts were “to be guided by [the] sound legal principles developed over nearly two centuries” concerning application and interpretation of the Patent Act; and (3) enhanced damages were only to be reserved for egregious infringement behavior.²²

First, this Comment will examine the Federal Circuit’s approach that now embraces both an objective and subjective inquiry in determining enhanced damages, which may resolve the concern over the rigidity in the *Seagate* test that the Supreme Court expressed in *Halo*. Second, this Comment will examine how district courts address the question that remains after *Halo*: what conduct warrants enhanced damages. A split appears to be developing between district courts that have adopted *Read Corporation v. Portec, Inc.* (the “*Read factors*”)²³ and those rejecting *Read* that are consistent with the Supreme Court’s *Halo* decision. Finally, this Comment will end with an assessment of what is the appropriate test to discuss enhanced damages going forward.

I. THE FEDERAL CIRCUIT’S APPROACH TO *HALO*

In *WBIP, LLC v. Kohler, Co.*,²⁴ the Federal Circuit held that enhanced damages were warranted because, first, “there was substantial evidence for the jury’s finding that Kohler had knowledge of the patents in suit at the time of the infringement,” and second, an objectively reasonable defense, created at the time of litigation, will not protect a defendant from enhanced damages.²⁵ “Subjective bad faith alone may support an award of enhanced damages”²⁶ and “the appropriate timeframe for considering culpability is by assessing the infringer’s knowledge at the time of the challenged conduct.”²⁷

The district court applied the *Seagate* test framework and the jury found that WBIP proved by clear and convincing evidence that Kohler’s infringement was willful.²⁸ Kohler appealed the district court’s finding that it willfully infringed on WBIP’s patents on three grounds.²⁹ Kohler’s first two objections

21. *Id.* at 1935.

22. *Id.*

23. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

24. The Supreme Court decided *Halo* after this case was argued on appeal.

25. *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341–42 (Fed. Cir. 2016).

26. *Id.* at 1340.

27. *Id.*

28. *See id.* at 1339.

29. *See id.* at 1325–42.

on appeal were based on obviousness (that the claims in the patent were obvious and known to a person of ordinary skill in the art) and written description (the claims lack written description for the claimed “compound control scheme”).³⁰ The court found that Kohler failed to prove the claims were obvious or that the asserted claims lacked written description.³¹

The third objection was based on willful infringement.³² Kohler argued that the judgment of willful infringement should be reversed because: (1) per the Federal Circuit’s decision in *Halo*, Kohler’s “obviousness and written description defenses are objectively reasonable,” and (2) no evidence was presented that Kohler knew of the patents, which is a requirement of *Seagate*.³³ Under *Seagate*, if the Federal Circuit had found Kohler’s defenses to be objectively reasonable, Kohler could have escaped enhanced damages despite the fact that Kohler’s defenses were created during litigation and the original infringement was not based on a good faith belief that the patents in suit were obvious and lacked written description.³⁴

Relying on *Halo*, the Federal Circuit rejected Kohler’s argument that its defenses (obviousness and written description) were objectively reasonable.³⁵ In *Halo*, the Supreme Court held that the principal problem with *Seagate* was the objective recklessness requirement, which allowed offenders to create some defense later during litigation to escape enhanced damages after willfully infringing on a patent.³⁶ The Federal Circuit reasoned this is exactly what Kohler was attempting to do; Kohler, in fact, had never disputed that its defense was created during litigation after years of engaging in patent infringement.³⁷ By looking at the accused infringer’s knowledge of a patent “at the time of the challenged conduct”³⁸ infringers can no longer protect themselves from enhanced damages by creating some sort of defense at trial after the infringement has already taken place.³⁹

The Federal Circuit also “conclude[ed] that there was substantial evidence for the jury’s finding that Kohler had knowledge of the patents in suit.”⁴⁰ The

30. *Id.* at 1325–39.

31. *Id.* at 1326, 1339.

32. *Id.* at 1339.

33. *Id.*

34. *Id.* at 1340. The court would have also needed to find that there was not sufficient evidence presented by WBIP to show that Kohler had knowledge of the patents because knowledge of a patent being infringed is still a prerequisite to enhanced damages. *See id.*

35. *Id.* at 1340.

36. *Id.*

37. *Id.*

38. *Id.*

39. *Id.* at 1340–41.

40. *Id.* at 1341.

evidence presented at the trial by WBIP to the jury included: (1) testimony that the “low-carbon monoxide gen-sets were marked with the patents;” (2) “testimony that Westerbeke and Kohler were the only two companies in the market that provide low-carbon monoxide gen-sets;” and (3) Kohler’s admission that it had pre-suit knowledge of the patents in suit.⁴¹

Kohler demonstrates that “[p]roof of an objectively reasonable *litigation inspired* defense to infringement is no longer a defense to willful infringement”⁴² and helps to highlight some of the changes *Halo* brings to willful infringement and enhanced damages. In the *Kohler* opinion it is further explained that “timing does matter” and that subjective willfulness at the time of infringement will subject an infringer to enhanced damages.⁴³

Before *Seagate*, an infringer had to exercise a duty of care if an infringer had knowledge of a patent.⁴⁴ This duty of care usually required that an accused infringer had to seek opinion of counsel before engaging in infringing activity.⁴⁵ *Seagate* upended this practice by instead requiring the patentee to demonstrate that the accused infringer was objectively reckless in its infringement and accused infringers “were no longer obligated to obtain an opinion of counsel.”⁴⁶ Some observers felt that the new standard under *Seagate* would increase the difficulty in proving willful infringement and would result in fewer willfulness findings, thus fewer awards of enhanced damages.⁴⁷ However, those fears appear to have been unwarranted as a study done three years after the implementation of *Seagate* found that willfulness was found only about 10% less often.⁴⁸ The study, however, did confirm the fears that the court in *Halo* expressed; that is, a simple finding of a “substantial” or “legitimate” defense at the time of litigation was the “most significant predictor of a finding of no willfulness.”⁴⁹

41. *Id.* at 1342.

42. *Id.* at 1341 (emphasis added).

43. *Id.* at 1340 (“[T]iming *does* matter. Kohler cannot insulate itself from liability for enhanced damages by creating an (ultimately unsuccessful) invalidity defense for trial after engaging in the culpable conduct of copying, or ‘plundering,’ WBIP’s patented technology prior to litigation. Proof of an objectively reasonable litigation-inspired defense to infringement is no long a defense to willful infringement.”) (internal citation omitted).

44. Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 419 (2012).

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.* at 420.

49. *Id.*

II. DISTRICT COURT DETERMINATIONS UNDER THE *HALO* INQUIRY

The flexible inquiry suggested by *Halo* empowers district courts in their assessment of enhance damages under § 284, but the case itself has not offered many concrete ways for the district court to conduct this inquiry. The Supreme Court in *Halo* stated generally that district courts were to be guided by past legal cases where enhanced damages were either awarded or not awarded.⁵⁰ The Court further cautioned that district courts should remember to “take into account the particular circumstances of each case in deciding whether to award damages, and in what amount.”⁵¹ This means that, rather than using tests and factors from older cases in their determinations, it is more important to look at the circumstances surrounding those cases of infringement and look for similarities in the cases at hand.⁵² These circumstances will point to what the courts can define as “egregious misconduct.”⁵³

Given these broad guidelines, the Supreme Court has not offered much guidance as to how a district court should assess enhanced damages for willful infringement under 35 U.S.C. § 298. This section will address the primary approaches that district courts have used in their respective *Halo* inquiries. Section A will address courts that have adopted the pre-existing *Read* factors. Section B will consider how district courts that reject the *Read* factors have undertaken the *Halo* inquiry.

A. District Court Determinations That Have Adopted the Read Inquiry

A number of district courts have adopted the standards outlined in *Read Corporation v. Portec, Inc.*⁵⁴ First, *Read* and its factors will be evaluated to determine if they are still good law post-*Halo*. Next, the district court decisions utilizing *Read* will be evaluated to determine if their use is consistent with the holding of *Halo*.

1. *Read* and an evaluation of its factors.

The *Read* factors were “developed under a subjective willfulness standard,”⁵⁵ while the *Seagate* test was developed as an objective standard.⁵⁶

50. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1933–34 (2016).

51. *Id.* at 1933.

52. See *id.* at 1934.

53. *Id.*

54. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992). See *Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016); *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-02024-RMW, 2016 WL 4427490, at *6 (N.D. Cal. Aug. 22, 2016).

55. Micheletti, *supra* note 2, at 998.

56. See *Halo*, 136 S.Ct. at 1930.

While the Federal Circuit in *Seagate* never explicitly repealed the *Read* factors, some authorities feel it did imply as much.⁵⁷ However, the Supreme Court has now overruled *Seagate*.⁵⁸ Therefore, Halo's invalidation of *Seagate* effectively nullified the industries past acceptance that the *Read* factors were unnecessary.⁵⁹ This presents an unanswered question: have the *Read* factors become relevant once again?

There are nine primary factors from *Read*.⁶⁰ These factors include: (1) "whether the infringer deliberately copied the ideas or designs of another;" (2) "whether the infringer . . . investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed;" (3) "the infringer's behavior as party to the litigation;" (4) the defendant's "size and financial condition;" (5) the "[c]loseness of the case;" (6) the "[d]uration of the defendant's misconduct;" (7) "[r]emedial action by the defendant;" (8) the "[d]efendant's motivation for harm;" and (9) "[w]hether the defendant attempted to conceal its misconduct."⁶¹

The first three factors are taken from a previous case, *Bott v. Four Star*,⁶² and were used to determine if an infringer's conduct was willful under all circumstances.⁶³ Six years later the other six factors were added in *Read*.⁶⁴ In *Read*, the Federal Circuit held that the *Bott* factors were not enough on their own to "satisfy the 'totality of the circumstances' standard."⁶⁵ Of the three *Bott* factors, the first two "consider[ed] the infringer's subjective state of mind" and the third factor "consider[ed] the infringer's conduct during litigation."⁶⁶

The *Bott* factors as they exist in *Read* are understood as follows: the first factor, "whether the infringer deliberately copied the ideas or design of another"⁶⁷ has been long used as strong evidence of willful infringement of a patent, and thus requires a finding of enhanced damages.⁶⁸ *Read*, as to this

57. Micheletti, *supra* note 2, at 998 (stating that the validity of the *Read* factors is suspect after *Seagate*, which strongly suggested repeal by inviting courts to "'further develop the application of [the *Seagate*] standard' implying that the willfulness analysis should not include the *Bott* and *Read* Factors." (quoting *In re Seagate Tech.*, 497 F.3d 1365, 1371 (Fed. Cir. 2007))).

58. *Halo*, 136 S.Ct. at 1935.

59. *See id.*; Micheletti, *supra* note 2, at 998.

60. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

61. *Id.*

62. *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986).

63. *Read Corp.*, 970 F.2d at 826.

64. *Id.* at 827.

65. Micheletti, *supra* note 2, at 998 (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992)).

66. Micheletti, *supra* note 2, at 998; *Bott*, 807 F.2d at 1572.

67. *Read Corp.*, 970 F.2d at 827.

68. Kenneth R. Adamo et al., *The Curse of "Copying"*, 7 J. MARSHALL REV. INTELL. PROP. L. 296, 302 (2008).

element, was crucial in shifting how copying was understood in patent infringement.⁶⁹ Before *Read*, the patent owner had to demonstrate that “whatever was ‘copied’ had to fall literally within the claims” to be infringing; after *Read*, the patentee could demonstrate that the infringer deliberately took the patented idea and placed it into a similar design.⁷⁰ This element of *Read* was adopted within the *Seagate* test in the second prong because whether the patent had been copied remained relevant in evaluating the mental state of the infringer.⁷¹ Therefore, “copying remains an important consideration for willfulness after *Seagate*.”⁷²

As mentioned before, some post-*Halo* district court decisions have been using the *Read* factors to evaluate whether enhanced damages should be awarded, and those cases are still using “copying” as part of the evaluation.⁷³ For example, in *Trustees of Boston University v. Everlight Electronics Co., Ltd.*, the court compared the copying that took place in *Halo* to the copying that took place in the case at hand.⁷⁴ Additionally, under 35 U.S.C. § 271(a)—to establish infringement of a patent—a patent owner must show the presence of every element of a patent or its substantial equivalent is in the accused device; or in other words they must show the device was copied.⁷⁵ Therefore, the first factor of *Read*, and an evaluation of the degree of copying, continues to be a pivotal factor for the awarding of enhanced damages.

The second factor, “whether the infringer . . . investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed”⁷⁶ was an integral part of patent infringement cases extending back to *Underwater Devices*, which created the requirement that potential infringers

69. *See id.* at 302 n.39.

70. *Id.*

71. Seaman, *supra* note 44, at 458.

72. *Id.*

73. *See* *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-02024-RMW, 2016 WL 4427490, at *6 (N.D. Cal. Aug. 22, 2016); *Finjan, Inc. v. Blue Coat Systems, Inc.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016); *Imperium IP Holdings v. Samsung Electronics Co.*, 203 F.Supp.3d 755, 763 (E.D. Tex 2016).

74. *Trustees of Bos. Univ. v. Everlight Elecs. Co.*, 212 F.Supp.3d 254, 258 (D. Mass. 2016).

75. *See* 35 U.S.C. § 271(a). *Larami Corp. v. Amron*, No. CIV. A. 91-6145, 1993 WL 69581, at *3 (E.D. Pa. Mar. 11, 1993) (“A patent holder can seek to establish patent infringement in either of two ways: by demonstrating that every element of a claim (1) is literally infringed or (2) is infringed under the doctrine of equivalents. To put it a different way, because every element of a claim is essential and material to that claim, a patent owner must, to meet the burden of establishing infringement, ‘show the presence of every element *or* its substantial equivalent in the accused device.’ *Key Mfg. Group, Inc.*, 925 F.2d at 1447 (emphasis added). If even *one* element of a patent’s claim is missing from the accused product, then ‘[t]here can be no infringement as a matter of law’ *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538–39 (Fed. Cir.1991).”).

76. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

exercise due care to determine whether or not they were infringing.⁷⁷ In exercising due care, *Underwater Devices* required potential infringers seek the advice of counsel.⁷⁸ However, *Underwater Devices* was overruled in *Seagate*, which abandoned the requirement of exercising due care,⁷⁹ and additionally, § 298 now explicitly states that failure to seek advice of counsel may not be used as proof of willful infringement.⁸⁰ Now, it is *Seagate* that has since been overruled, and it must be evaluated if a duty of due care is still relevant to determining if enhanced damages are warranted.

The Supreme Court does mention the exercise of due care in *Halo* by pointing out § 298.⁸¹ The Supreme Court evaluated § 298 as a provision that “simply addressed the fallout” from *Underwater Devices*.⁸² This provision was added in an effort to “protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes.”⁸³ It was determined that the “probative value of this type of evidence” of due care “is outweighed by the harm” it causes to attorney-client privilege.⁸⁴ Additionally, Justice Breyer pointed out in his concurrence that it can be expensive to obtain advice of counsel, which can hinder startup companies.⁸⁵ Also, lawyers, scientists, and engineers might incorrectly conclude that a patent or invention is not infringing or that the original patent is invalid without being “wanton” or “reckless” even if advice of counsel is sought.⁸⁶

When this factor was applied to the facts of *Read*, the first question the Federal Circuit addressed was whether the infringer proceeded without a reasonable belief that they would not be held liable for infringing.⁸⁷ The court held that an infringer has an affirmative duty to determine that they are not

77. Seaman, *supra* note 44, at 419 (“Until recently, if a potential infringer had actual knowledge of a patent, it was obligated to satisfy ‘an affirmative duty to exercise due care to determine whether or not [it] is infringing.’”); *Id.* at 423–25 (explaining *Underwater Devices*).

78. *Id.* (citing *Underwater Devices, Inc. v. Morrison-Knudsen, Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983)).

79. *In re Seagate Tech.*, 497 F.3d 1365, 1371 (Fed. Cir. 2007).

80. 35 U.S.C. § 298.

81. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1935 (2016) (“Section 298 provides that ‘[t]he failure of an infringer to obtain the advice of counsel’ or ‘the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed.’”)

82. *Id.*

83. H. R. REP. NO. 112-98, at 53 (2011).

84. *Id.*

85. *Halo*, 136 S.Ct. at 1936 (Breyer, J., concurring).

86. *Id.*

87. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992).

infringing, and that affirmative duty includes seeking the advice of counsel.⁸⁸ However, the court did not address what other evidence could be used to show bad faith beyond showing a failure to obtain advice of counsel, or offering proof that the advice of counsel was ignored.⁸⁹ *Read* suggests that the only way an infringer can form a good faith belief that they are not infringing is to seek the advice of counsel (exercise due care).⁹⁰ But, this is not consistent with the reasoning of *Halo* or § 298.⁹¹ Therefore, district courts will need to determine what a good-faith belief of noninfringement is without an evaluation of whether an accused infringer sought the advice of counsel. Otherwise, this factor at least appears to have been invalidated by the holding of *Halo*.⁹²

The eighth factor, added in *Read*, considers the infringer's "motive for harm"—a subjective inquiry into the accused infringer's state of mind" at the time of the infringement.⁹³ While discussing the parallel between patent infringement and tort law in *Halo*, the Court looked to the fact that "eligibility for punitive awards is characterized in terms of a defendant's motive or intent."⁹⁴ As mentioned earlier, the Supreme Court found the *Seagate* test to be unduly rigid.⁹⁵ The Court expressed concern that such a high threshold would exclude from discretionary punishment many of the most guilty offenders.⁹⁶ It follows then that an infringer's motive for harm is also still a relevant factor from *Read* that proves consistent with the holding of *Halo*. Additionally, the Court in *Halo* held that it is not the *litigation inspired* defense that is pivotal to the analysis, but the mindset of the infringer at the time of infringement that matters;⁹⁷ it is the infringer's motive for harm that mostly heavily weighs in favor of awarding enhanced damages.⁹⁸ Therefore, this factor continues to remain relevant in light of *Halo*.

88. *Id.* (noting that failure to seek the advice of counsel did not "mandate a finding of willfulness" but it is an important consideration) (emphasis added).

89. *Id.* at 828–29 ("Those cases where willful infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent That an opinion is 'incompetent' must be shown by objective evidence.")

90. *See id.*

91. *See* 35 U.S.C. § 298 (2012); *Halo*, 136 S.Ct. at 1935.

92. *See id.*

93. Micheletti, *supra* note 2, at 998.

94. *Halo*, 136 S.Ct. at 1933 (quoting *Kolstad v. Am. Dental Ass'n*, 527 U.S. 526, 538 (1999)).

95. *Id.* at 1932 (quoting *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S.Ct. 1749, 1755 (2014)).

96. *Id.*

97. *See id.* at 1933; *WBIP, LLC v. Kohler Co.*, 829 Fed.3d 1324, 1340 (Fed. Cir. 2016).

98. *See Halo*, 136 S.Ct. at 1932 (reasoning that someone "who intentionally infringes another's patent—with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee's business" is the most deserving of the punishment of enhanced damages.)

“The remainder of the *Read* factors primarily guide the district courts in deciding how much to enhance damages.”⁹⁹ Since those factors do not discuss whether to award enhanced damages they do not need to be evaluated. If in fact *Seagate* did implicitly overrule *Read*,¹⁰⁰ the fact that *Seagate* was then overruled by *Halo* seems to have made *Read* relevant again for at least two of its factors (one and eight) that are used to determine if enhanced damages are warranted. To reiterate an important point, the evaluation of factor two would need to be done with the utmost caution to avoid the implication that advice of counsel must always be sought to avoid having this factor weigh against an accused infringer. To determine if this is being done by the district courts, an application of how post-*Halo* courts are evaluating the *Read* factors is required.

2. At least three district courts have explicitly adopted the *Read* factors to direct their discussion of enhanced damages under § 284.

In *Imperium IP Holdings (Caymen), Ltd. v. Samsung Electronics Co.*, Samsung Electronics was sued for patent infringement.¹⁰¹ The jury found that the defendants had willfully infringed on the claims of two patents,¹⁰² and the district court held that enhanced damages were appropriate.¹⁰³ While the jury heard the case pre-*Halo* and were instructed based on the willfulness standard of *Seagate*,¹⁰⁴ the district court made its decision post-*Halo*.¹⁰⁵ The district court chose to exercise its discretion by using the *Read* factors to determine if the behavior of the infringer was egregious enough to warrant enhanced damages.¹⁰⁶ The district court noted that “[w]hile the *Read* factors remain helpful to the [c]ourt’s execution of discretion, an analysis focused on ‘egregious infringement behavior’ is the touchstone for determining an award of enhanced damages.”¹⁰⁷ An award of enhanced damages does not need to

99. Micheletti, *supra* note 2, at 998–99 (acknowledging that the *Read* factors do not guide the courts in “whether enhancement is authorized.”).

100. *See id.* at 998.

101. *Imperium IP Holdings v. Samsung Elec. Co.*, 203 F.Supp.3d 755, 757 (E.D. Tex. 2016).

102. *Id.* at 758.

103. *Id.* at 763.

104. *Id.* at 761.

105. *Id.*

106. *Id.* at 763. The *Imperium* court felt that they could continue based on the jury’s ruling of willful infringement because on remand the *Halo* court stated there was, “no basis for a new trial on ‘willful misconduct,’ which is a sufficient predicate, under *Halo*, to allow the district court to exercise its discretion to decide whether punishment is warranted in the form of enhanced damages.” *Id.* at 762 (quoting *Halo Elecs. Inc. v. Pulse Elecs. Inc.*, No. 2014-1731, 667 Fed.Appx. 992, 994, 2016 WL 4151240 at *2 (Fed. Cir. 2016)).

107. *Id.* at 763.

weigh on any particular factor and not all factors are needed to warrant enhanced damages.¹⁰⁸

While the *Imperium Holdings* court utilized the factors in *Read*, it did not do a step-by-step analysis of each factor.¹⁰⁹ Instead, the court looked at the conduct of the defendant at the time of the accused infringement in light of the *Read* factors and determined that the behavior was egregious enough to warrant enhanced damages.¹¹⁰ The court, in coming to its conclusion, recognized that copying occurred (the first factor) and the defendants “never undertook any serious investigation to form a good-faith belief as to non-infringement or invalidity” (the second factor), but the court did not specify what qualifies as a serious investigation.¹¹¹

In *Finjan, Inc. v. Blue Coat Systems, Inc.*, Blue Coat Systems was sued for patent infringement.¹¹² The jury found that Blue Coat Systems infringed only some of the patents alleged and the court proceeded to a bench trial on non-jury issues including Finjan’s motion for enhanced damages.¹¹³ The district court used the *Read* factors to guide their decision as to whether enhanced damages were warranted.¹¹⁴ Contrary to *Imperium Holdings*, the *Finjan* court did a step-by-step analysis of the *Read* factors, and found that the factors alone did not support a finding of enhanced damages.¹¹⁵ The court evaluated the second and third factors together and found both weighed against a finding of egregious misconduct and enhancement.¹¹⁶ With regard to the second factor, specifically, the court found that, since the plaintiff was not able to provide sufficient evidence that the defendants were aware of the specific patents-in-suit prior to this lawsuit, the defendant had a good faith belief that the patents were invalid or not infringed.¹¹⁷

In *Radware, Ltd. v. F5 Networks, Inc.*, F5 Networks was sued for patent infringement.¹¹⁸ A jury found that F5 Network’s infringement was willful¹¹⁹

108. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–28 (Fed. Cir. 1992).

109. *Imperium*, 203 F.Supp.3d at 763.

110. *Id.* at 764.

111. *Id.*

112. *Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *1 (N.D. Cal. July 18, 2016).

113. *Id.*

114. *Id.* at *16.

115. *Id.* at *16-17 (using only eight of the nine *Read* factors).

116. *Id.* at *16.

117. *Id.*

118. *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-02024-RMW, 2016 WL 4427490, at *1 (N.D. Cal. Aug. 22, 2016).

119. *Id.* at *1.

and the district court subsequently held not to award enhanced damages.¹²⁰ Unlike the previous two cases, the district court found that only the fourth factor, the infringer's size and financial condition, supported an award of enhanced damages and declined to award them.¹²¹ That particular factor is supposed to weigh in consideration of how much enhanced damages to award,¹²² but in the *Radware* opinion it reads as a factor in favor of awarding enhanced damages. This is not consistent with the interpretation of the *Read* factors.¹²³

Thus far these district court cases leave much to be desired in determining if their use of *Read* comports with *Halo*, especially with regard to the second factor. While *Finjan* is consistent with its evaluation of the second factor, it says nothing about whether the defendant needs to seek an opinion of counsel, and it also does not expand much on its reasoning of a "good faith belief."¹²⁴ *Imperium* does nothing more than state what a "good faith belief" is not.¹²⁵ These three district court decisions are very inconsistent in their analysis of *Read* and it is concerning that none of the courts seemed to know exactly how to analyze the second factor.

B. District Court Determinations That Do Not Use *Read*

The fact that *Read* appears to still be good law in light of *Halo* does not mean that it definitively should be used by district courts to determine whether to award enhanced damages. Additionally, the debate over whether *Seagate* implicitly overruled *Read* is still heavily debatable. Some courts continued to use both *Seagate* and *Read*, post-*Seagate*, as a step one and step two to evaluating enhanced damages.¹²⁶ First, these courts would use *Seagate* to find if there was willful infringement, then *Read* was applied to determine how

120. *Id.* at *8.

121. *Id.* (reasoning that due to the size and revenue of F5, F5 would have been able to afford the \$19.2 million in enhanced damages sought in total damages by Radware).

122. Micheletti, *supra* note 2 at, 998–99.

123. *Id.*

124. See *Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016).

125. See *Imperium IP Holdings v. Samsung Elec. Co.*, 203 F.Supp.3d 755, 764 (E.D. Tex 2016).

126. Micheletti, *supra* note 2, at 999 ("Thus while the *Bott* and *Read* factors are no longer appropriate in assessing the objective recklessness of the infringer's conduct, district courts may still find them useful in gauging the extent of damage enhancement once willfulness under *Seagate* has been determined."). See also *Informativa Corp. v. Bus. Objects Data Integration, Inc.*, 527 F.Supp.2d 1076, 1082-83 (N.D. Cal. 2007); *Lee v. Accessories By Peak*, 705 F.Supp.2d 249, 256-61 (W.D.N.Y. 2010); *Judkins v. HT Window Fashions Corp.*, 704 F.Supp.2d 470, 479–83 (W.D.Pa. 2010).

much to enhance damages by.¹²⁷ In *Halo*, the Supreme Court overruled *Seagate*, instructing district court judges to use their discretion in determining enhanced damages,¹²⁸ but overruling *Seagate* does not expressly demand going back to using *Read* as the sole test for enhanced damages. This section will evaluate the decisions of district courts, post-*Halo*, that are not using *Read* to determine if those courts are following the holding of *Halo*.

In *Trustees of Boston University v. Everlight Electronics Co.*, Epistar and Everlight were being sued for patent infringement.¹²⁹ Instructions to the jury were made under *Seagate* and the district court found that both defendants willfully infringed the patent, but denied awarding enhanced damages.¹³⁰ Trustees of Boston (“BU”) sought an award of enhanced damages based on the jury’s finding of willful infringement; “BU argue[d] that the jury’s willfulness finding was binding on the Court, that enhanced damages [were] required, and that the Court’s discretion lies only in deciding the amount of enhanced damages to award.”¹³¹ Everlight argued that since *Halo* “rejected the *Seagate* test, the Court should accord no weight to the jury’s finding of willful infringement because it was based on the wrong standard.”¹³²

The court, instead of using the *Read* factors, compared the facts of this case to the facts found in *Halo*.¹³³ It found that, while Everlight did willfully infringe the patent, it “did not deliberately copy the [plaintiff’s] patent” or “try to conceal” the infringing material, it “reasonably investigated the scope of the patent”, and “form[ed] a good faith belief that [its] products did not infringe.”¹³⁴ Therefore, the court found that the defendant’s behavior was not egregious enough to warrant enhanced damages in light of the Supreme Court’s holding in *Halo*.¹³⁵

In *Brigham and Women’s Hospital, Inc. v. Perrigo Company*, Perrigo was sued for patent infringement and a jury held in favor of the plaintiff.¹³⁶ On Brigham’s motion for enhanced damages the court held that Perrigo’s conduct was not egregious enough to warrant enhanced damages and denied Brigham’s

127. See *Informatica Corp.*, 527 F.Supp.2d at 1082-83; *Lee*, 705 F.Supp.2d at 256-61; *Judkins*, 704 F.Supp.2d at 479-83.

128. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1933-34 (2016).

129. *Trustees of Bos. Univ. v. Everlight Elecs. Co.*, 212 F.Supp.3d 254, 255 (D. Mass. 2016).

130. *Id.*

131. *Id.*

132. *Id.*

133. *Id.* at 257-58.

134. *Id.* at 258.

135. *Id.*

136. *Brigham and Women’s Hosp., Inc. v. Perrigo Co.*, 251 F.Supp.3d 285, 288 (D. Mass. 2017).

motion.¹³⁷ The court recognized that the Supreme Court cautioned against using a precise rule or formula to determine enhanced damages and explicitly declined to use the *Read* factors in its analysis.¹³⁸ The court reasoned that Perrigo had investigated if Brigham's patent was valid and whether Perrigo infringed the patent.¹³⁹ The court held Perrigo's defense during the trial was "neither frivolous or vexatious" and, therefore, enhanced damages were not warranted.¹⁴⁰

Finally, on remand to the district court, in *Halo Electronics, Inc. v. Pulse* Halo sued Pulse for patent infringement.¹⁴¹ A jury found that Pulse infringed and on remand from the Federal Circuit, the district court held enhanced damages were not warranted.¹⁴² The district court denied enhanced damages for three main reasons: "(1) when [Pulse] learned of Halo's patent, Pulse investigated whether its products infringed, (2) Pulse pursued non-frivolous defenses at trial, and (3) Pulse had a basis to subjectively believe" that at no point was it infringing Halo's patent.¹⁴³ Halo argued that since the jury already found the infringement to be willful, a finding of enhanced damages logically followed.¹⁴⁴ The court disagreed, holding that "even a jury's finding of egregious or willful conduct does not require an award of enhanced damages."¹⁴⁵ Thus, "enhanced damages are not automatic"; instead, district courts must look at "all the circumstances and evidence to decide if this is a 'rare' case warranting extraordinary punishment."¹⁴⁶

The district court in *Halo* observed that since the Supreme Court decision in *Halo* many "district courts have been wary of awarding enhanced damages."¹⁴⁷ The court also briefly discusses the *Read* factors in a footnote, recognizing that "the Supreme Court and Federal Circuit have cautioned" against using the *Read* factors and while they "may be helpful . . . they are not

137. *Id.* at 293–94.

138. *Id.* at 293 ("Although the various factors set forth in *Read Corp.* may be useful to help determine whether an award of enhanced damages is warranted, the Supreme Court has cautioned that 'there is no precise rule or formula for awarding damages under § 284[.]'" (quoting *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1932 (2016)).

139. *Id.* at 292 "For the same reasons discussed above regarding Brigham's motion for attorney's fees, I find that Perrigo's conduct was not egregious." *Id.* at 293.

140. *Id.* at 292–93.

141. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, No. 2:07-CV-00331-APG-PAL, 2017 WL 3896672, at *1 (D. Nev. Sept. 6, 2017).

142. *Id.*

143. *Id.*

144. *Id.* at *5.

145. *Id.* at *4.

146. *Id.* at 5.

147. *Id.*

dispositive.”¹⁴⁸ The cases that do not use the *Read* factors give more clarity, and, more importantly, provide context for what it means to form a good-faith belief of noninfringement. The cases using the *Read* factors are inconsistent in their evaluations and range from only looking at one factor to every factor.

CONCLUSION

The guidance left by the Supreme Court in the *Halo* decision was not precise, and it left a lot of room for interpretation among district court judges.¹⁴⁹ “This guidance may, in some cases, not be enough to prevent undesirable results.”¹⁵⁰ Without any specific guidance from the Supreme Court, some courts have begun to use the *Read* factors,¹⁵¹ other courts are comparing the facts of a present case to the facts in *Halo* to determine what egregious behavior is,¹⁵² and still other courts are just following the reasoning of *Halo* and making no analysis with facts of other cases.¹⁵³ Even despite the fact that *Read* itself is consistent with the holding of *Halo* (but only if the second factor is not evaluated based on whether an accused infringer sought advice of counsel) the Supreme Court in *Halo* was explicit about courts using discretion and discouraged rigid tests.¹⁵⁴ However, post-*Seagate*, some courts began using *Read* only to determine by how much to enhance damages, not to determine if enhanced damages were warranted in the first instance.¹⁵⁵ This taken with the fact that *Read* is still good case law can lead to a compromise amongst all these district courts.

Courts should use their own discretion to decide whether the infringement of the patent has been especially egregious. First, district courts should start by following the example of cases like *Trustees of Boston* and use the facts of *Halo* as an example of what the Supreme Court considered to be especially egregious

148. *Id.* at *4 n.24.

149. *See Means, supra* note at 7.

150. *Id.*

151. *See Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *1 (N.D. Cal. July 18, 2016); *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-02024-RMW, 2016 WL 4427490, at *1 (N.D. Cal. Aug. 22, 2016); *Imperium IP Holdings v. Samsung Elec. Co.*, 203 F.Supp.3d 755, 763 (E.D. Tex 2016).

152. *See generally Trustees of Bos. Univ. v. Everlight Elecs. Co.*, 212 F.Supp.3d 254 (D. Mass. 2016).

153. *See Brigham and Women’s Hosp., Inc. v. Perrigo Co.*, 251 F.Supp.3d 285, 293 (D. Mass. 2017).

154. *Id.*

155. *Micheletti, supra* note 2, at 999. *See also Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 527 F.Supp.2d 1076, 1082-83 (N.D. Cal. 2007); *Lee v. Accessories By Peak*, 705 F. Supp. 2d 249, 256-61 (N.Y. W.D. 2010); *Judkins v. HT Window Fashions Corp.*, 704 F. Supp. 2d 470, 479-483 (W.D. Penn. 2010).

behavior warranting enhanced damages.¹⁵⁶ Second, district courts need to decide by how much should damages be enhanced. Section 284 allows damages to be enhanced up to three times the amount found or assessed.¹⁵⁷ Utilizing *Read*, in the same way that the courts did post-*Seagate*,¹⁵⁸ the question of by how much to enhance damages can be answered using the factors. Therefore, district courts can follow a two-step process. First, use “[the] sound legal principles’ developed over nearly two centuries of application and interpretation of the Patent Act” to determine what behavior is especially egregious enough to warrant enhanced damages.¹⁵⁹ Preferably, starting with a comparison to the facts of *Halo* similar to *Trustees of Boston*. Second, courts should follow the factors of *Read* to determine how much damages should be enhanced by. Additionally, this framework does not violate § 298 because using due care in the second factor does not concern the question of infringement because infringement will already have been determined.

156. *Trustees of Bos. Univ. v. Everlight Elecs. Co.*, 212 F.Supp.3d 254, 258 (D. Mass. 2016).

157. 35 U.S.C. § 284 (2012).

158. *See Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 527 F.Supp.2d 1076, 1082-83 (N.D. Cal. 2007); *Lee v. Accessories By Peak*, 705 F.Supp.2d 249, 256-61 (W.D.N.Y. 2010); *Judkins v. HT Window Fashions Corp.*, 704 F. Supp. 2d 470, 479-83 (W.D. Penn. 2010).

159. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1935 (2016) (quoting *Martin v. Franklin Cap. Corp.*, 126 S.Ct. 704, 710 (2005)).