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Increased Damages and Attorney Fees

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§17.1 General

The authority for punitive relief in patent cases is statutory. Whether damages are found by the jury or assessed by the judge, “in either event the court may increase the damages up to three times the amount found or assessed”¹ and “in exceptional cases may award

¹35 U.S.C. §284. Liquidated damages are not punitive if they are reasonable and the exact amount of actual damage would be difficult to prove. *United States v. Imperial Food Imports*, 834 F.2d 1013 (Fed. Cir. 1987).

reasonable attorney fees to the prevailing party.²² The consequences of patent infringement therefore include the assessment provided by statute of multiplied damages or attorney fees.³ Attorney fees may also be awarded for conduct in violation of Rule 11, FRCP, as a discovery sanction under Rule 37, FRCP, and for frivolous or vexatious conduct under Rule 38, FRAP, or 28 U.S.C. §1927. All of these concepts appear to be interrelated.⁴ In addition, of course, state law may provide for an award of punitive damages in certain cases, such as fraudulent inducement to reveal trade secrets.⁵ The constitutionality of an award of punitive damages is reviewed under the de novo standard. Nonetheless, if a punitive damages determination rests on purely factual issues, the reviewing court is to assume that those factual issues have been resolved adversely to the defendant, absent contrary indication. The three main criteria are (1) the degree or reprehensibility of the defendant's misconduct, (2) the disparity between the harm (or potential harm) suffered by the plaintiff and the punitive damages award, and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases. The court structures its review on each factor by conducting an examination of whether the punitive damages subject was properly submitted to the jury, an examination of the factual predicates for any of the pertinent factors, and a careful assessment of any comparable state law sanctions.⁶

Increased damages and attorney fees are simply means for placing the injured patentee in the situation it would have occupied if the wrong had not been committed.⁷ Thus, there is no necessary inconsistency between awarding treble damages on account of willful infringement and denying attorney fees whether or not the case is deemed exceptional.⁸

Increased damages and attorney fees must be premised on willful infringement or bad faith.⁹ In the initial determination of culpability,

²²35 U.S.C. §285.

³*Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 2 USPQ2d 1915, 1919 (Fed. Cir. 1987).

⁴*Western Mar. Elec. Inc. v. Furuno Elec. Co.*, 764 F.2d 840, 226 USPQ 334 (Fed. Cir. 1985).

⁵*Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 9 USPQ2d 1913 (Fed. Cir. 1989). See, e.g., *Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 37 USPQ2d 1816 (Fed. Cir. 1996), for a case involving punitive damages under the Illinois Trade Secrets Act.

⁶*Rhone-Poulenc Agro SA v. DeKalb Genetics Corp.*, 272 F.3d 1335, 60 USPQ2d 1769 (Fed. Cir. 2001). This case provides a textbook example of how to review a punitive damages award in a case involving fraudulent inducement. There was a GVR by the Supreme Court in light of *State Farm Ins. Co. v. Campbell*, 538 U.S. 408, 123 S.Ct. 1513 (2003), and the reasoning was adhered to on remand. *Rhone-Poulenc Agro SA v. DeKalb Genetics Corp.*, 345 F.3d 1366, 68 USPQ2d 1314 (Fed. Cir. 2003).

⁷*Fromson v. Western Litho Plate & Supp. Co.*, 853 F.2d 1568, 7 USPQ2d 1606 (Fed. Cir. 1988).

⁸*Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 785 F.2d 1013, 228 USPQ 938 (Fed. Cir. 1986).

⁹*Yarway Corp. v. Eur-Control USA Inc.*, 775 F.2d 268, 227 USPQ 352 (Fed. Cir. 1985). Enhanced damages may be awarded only as a penalty for an infringer's increased culpability, namely, willful infringement or bad faith. *Beatrice Foods Co. v. New England Printing & Lith.*

and thus liability for increased damages, "bad faith" properly refers to an infringer's failure to meet its affirmative duty to use due care in avoiding infringement of another's patent rights. If an infringer adequately performs that duty by determining, for example, that an asserted patent is invalid, that there is no infringement, or that its conduct is authorized by a license, it will not be held liable for increased damages. On the other hand, where it continues its infringing activity, and fails to investigate and determine, in good faith, that it possesses reasonable defenses to an accusation of patent infringement, the infringement is in bad faith. Such conduct occurs when an infringer merely copies a patented invention, or where it obtains incompetent, conclusory opinions of counsel only to use as a shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent. Thus, "bad faith" is more correctly called "bad faith infringement," and it is merely a type of willful infringement.¹⁰

In the end analysis, awards of increased damages and attorney fees should not be allowed to thwart efforts to challenge the validity of patents believed in good faith to be invalid. A party who has obtained advice of competent counsel, or otherwise acquired a basis for a bona fide belief that a patent is invalid, can be said to serve the patent system in challenging that patent in a lawsuit conducted fairly, honestly, and in good faith. Such a party should not have increased damages or attorney fees imposed solely because a court subsequently holds that belief unfounded, particularly when the issues may be fairly described as close.¹¹ Moreover, one of the benefits of a patent system is its so-called negative incentive to design around a competitor's products, even when they are patented, thus bringing a steady flow of innovations to the marketplace. It should not be discouraged by punitive damage awards except in cases where conduct is so obnoxious as clearly to call for them. The world of competition is full of fair fights.¹²

§17.2 Increased Damages

The court has come to the view that infringement damages cannot be enhanced in the absence of a finding of willful infringement. In

Co., 923 F.2d 1567, 17 USPQ2d 1553 (Fed. Cir. 1991). Here, the district court had previously found that the infringement was not willful and that the infringer had not prolonged the litigation in bad faith, and therefore concluded that the case was not exceptional. Nonetheless, the district court was outraged at the infringer's intentional destruction of records, and therefore trebled the actual damages "to adequately compensate" the patentee. The Federal Circuit vacated the award on the ground that damages cannot be enhanced to award the patentee additional compensation to rectify what the trial court views as an inadequacy in the actual damages found.

¹⁰*Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 38 USPQ2d 1397, 1399-1400 (Fed. Cir. 1996).

¹¹*Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 230 USPQ 81 (Fed. Cir. 1986).

¹²*State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 224 USPQ 418 (Fed. Cir. 1985).

1992 it characterized its previous suggestions that damages might be enhanced solely due to misconduct during litigation as dicta, and pointed out that other sanctions are generally available for litigation misconduct. Bad faith behavior of a party to the litigation is just a factor to be weighed in assessing the level of a defendant's culpability where an infringement is found to be willful.¹³

The increased damages portion of §284 thus requires a two-step inquiry. First, the factfinder must determine whether an infringer is guilty of conduct upon which increased damages may be based. If so, the court then determines, exercising its sound discretion, whether, and to what extent, to increase the damages award given the totality of the circumstances. Because increased damages are punitive, the requisite conduct for imposing them must include some degree of culpability. An act of willful infringement satisfies this culpability requirement and is, without doubt, sufficient to meet the first criterion for increasing a compensatory damages award. Increased damages also may be awarded because of bad faith on the other side. The correlation between bad faith, willful infringement, and increased damages, however, is sometimes misunderstood because the term "bad faith" has numerous patent law applications. Only some of these are relevant in determining the predicate culpability for an increased damages award. Bad faith is used, for example, in referring to misconduct in the prosecution or litigation over a patent. Such conduct includes inequitable conduct during patent prosecution, bringing vexatious or unjustified suits, attorney or client misconduct during litigation, or unnecessarily prolonging litigation. These acts by themselves, however, are not sufficient for an increased damages award under §284 because they are not related to the underlying act of infringement and say nothing about the culpability of the infringer. Only a culpable infringer can be held liable for increased damages, not an innocent one. The listed acts might be evaluated to determine if the infringer acted willfully in light of the totality of the surrounding circumstances. The ultimate fact to be proven, that is, the basis for increased damages, however, would be that the infringement was willful, not that litigation activities were improper. Thus, although an infringer's inequitable conduct in prosecuting its own patents, or its egregious conduct in infringement litigation may be sufficient for other sanctions or fee awards, or may be used as a factor in determining whether or how much to increase a damages award once sufficient culpability is found, these actions are not sufficient independent bases to justify

¹³*Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992). See *Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 26 USPQ2d 1353 (Fed. Cir. 1993). But see *Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 25 USPQ2d 1447, 1449 (Fed. Cir. 1993), where the court continues to use language that suggests an award of enhanced damages might be supported by bad faith. For pre-1992 cases, see, e.g., *Avia Group Int'l Inc. v. L.A. Gear Calif. Inc.*, 853 F.2d 1557, 7 USPQ2d 1548 (Fed. Cir. 1988); *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 2 USPQ2d 1915, 1919 (Fed. Cir. 1987); *Bott v. Four Star Corp.*, 807 F.2d 1567, 1 USPQ2d 1210 (Fed. Cir. 1986); *TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 229 USPQ 525 (Fed. Cir. 1986); *S.C. Johnson & Son v. Carter-Wallace Inc.*, 781 F.2d 198, 228 USPQ 367 (Fed. Cir. 1986).

increased damages under §284.¹⁴ Enhanced damages are punitive not compensatory. Therefore, an infringer may generally avoid enhanced damages with a meritorious good faith defense and a substantial challenge to infringement.¹⁵

On the other hand, a finding of willful infringement does not mandate that damages be enhanced, much less mandate treble damages. The paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances. The court must consider factors that render the infringer's conduct more culpable, as well as factors that are mitigating or ameliorating. These include (1) whether there was deliberate copying, (2) whether there was good faith belief that the patent was invalid or not infringed, (3) the infringer's behavior in the litigation, (4) the infringer's size and financial condition, (5) closeness of the case, (6) duration of the infringer's misconduct, (7) remedial action by the infringer, (8) the infringer's motivation for harm, and (9) whether the infringer attempted to conceal its misconduct. These factors seem to be in accord with punitive damage considerations in other tort contexts.¹⁶ The increase of damages based on willfulness of the infringement is within the discretionary authority of the trial court, informed by the court's familiarity with the matter in litigation and the interest of justice. In exercising its discretion the trial court may consider the weight of the evidence of willfulness. It thus considers the culpability of the infringer with due attention to any circumstances in mitigation, the closeness of the question, and any other facts pertinent to the award of exemplary damages.¹⁷

The court has squarely held that the alternative remedy for design patent infringement provided by 35 U.S.C. §289—recovery of an infringer's total profit—cannot be increased under §284, which provides only for "damages."¹⁸ Increased damages are not apportionable, irrespective of a jury's apportionment of ordinary damages.¹⁹

§17.3 Attorney Fees

District courts possess inherent power to assess attorney fees as a sanction when a party acts in bad faith, vexatiously, wantonly,

¹⁴*Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 38 USPQ2d 1397 (Fed. Cir. 1996).

¹⁵*Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 25 USPQ2d 1447 (Fed. Cir. 1993).

¹⁶*Read Corp. v. Portec Inc.*, 970 F.2d 816, 23 USPQ2d 1426, 1435-36 (Fed. Cir. 1992). Slavish copying is not required in order for copying to be a factor pointing toward willfulness. *Stryker Corp. v. Intermedics Orthopedics Inc.*, 96 F.3d 1409, 40 USPQ2d 1065 (Fed. Cir. 1996).

¹⁷*Brooktree Corp. v. Advanced Micro-Devices, Inc.*, 977 F.2d 1555, 24 USPQ2d 1401 (Fed. Cir. 1992). For example, enhanced damages may be regarded as inappropriate, despite a verdict finding of willfulness, because of the closeness of the issues. *Lairam Corp. v. NEC Corp.*, 115 F.3d 947, 42 USPQ2d 1897 (Fed. Cir. 1997).

¹⁸*Braun Inc. v. Dynamics Corp.*, 975 F.2d 815, 24 USPQ2d 1121 (Fed. Cir. 1992).

¹⁹*Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l Inc.*, 57 USPQ2d 1953 (Fed. Cir. 2001).

or for oppressive reasons.²⁰ Courts have tools to punish egregious misconduct. These include attorney fees under 35 U.S.C. §285, Rule 11, FRCP, Rule 38, FRAP, or 28 U.S.C. §1927.²¹

(a) Determination of Entitlement

From early on, federal courts refused to adopt the English Rule requiring assessment of attorney fees against a losing party. Under the American Rule, the prevailing litigant is ordinarily not entitled to any attorney fees absent statutory authority. A rationale for this rule is that one should not be penalized for litigating.²² As an exception to the American Rule, courts have exercised their inherent equitable power to make whole a party injured by an egregious abuse of the judicial process. But in patent cases, that power is apparently limited to "exceptional cases," as provided in 35 U.S.C. §285.²³ Allowance of fees only in exceptional cases is based on the premise that courts should attempt to strike a balance between the interest of the patentee in protecting its statutory rights and the interest of the public in confining such rights to their legal limits.²⁴ Attorney fees are not to be routinely assessed against a losing party in litigation. They are awarded to avoid a gross injustice and not to penalize a party for merely defending or prosecuting a lawsuit.²⁵

A federal court has inherent power to impose sanctions, and this includes shifting litigation costs where a party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons. Statutes governing sanctions do not displace this inherent power. When statutes or rules provide an adequate sanction for bad faith, a trial court should ordinarily rely on those express authorities for sanctions. But if in the

²⁰*L.E.A. Dynatech, Inc. v. Allina*, 49 F.3d 1527, 33 USPQ2d 1839 (Fed. Cir. 1995).

²¹*Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 38 USPQ2d 1397 (Fed. Cir. 1996). Apparently, 15 U.S.C. §1117(a) is also available. See *Waymark Corp. v. Porta Sys. Corp.*, 334 F.3d 1358, 67 USPQ2d 1303 (Fed. Cir. 2003).

²²*Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985).

²³*SunTek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 929 F.2d 676, 18 USPQ2d 1332 (Fed. Cir. 1991).

²⁴*S.C. Johnson & Son v. Carter-Wallace, Inc.*, 781 F.2d 198, 228 USPQ 367 (Fed. Cir. 1986); *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985). Not all successful defendants are entitled to attorney fees or to attorney fees and expenses. The requirement in §285 of establishing an exceptional case remains a formidable and adequate barrier to unwarranted awards. Similarly, the §285 requirement that the fees awarded be "reasonable" is a safeguard against excessive reimbursement. *Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988). In *Yarway Corp. v. Eur-Control USA Inc.*, 775 F.2d 268, 227 USPQ 352, 359 (Fed. Cir. 1985), the trial court found bad faith, despite a nonfrivolous effort to design around the patent, apparently on the ground that the infringer was the patent owner who had exclusively licensed the plaintiff. In reversing, the court observed that where the parties are working under a contract, it would be logical to expect them to provide remedies for any breach in the contract itself, and recourse to the more punitive aspects of tort damages is therefore unnecessary. Attempting to avoid infringement and invent around a patent is not sufficient to justify the enhancement of damages or attorney fees. See also *Spindelfabrik S., S. & G. GmbH v. Schubert & Salzer Mas. Ak.*, 829 F.2d 1075, 4 USPQ2d 1044 (Fed. Cir. 1987).

²⁵*Reulon, Inc. v. Carson Prods. Co.*, 803 F.2d 676, 231 USPQ 472 (Fed. Cir. 1986).

informed discretion of the court, neither the statute nor the rules are up to the task, the court may safely rely on its inherent power. There must be a finding of fraud or abuse of the judicial process. The reviewing court must distinguish between inappropriate conduct redressable under 35 U.S.C. §284 or §285 and egregious conduct that justifies resort to the inherent power to sanction. The court should resort to its inherent power only where the rules or statutes do not reach the acts that degrade the legal system.²⁶

The purpose of §285 is to provide discretion where it would be grossly unjust that the winner be left to bear the burden of its own counsel fees, which prevailing litigants normally bear.²⁷ It is intended to reimburse a party that is injured when forced to undergo an exceptional case, not the party's attorneys.²⁸ The purpose of §285 when applied to accused infringers is generally said to be two-fold: one, it discourages infringement by penalizing the infringer; and two, it prevents gross injustice when the accused infringer has litigated in bad faith. Where there is no willful infringement, the purpose of discouraging infringement is not relevant. But an attorney fee award can in such a case be justified by the need to prevent gross injustice. This can be based on such matters as bad faith or litigation misconduct.²⁹ Thus, a decision holding a patent invalid does not moot an inequitable conduct issue where the accused infringer seeks attorney fees as a result.³⁰

The patent statute provides for an award of attorney fees to the "prevailing party" in exceptional cases.³¹ Attorney fees under §285

²⁶*Amsted Indus. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 30 USPQ2d 1470 (Fed. Cir. 1994). The trial court found that the defendant copied the patent, lacked a good faith belief that it was invalid, denied infringement in the face of evidence to the contrary, and burdened the court with numerous motions. However, there was no fraudulent conduct, no false pleadings, and no tactics of oppression and harassment. There was no discovery abuse, no misleading evidence presented at trial, and in general no conduct amounting to abuse of the judicial process. Thus, although this state of the record was held to support an award of increased damages and attorney fees under §§284 and 285, the Federal Circuit felt it did not support an exercise of discretion to award an addition sanction, under the trial court's equitable powers, of the expert witness fees expended by the plaintiff. *Id.* Exercise of the court's inherent power must be done with restraint and discretion. The inherent power can be used to shift attorney fees when there has been willful disobedience of a court order, or conduct that is in bad faith, vexatious, wanton, or for oppressive reasons. Conduct of the second type requires an improper intent or purpose that cannot be inferred from mere tardiness per se. *Pickholtz v. Rainbow Tech. Inc.*, 284 F.3d 1365, 62 USPQ2d 1340 (Fed. Cir. 2002).

²⁷*Badalamenti v. Dunham's, Inc.*, 896 F.2d 1359, 13 USPQ2d 1967 (Fed. Cir. 1990).

²⁸*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988). The fact that there are no actual damages does not render an award of attorney fees punitive. Attorney fees are compensatory, and may provide a fair remedy in appropriate cases. *Knorr-Bremse Systeme F. N. GMBH v. Dana Corp.*, 383 F.3d 1337, 72 USPQ2d 1560 (Fed. Cir. 2004).

²⁹*Beckman Instr., Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989). Where fees are awarded solely on the basis of litigation misconduct, the award must bear some relation to the extent of the misconduct. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992).

³⁰*Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 25 USPQ2d 1561 (Fed. Cir. 1993).

³¹E.g., *Beckman Instr., Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

may be awarded for time incurred in the litigation of legitimate patent claims. Attorney fees are awarded to a "prevailing party" and are not restricted to patent owners.³² Under 35 U.S.C. §285, for a party to obtain an award of attorney fees, (1) the case must be exceptional; (2) the trial court may exercise discretion; (3) the fees must be reasonable; and (4) they may be awarded only to the prevailing party.³³ In order to "prevail" within the meaning of §285, a plaintiff must have achieved some of the benefits sought in bringing suit, i.e., damages or an injunction.³⁴ Nor are all successful defendants entitled to attorney fees. The requirement in §285 of establishing an exceptional case remains a formidable and adequate barrier to unwarranted awards. Similarly, the §285 requirement that the fees awarded be "reasonable" is a safeguard against excessive reimbursement.³⁵ Federal Circuit precedent governs the substantive interpretation of §285, which is unique to patent law.³⁶

It is not entirely clear whether the party must prevail totally or just on the appealed issues.³⁷ However, the court has indicated that it may be an abuse of discretion to award fees for an entire case in a situation where some claims are held valid and infringed and others

³²*Interspiro USA, Inc. v. Figgie Int'l, Inc.*, 18 F.3d 927, 30 USPQ2d 1070 (Fed. Cir. 1994). In *Automated Bus. Mach. Inc. v. NEC Am. Inc.*, 202 F.3d 1353, 53 USPQ2d 1601 (Fed. Cir. 2000), the court affirmed an award of attorney fees that included fees paid by the defendant's grandparent corporation. Apparently, neither control of the litigation nor degree of participation is a critical factor.

³³*Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985). In *SunTek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 929 F.2d 676, 18 USPQ2d 1332 (Fed. Cir. 1991), the district court found that the case was not exceptional. Subsequently, at a stage in the proceedings where it lacked jurisdiction, it amended the judgment to award attorney fees. The award was vacated on appeal on jurisdictional grounds, but in the meantime the amended judgment had been executed. On remand, the district court erroneously refused to order restitution of the attorney fees. Inasmuch as the district court could not properly award fees in a case that was not found to be exceptional, it could not achieve that same result under the guise of exercising equitable powers to deny restitution.

³⁴*Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 45 USPQ2d 1498 (Fed. Cir. 1998). A plaintiff that successfully withstands an equitable conduct defense but loses on validity is not a prevailing party. When a plaintiff succeeds only in overcoming a defense raised to the claim it asserted in bringing suit, it is not "the prevailing party." *Id.* Where a summary judgment is vacated and the case remanded, there is no "prevailing party" and thus no basis for an award of attorney fees under §285. *DH Tech. Inc. v. Synergystex Int'l Inc.*, 154 F.3d 1333, 47 USPQ2d 1865 (Fed. Cir. 1998). In *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 69 USPQ2d 1961 (Fed. Cir. 2004), the argument was that the winner had waived attorney fees by failing to include a request for fees in the pretrial order. The court rejected this argument on the ground that there is no "prevailing party" at the pretrial stage, and thus any such request would be premature.

³⁵*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

³⁶*Pharmacia & Upjohn Co. v. Mylan Pharm. Inc.*, 182 F.3d 1356, 51 USPQ2d 1466 (Fed. Cir. 1999). The Federal Circuit applies its own law to define the meaning of the term prevailing party in the context of patent litigation, and reviews the matter de novo. *Inland Steel Co. v. LTV Steel Co.*, 364 F.3d 1318, 70 USPQ2d 1472 (Fed. Cir. 2004). Here, the district court stayed the case pending the defendant's request for reexamination. The patent did not survive reexamination and the case was dismissed. Applying the general principle that to be a prevailing party, one must receive at least some relief on the merits that alters the legal relationship of the parties, defendant was found to be a prevailing party, even though it initially prevailed on the issue of invalidity in a different forum.

³⁷*Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 731 F.2d 840, 221 USPQ 657 (Fed. Cir. 1984).

held invalid or not infringed.³⁸ Similarly, it would seem that fees may have to be apportioned carefully with regard to whether they resulted from a vexatious litigation strategy.³⁹

It is well settled that attorney fees cannot be awarded against the federal government unless specifically authorized by a statutory waiver of sovereign immunity. Such statutory authorization must be express and specific; it cannot be extended beyond the statute's literal terms and it cannot be implied.⁴⁰ Thus increased damages and attorney fees are not available against the government in a case under 28 U.S.C. §1498.⁴¹ The Hatch-Waxman Act authorizes an award of attorney fees to the prevailing party in exceptional cases on the basis of an ANDA filing. The joint operation of §271(e) and §285 require the infringer to display care and regard for the strict standards of the Hatch-Waxman Act when challenging patent validity. Thus, a case initiated by a filing under §271(e)(2), like any other form of infringement litigation, may become exceptional if the ANDA filer makes baseless certifications.⁴²

(b) Determination of Amount and Covered Activity

Attorney fees do not typically include taxable costs,⁴³ but they do cover expenses.⁴⁴ In *Mathis v. Spears*,⁴⁵ the court spoke at length on the subject of expenses under §285. In nonexceptional cases, the American Rule is that each party bears its own attorney fees and expenses. But courts have exercised their inherent equitable power to make whole a party injured by an egregious abuse of the judicial process. Congress enacted §285 to codify in patent cases the "bad faith" equitable exception to the American Rule. The intent was to discourage conduct that falls within the scope of exceptionality, by reimbursing the prevailing party for the fees and expenses to which it was subjected by the exceptional conduct.

The *Mathis* court did not hold that all awards under §285 may or must include expenses, or expenses of any particular type or amount. The district court's inherent equitable power and informed discretion remain available in determining the level of exceptionality rising out of the offender's particular conduct and in then determining,

³⁸*Beckman Instr., Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

³⁹*Beckman Instr., Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

⁴⁰*Saldana v. Merit Sys. Prot. Bd.*, 766 F.2d 514 (Fed. Cir. 1985).

⁴¹*Motorola, Inc. v. United States*, 729 F.2d 765, 221 USPQ 297 (Fed. Cir. 1984).

⁴²*Yamanouchi Pharm. Co. v. Danbury Pharm. Inc.*, 231 F.3d 1339, 56 USPQ2d 1641 (Fed. Cir. 2000).

⁴³*Bennett v. Department of Navy*, 699 F.2d 1140 (Fed. Cir. 1983).

⁴⁴*Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983).

⁴⁵*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

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in light of that conduct, the compensatory quantum of the award, including the amount of attorney fees, what if any expenses shall be included, and the rate of prejudgment interest, if any, on the award.⁴⁶

Those include the reasonable and necessary out-of-pocket expenses of providing a lawyer's services that are not covered by the hourly rate because they cannot always be anticipated with any certainty in a given case, that are routinely paid by counsel and billed to the client, that are not taxable costs or prohibited by statute, and that are not expenses incurred for the mere convenience of counsel.⁴⁷ The *Mathis* decision makes it clear that an attorney fee award can include necessary and reasonable lodging expenses of multiple attorneys for multiple defendants, and expenses for secretarial and paralegal services that were incurred when the volume of work relating to the litigation exceeded the normal secretarial workday, resulting in an out-of-pocket cost above and beyond normal office salaries.⁴⁸ Although *Mathis* also held that expert witness fees are recoverable under 35 U.S.C. §285, that portion of the decision has since been effectively vitiated by Supreme Court precedent.⁴⁹ Thus, expert witness fees are not recoverable under 35 U.S.C. §285.⁵⁰

Apparently, there is no doubt that fees may be awarded for in-house counsel work, at least during the period when in-house counsel is lead trial counsel.⁵¹ Reasonable rates for in-house counsel are to be calculated based on cost plus overhead. To allow a private firm market standard for in-house work would be to allow a nonlegal business corporation to use the services of in-house counsel and reap a profit therefrom.⁵² In a case of first impression, the court has held that a pro se litigant, albeit an attorney, cannot recover attorney fees as a sanction for discovery misconduct under Rule 37, FRCP. This is because the rule speaks in terms of expenses or fees "incurred." One cannot "incur" fees payable to oneself, fees that one is not obliged to pay. Moreover, the word "attorney" connotes an agency relationship

⁴⁶*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

⁴⁷*Bennett v. Department of Navy*, 699 F.2d 1140 (Fed. Cir. 1983).

⁴⁸*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988). Fees and expenses of experts and consultants are awardable under §285. *Beckman Instr., Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

⁴⁹In *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437 (1987), the Court held that when a prevailing party seeks reimbursement for fees paid to its own expert witnesses, a federal court is, absent contract or explicit statutory authority to the contrary, bound by 28 U.S.C. §1821(b), which limits expert witness fee awards under §1920 to \$40 a day for each day's attendance and for the time necessarily occupied in travel to and from the place of attendance. And in *West Virginia Univ. Hosps., Inc. v. Casey*, 499 U.S. 83 (1991), the Court held that attorney fees did not encompass expert witness fees; explicit statutory reference to expert witness fees is required in order to supersede 28 U.S.C. §1821(b).

⁵⁰*Amsted Indus. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 30 USPQ2d 1470 (Fed. Cir. 1994).

⁵¹*PPG Indus., Inc. v. Celanese Polymer Spec. Co.*, 840 F.2d 1565, 6 USPQ2d 1010 (Fed. Cir. 1988).

⁵²*PPG Indus., Inc. v. Celanese Polymer Spec. Co.*, 840 F.2d 1565, 6 USPQ2d 1010 (Fed. Cir. 1988).

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between two parties (client and attorney), such that fees a lawyer might charge himself or herself are not "attorney fees." Nor are such fees a payable "expense," as there is no direct financial cost or charge associated with the expenditure of one's own time. Nonetheless, a pro se litigant/attorney may be able to recover fees under the inherent powers of the district court, which provide an independent basis for assessing discovery sanctions.⁵³

Proof of fees should include an accounting of hours, billing rates, and some evidence to show the reasonableness of the rates in the community. The records should be organized so that the court can review the reasonableness of the time expended.⁵⁴ There is no judicial requirement for contemporaneous time records to qualify for a fee award. While such records are the most desirable way of proving time spent, they are not the only means. Attorney fees are allowable if they are based on records that are substantially reconstructed and reasonably accurate.⁵⁵ A client's bill may, if sufficiently detailed, substitute for lost billing records. But there must be some evidence to support the reasonableness of the billing rate charged and the number of hours expended. Although the issue of fees should be settled in the most expeditious manner possible, there must be some findings, certainly more than an "equitable instinct," supporting the fee award in order to provide a base for appellate review.⁵⁶ Customary fees are factors in determining a reasonable attorney fee.⁵⁷

Where a prevailing party has obtained excellent results, its attorney should recover a fully compensatory fee. Normally, this will encompass all hours reasonably expended on the litigation.⁵⁸ Reasonableness is also comprehended by the requirement that the fees be for work actually done on issues covered by the statutory provision for the fees.⁵⁹ Fees can be awarded for defenses not tried. Litigants in good faith may raise alternative legal grounds for a desired outcome, and the court's rejection of or failure to reach certain grounds is not a sufficient reason for reducing a fee.⁶⁰

⁵³*Pickholtz v. Rainbow Tech. Inc.*, 284 F.3d 1365, 62 USPQ2d 1340 (Fed. Cir. 2002).

⁵⁴*Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 219 USPQ 670 (Fed. Cir. 1983).

⁵⁵*PPG Indus., Inc. v. Celanese Polymer Spec. Co.*, 840 F.2d 1565, 6 USPQ2d 1010 (Fed. Cir. 1988). It was an abuse of discretion to refuse any fees for in-house counsel work where the underlying documentation for time spent was affidavits corroborated by business records, all prepared within two years of the end of the time period in question. The court did note, however, that insufficient documentation may warrant a reduction in fees. The amount was therefore left to the discretion of the district court on remand. *Id.* Insufficient documentation may warrant a reduction in fees, but it does not relieve the district court of its obligation to award a reasonable fee. *Slimfold Mfg. Co. v. Kinhead Indus.*, 932 F.2d 1453, 18 USPQ2d 1842 (Fed. Cir. 1991).

⁵⁶*Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 7 USPQ2d 1097 (Fed. Cir. 1988).

⁵⁷*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988). It was not improper for the trial court to consider the results of American Intellectual Property Law Association surveys of rates.

⁵⁸*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

⁵⁹*Hughes v. Novi Am., Inc.*, 724 F.2d 122, 220 USPQ 707 (Fed. Cir. 1984).

⁶⁰*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

Under §285, fees cannot be awarded for work on nonpatent issues.⁶¹ The court has held that attorney fees under §285 may be awarded in an action to enforce an agreement settling a patent infringement case.⁶² But care must be taken to assure that a fee award does not cover work done in connection with a claim that does not warrant attorney fees.⁶³ Only if the nonpatent issues are so intertwined with the patent issues that the evidence would in large measure be material to both can fees be awarded for the entire case.⁶⁴

Certainly, an award under §285 is not limited to fees paid for counsel's work at trial. Fees incurred in discovery that was necessary to the outcome of the case are properly included in an award.⁶⁵ It also seems clear that fee awards may cover work other than strictly that done at the trial-court level. Thus, the power to award attorney fees for appellate work is not the exclusive domain of an appellate court, and the trial court may award fees for prior appeals where such appeals are an integral part of the ongoing litigation.⁶⁶

What about administrative proceedings? In *Webb v. Dyer County Board*,⁶⁷ the Supreme Court held that attorney fees should not be awarded in nonmandatory, nonjudicial proceedings where the party has the option of proceeding directly to court, unless the party can demonstrate that the work product was both useful and of a type ordinarily necessary. In deciding that fees should be awarded for protester participation in a protested reissue proceeding, the Federal Circuit seemingly distinguished *Webb* on the ground that the protester's participation was mandatory, or nearly so. Thus the district court on remand was instructed not to evaluate whether the protester's work was useful and necessary: it was presumed to be so because it was the same work that would have been performed if the case had proceeded to trial.⁶⁸ It seems reasonable to expect that this ruling will be applied to reexamination proceedings as well. Work done in a reexamination by an opposing party would seem to be no less necessary and useful than the work of a protester in a reissue proceeding.

One decision can be read as suggesting that increased damages are typically intended to cover attorney fees in whole or in major

⁶¹*Petersen Mfg. Co. v. Central Purchasing, Inc.*, 740 F.2d 1541, 222 USPQ 562 (Fed. Cir. 1984).

⁶²*Interspiro USA, Inc. v. Figgie Int'l, Inc.*, 18 F.3d 927, 30 USPQ2d 1070 (Fed. Cir. 1994). The reasoning implies that such a claim is one arising under the patent laws.

⁶³*Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 7 USPQ2d 1097 (Fed. Cir. 1988).

⁶⁴*Stickle v. Heublein, Inc.*, 716 F.2d 1550, 219 USPQ 377 (Fed. Cir. 1983).

⁶⁵*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

⁶⁶*PPG Indus., Inc. v. Celanese Polymer Spec. Co.*, 840 F.2d 1565, 6 USPQ2d 1010 (Fed. Cir. 1988).

⁶⁷471 U.S. 234 (1985).

⁶⁸*PPG Indus., Inc. v. Celanese Polymer Spec. Co.*, 840 F.2d 1565, 6 USPQ2d 1010 (Fed. Cir. 1988). The court also held that it was an abuse of discretion to deny attorney fees incurred by the protester as an intervener in the applicant's previous appeal to the Federal Circuit from the PTO Board decision rejecting the reissue application.

part.⁶⁹ A district court has discretion to award prejudgment interest on attorney fee awards under §285, but need not do so in every case, indeed, not even in every exceptional case.⁷⁰ The liability of nonparties for fee awards is discussed in §10.4(d).⁷¹

(c) *Exceptional Circumstances*

Is willful infringement exceptional conduct? Willful infringement may be seen as producing an unnecessary and outcome-certain lawsuit and thus may make a case so exceptional as to warrant attorney fees.⁷² A finding of willful infringement is legally sufficient to meet the criterion of an "exceptional case," and under such circumstances it is within the trial court's discretionary authority to award attorney fees,⁷³ although an award of fees, because discretionary, does not automatically follow from the willfulness of an infringement.⁷⁴ Nonetheless, not only is it incumbent upon a trial court to articulate the basis for a finding of exceptional circumstances, but it is equally necessary to explain why the case was not exceptional in the face of a finding of willful infringement.⁷⁵

In addition to willful infringement, activities reflective of bad faith and thus suggesting exceptional circumstances also include inequitable conduct during patent prosecution, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit.⁷⁶ Inadequacy of prefiling preparation may be relevant to the "exceptional" case question.⁷⁷ But the Federal Circuit says that it has never upheld a finding of exceptionality based on a patentee's bad faith business conduct toward an accused infringer prior to litigation, and declines to expand the scope of the statutory term "exceptional" in that manner.

⁶⁹*Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 788 F.2d 1536, 229 USPQ 480 (Fed. Cir. 1986).

⁷⁰*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

⁷¹See, e.g., note 10:364.

⁷²*Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 230 USPQ 81 (Fed. Cir. 1986).

⁷³*Del Mar Avionics, Inc. v. Quinton Instr. Co.*, 836 F.2d 1320, 5 USPQ2d 1255, 1262 (Fed. Cir. 1987).

⁷⁴*Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 16 USPQ2d 1622 (Fed. Cir. 1990); *Avia Group Int'l, Inc. v. L.A. Gear Calif, Inc.*, 853 F.2d 1557, 7 USPQ2d 1548 (Fed. Cir. 1988). See also *Brooktree Corp. v. Advanced Micro-Devices, Inc.*, 977 F.2d 1555, 24 USPQ2d 1401 (Fed. Cir. 1992).

⁷⁵*Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 38 USPQ2d 1397 (Fed. Cir. 1996); *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 16 USPQ2d 1622 (Fed. Cir. 1990); *Fromson v. Western Litho Plate & Supp. Co.*, 853 F.2d 1568, 7 USPQ2d 1606 (Fed. Cir. 1988); *S.C. Johnson & Son v. Carter-Wallace, Inc.*, 781 F.2d 198, 228 USPQ 367 (Fed. Cir. 1986).

⁷⁶*Beckman Instr., Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301, 1304 (Fed. Cir. 1989); *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 227 USPQ 293 (Fed. Cir. 1985); *Bayer Aktiengesellschaft v. Duphar Int'l Research B.V.*, 738 F.2d 1237, 222 USPQ 649 (Fed. Cir. 1984); *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 218 USPQ 969 (Fed. Cir. 1983).

⁷⁷*Epcon Gas Sys. Inc. v. Bauer Compressors Inc.*, 279 F.3d 1022, 61 USPQ2d 1470, 1479 (Fed. Cir. 2002).

Such business conduct, even though sufficiently relied upon and prejudicial to lead to estoppel, does not make any subsequent lawsuit exceptional.⁷⁸

§17.4 Willful Infringement

The word "willful" is widely used in the law, and, although it has not by any means been given a perfectly consistent interpretation, it is generally understood to refer to conduct that is not merely negligent, e.g., acts that are "voluntary," "deliberate," or "intentional." The concept of "willful infringement" is not simply a conduit for enhancement of damages; it is a statement that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence. Remedy for willful infringement is founded on 35 U.S.C. §284 ("the court may increase the damages up to three times the amount found or assessed") and 35 U.S.C. §285 ("the court in exceptional cases may award reasonable attorney fees to the prevailing party").⁷⁹

The primary consideration in determining willful infringement is whether the infringer, acting in good faith and upon due inquiry, had sound reason to believe that it had the right to act in the manner that was found to be infringing. The law does not search for minimally tolerable behavior, but requires prudent and ethical legal and commercial actions. The precedent displays the consistent theme of whether a prudent person would have had sound reason to believe that the patent was not infringed or was invalid or unenforceable and would be so held if litigated. A factor to be considered is whether the adjudged infringer relied on legal advice. When this defense is raised the court may consider the nature of the advice, the thoroughness and competence of the legal opinion presented, and its objectivity. The court will determine whether the advice of noninfringement or invalidity or unenforceability could have reasonably been relied on, and whether, on the totality of the circumstances, exculpatory factors avert a finding of willful infringement. The totality of the circumstances may include not only such aspects as the closeness or complexity of the legal and factual questions presented, but also commercial factors that may have affected the infringer's actions. Aspects in mitigation, such as whether there was independent invention or attempts to design around and avoid the patent or any other factors

⁷⁸*Forest Labs. Inc. v. Abbott Labs.*, 339 F.3d 1324, 67 USPQ2d 1682, 1686 (Fed. Cir. 2003). The court did leave room, however, for the possibility that a conclusion of exceptionality might be justified where it could be shown that the patentee knew or should have known that its prelitigation conduct would result in estoppel.

⁷⁹*Knorr-Bremse Systeme F. N. GMBH v. Dana Corp.*, 383 F.3d 1337, 72 USPQ2d 1560 (Fed. Cir. 2004). Provisions for increased damages under §284 and attorney fees under §285 are available as deterrents to blatant, blind, willful infringement of valid patents. *Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988).

tending to show good faith, should be taken into account and given appropriate weight. Willful infringement is a question of fact, and must be established by clear and convincing evidence, for the boundary between unintentional and culpable acts is not always bright. Since the issue of willfulness not only raises issues of reasonableness and prudence, but is often accompanied by questions of intent, belief, and credibility, appellate review requires appropriate deference to the special role of the trial court in making such determinations. Thus a finding of willful infringement will be sustained unless the reviewing court has a definite and firm conviction that the trier of fact erred.⁸⁰

The issue of willful infringement accordingly measures the infringing behavior, in the circumstances in which the infringer acted, against an objective standard of reasonable commercial behavior in the same circumstances. Willful infringement is thus a measure of reasonable commercial behavior in the context of the tort of patent infringement. The extent to which the infringer disregarded the property rights of the patentee, the deliberateness of the tortious acts, or other manifestations of unethical or injurious commercial conduct, may provide grounds for a finding of willful infringement and the enhancement of damages.⁸¹ The boundary between unintentional and culpable acts is not always bright, for the facts often include subjective as well as objective elements. Thus willful infringement must be established by clear and convincing evidence, for it is a punitive finding and can have the consequence of multiplication of damages.⁸² In finding willful infringement, a jury is required to find by clear and convincing evidence in view of the totality of the circumstances that the infringer acted in disregard of the patent and lacked a reasonable basis for believing that it had a right to do what it did. On appeal the issue is whether that finding was supported by substantial evidence.⁸³ Absent an initial presentation of evidence on the issue of willfulness, the burden of coming forward in defense does not arise. There is no evidentiary presumption that every infringement is willful. The patentee must present threshold evidence of culpable behavior.⁸⁴

For a finding of willful infringement, it must appear that the infringer had no reasonable basis for believing it had a right to do the acts in question.⁸⁵ The test is whether, under all the circumstances, a reasonable person would prudently conduct himself or herself with any confidence that a court might hold the patent invalid or not

⁸⁰*SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 44 USPQ2d 1422 (Fed. Cir. 1997).

⁸¹*Hoechst Celanese Corp. v. BP Chem. Ltd.*, 78 F.3d 1575, 38 USPQ2d 1126 (Fed. Cir. 1996).

⁸²*Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 36 USPQ2d 1225 (Fed. Cir. 1995).

⁸³*Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 30 USPQ2d 1462 (Fed. Cir. 1994).

⁸⁴*Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 70 USPQ2d 1508, 1517 (Fed. Cir. 2004).

⁸⁵*Rosemount, Inc. v. Beckman Instr., Inc.*, 727 F.2d 1540, 221 USPQ 1 (Fed. Cir. 1984); *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 219 USPQ 377 (Fed. Cir. 1983).

infringed.⁸⁶ There must be an honest doubt of infringement or validity.⁸⁷ Although the act of stipulating infringement may be considered a factor in a willfulness determination in appropriate circumstances, it cannot be the sole basis for enhancement of damages.⁸⁸

Willfulness in infringement, as in life, is not an all-or-nothing trait, but one of degree. It recognizes that infringement may range from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee's legal rights. The role of a finding of willfulness in the law of infringement is partly as a deterrent—an economic deterrent to the tort of infringement—and partly as a basis for making economically whole one who has been wronged, for example, by assessment of attorney fees. The term "willfulness" thus reflects a threshold of culpability in the act of infringement that, alone or with other considerations of the particular case, contributes to the court's assessment of the consequences of patent infringement.⁸⁹

Willfulness is a determination as to a state of mind,⁹⁰ which must be made by examining the totality of the circumstances.⁹¹ Proof must be by clear and convincing evidence.⁹² Absent sufficient basis for directing a verdict, a party has a right of jury determination of the question of willful infringement. Willfulness of behavior is a classical jury question of intent.⁹³

Willfulness does not equate to fraud, and thus, the pleading requirement for willful infringement does not rise to the stringent standard required by Rule 9(b), which requires that in all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity.⁹⁴

(a) Opinions of Counsel

Certainly, ongoing consultation with a patent lawyer is highly probative evidence of good faith.⁹⁵ But is there a duty to obtain an

⁸⁶*Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983).

⁸⁷*Rosemount, Inc. v. Beckman Instr., Inc.*, 727 F.2d 1540, 221 USPQ 1 (Fed. Cir. 1984).

⁸⁸*Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 35 USPQ2d 1255 (Fed. Cir. 1995). See also *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 70 USPQ2d 1508, 1517 (Fed. Cir. 2004).

⁸⁹*Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 2 USPQ2d 1915 (Fed. Cir. 1987).

⁹⁰*Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992).

⁹¹E.g., *Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321 (Fed. Cir. 1992); *Braun Inc. v. Dynamics Corp.*, 975 F.2d 815, 24 USPQ2d 1121 (Fed. Cir. 1992).

⁹²E.g., *Braun Inc. v. Dynamics Corp.*, 975 F.2d 815, 24 USPQ2d 1121, 1127 (Fed. Cir. 1992).

⁹³*Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 9 USPQ2d 1913 (Fed. Cir. 1989).

⁹⁴*Ferguson Beauregard/Logic Controls v. Mega Sys. LLC*, 350 F.3d 1327, 69 USPQ2d 1001, 1012 (Fed. Cir. 2003).

⁹⁵*Braun Inc. v. Dynamics Corp.*, 975 F.2d 815, 24 USPQ2d 1121 (Fed. Cir. 1992). Possession of a favorable opinion of counsel is not essential to avoid a willfulness determination; it is only one factor to be considered, albeit an important one. *Electro Med. Sys. S.A. v. Cooper Life Sciences Inc.*, 34 F.3d 1048, 32 USPQ2d 1017 (Fed. Cir. 1994). Not every failure to seek an opinion of competent counsel will mandate an ultimate finding of willfulness. Conversely, that

opinion of counsel? In its 2004 decision in *Knorr-Bremse v. Dana*, an en banc court held that “no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled.”⁹⁶ This apparently unequivocal holding promises not only to simplify the willfulness inquiry, but also to reduce the chances of a finding of willful infringement.⁹⁷ Prior decisions on the question are collected in the note.⁹⁸

So the Federal Circuit says that there is no duty to seek an opinion and, more than that, a failure to obtain or produce one cannot be held against the accused infringer.⁹⁹ Is there any benefit, then, to

an opinion was obtained does not always and alone dictate a finding that the infringement was not willful. *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 230 USPQ 81 (Fed. Cir. 1986). Here, a finding of no willfulness was reversed as clearly erroneous because no opinion was sought despite a warning not to infringe more than a year before infringement began. See also *Ryco Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 8 USPQ2d 1323 (Fed. Cir. 1988); *Avia Group Int’l Inc. v. L.A. Gear Calif., Inc.*, 853 F.2d 1557, 7 USPQ2d 1548 (Fed. Cir. 1988); *Spindelfabrik S.,S.&G. GmbH v. Schubert & Salzer Mas. Ak.*, 829 F.2d 1075, 4 USPQ2d 1044 (Fed. Cir. 1987). Absence of an opinion of counsel does not in every case require a finding of bad faith. *Studiengesellschaft Kohle v. Dart Indus. Inc.*, 862 F.2d 1564, 9 USPQ2d 1273 (Fed. Cir. 1988); *Nickson Indus. Inc. v. Rol Mfg. Co.*, 847 F.2d 795, 6 USPQ2d 1878 (Fed. Cir. 1988).

⁹⁶*Knorr-Bremse Systeme F. N. GMBH v. Dana Corp.*, 383 F.3d 1337, 72 USPQ2d 1560 (Fed. Cir. 2004). The court passed the question “of whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted (albeit without any inference as to the nature of the advice received) as part of the totality of the circumstances relevant to the question of willful infringement.”

⁹⁷It also seems likely to reduce the workload of some patent lawyers.

⁹⁸*Critikon Inc. v. Becton Dickinson Vascular Access Inc.*, 120 F.3d 1253, 43 USPQ2d 1666 (Fed. Cir. 1997); *Electro Med. Sys. S.A. v. Cooper Life Sciences Inc.*, 34 F.3d 1048, 32 USPQ2d 1017 (Fed. Cir. 1994); *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 25 USPQ2d 1913 (Fed. Cir. 1993); *Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321 (Fed. Cir. 1992); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992); *Ortho Pharm Corp. v. Smith*, 959 F.2d 936, 22 USPQ2d 1119 (Fed. Cir. 1992); *Ryco Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 8 USPQ2d 1323 (Fed. Cir. 1988); *Avia Group Int’l Inc. v. L.A. Gear Calif., Inc.*, 853 F.2d 1557, 7 USPQ2d 1548 (Fed. Cir. 1988); *Spindelfabrik S.,S.&G. GmbH v. Schubert & Salzer Mas. Ak.*, 829 F.2d 1075, 4 USPQ2d 1044 (Fed. Cir. 1987); *Bott v. Four Star Corp.*, 807 F.2d 1567, 1 USPQ2d 1210 (Fed. Cir. 1986); *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 231 USPQ 185 (Fed. Cir. 1986); *Great Northern Corp. v. Davis Core & Pad Co.*, 782 F.2d 159, 228 USPQ 356 (Fed. Cir. 1986); *Ralston Purina Co. v. Far-Mar-Co Inc.*, 772 F.2d 1570, 227 USPQ 177 (Fed. Cir. 1985); *Bandag Inc. v. Al Bolser’s Tire Stores Inc.*, 750 F.2d 903, 223 USPQ 982 (Fed. Cir. 1984); *Rosemount, Inc. v. Beckman Instr., Inc.*, 727 F.2d 1540, 221 USPQ 1 (Fed. Cir. 1984); *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983); *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 219 USPQ 569 (Fed. Cir. 1983). But see *King Instr. Corp. v. Otari Corp.*, 767 F.2d 853, 226 USPQ 402 (Fed. Cir. 1985).

⁹⁹The court explained that there is precedent for the drawing of adverse inferences in circumstances other than those involving attorney-client relationships; for example, when a party’s refusal to testify or produce evidence in civil suits creates a presumption of an intent to withhold damaging information that is material to the litigation. However, the courts have declined to impose adverse inferences on invocation of the attorney-client privilege. This rule applies to the same extent in patent cases as in other areas of law. The inference that withheld opinions are adverse to the client’s actions can distort the attorney-client relationship, in derogation of the foundations of that relationship. A special rule affecting attorney-client relationships in patent cases is not warranted. There should be no risk of liability in disclosures to and from counsel in patent matters; such risk can intrude upon full communication and ultimately the public interest in encouraging open and confident relationships between client and attorney. *Knorr-Bremse Systeme F. N. GMBH v. Dana Corp.*, 383 F.3d 1337, 72 USPQ2d 1560 (Fed. Cir. 2004).

obtaining an exculpatory opinion? Of course there may be. As the *Knorr-Bremse* court observed, there is no per se rule that the existence of a substantial defense to infringement is sufficient to defeat liability for willful infringement even if no legal advice has been secured. This is simply a factor to be considered with others among the totality of circumstances, stressing the theme of whether a prudent person would have sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.¹⁰⁰

Thus, despite *Knorr-Bremse*, it appears that consultation with counsel is indeed relevant evidence, as is the product of that consultation, its thoroughness, its objectivity, and its substance. To serve as exculpatory legal advice the opinion of counsel is viewed objectively, to determine whether it was obtained in a timely manner, whether counsel analyzed the relevant facts and explained the conclusions in light of the applicable law, and whether the opinion warranted a reasonable degree of certainty that the infringer had the legal right to conduct the infringing activity.¹⁰¹ What matters is the nature of the opinion and what effect it had on an infringer's actions.¹⁰² Those cases where willful infringement is found despite the presence of an opinion of counsel generally involve situations where the opinion of counsel was either ignored or found to be incompetent.¹⁰³ The emphasis must be on competency.¹⁰⁴ Objective evidence must be considered to determine whether a defendant was justified in relying on patent counsel's advice, i.e., whether the opinion was competent. Opinion letters should be reviewed to determine whether they evidence an adequate foundation based on a review of all necessary facts or whether they are conclusory on their face. Counsel's opinion must be thorough enough, as combined with other facts, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable. The letter should be reviewed for its overall tone, its discussion of case law, its analysis of the particular

¹⁰⁰*Knorr-Bremse Systeme F. N. GMBH v. Dana Corp.*, 383 F.3d 1337, 72 USPQ2d 1560 (Fed. Cir. 2004). An aggressive strategy, involving a decision to forego advice of counsel and to bring a declaratory judgment action seeking to have the patent declared invalid, can well be a factor in a decision to award increased damages. An alleged infringer who intentionally blinds itself to the facts and law, continues to infringe, and employs the judicial process with no solidly based expectation of success can hardly be surprised when its infringement is found to be willful. *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 230 USPQ 81 (Fed. Cir. 1986). Indeed, the mere fact that an accused infringer brought a declaratory judgment action is no evidence that there was a reasonable basis for believing it had a right to continue allegedly infringing activity. *Kaufman Co. v. Lantech*, 807 F.2d 970, 1 USPQ2d 1202 (Fed. Cir. 1986).

¹⁰¹*SRI Int'l Inc. v. Advanced Tech. Labs. Inc.*, 127 F.3d 1462, 44 USPQ2d 1422 (Fed. Cir. 1997). The court has passed the question whether willful infringement can ever be purged by subsequent legal advice. In *Advanced Card. Sys. Inc. v. Medtronic*, 265 F.3d 1294, 60 USPQ2d 1161 (Fed. Cir. 2001), the court affirmed the district judge's refusal to permit evidence of consultation with attorneys as to patents that were closely related to the patent in suit.

¹⁰²*Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 30 USPQ2d 1462 (Fed. Cir. 1994).

¹⁰³*Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992).

¹⁰⁴*Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321 (Fed. Cir. 1992).

facts, and its reference to inequitable conduct.¹⁰⁵ In order to provide a defense against willful infringement, counsel's opinion must be premised upon the best information known to the defendant. Otherwise, the opinion is likely to be inaccurate and will be ineffective to indicate the defendant's good faith intent. Whenever material information is intentionally withheld, or the best information is intentionally not made available to counsel during the preparation of the opinion, the opinion can no longer serve its prophylactic purpose of negating a finding of willful infringement.¹⁰⁶

There is no per se rule. While an opinion or lack of an opinion is evidence going to an infringer's state of mind, its existence, or lack thereof, is not conclusive.¹⁰⁷ The weight that may fairly be placed on the presence or absence of an exculpatory opinion of counsel varies with the circumstances of each case and has not been amenable to development of a rigorous rule.¹⁰⁸ In ascertaining an alleged infringer's state of mind, a district court must look at the totality of circumstances in determining willfulness.¹⁰⁹

Whether infringement is willful is by definition a question of the infringer's intent. While an opinion of counsel is an important factor in determining willfulness, its importance does not depend upon its legal correctness. Indeed, the question arises only where counsel turns out to have been wrong. Rather, the lawyer's opinion must be thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent invalid, not

¹⁰⁵*Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 26 USPQ2d 1353 (Fed. Cir. 1993). For example, in *Johns Hopkins Univ. v. Cellpro Inc.*, 152 F.3d 1342, 47 USPQ2d 1705 (Fed. Cir. 1998), the court held that an opinion of outside counsel could not have instilled in the defendant, through its knowledgeable patent advisor, a reasonable confidence that its activities did not infringe valid patents. The court cited the following defects: the opinion did not attempt to link the disclosures of the prior art references relied upon to establish anticipation or obviousness with the limitations of the claims of the patents. The opinion letter concluded that defendant did not infringe some claims but conspicuously omitted any reference to claims asserted in the action. Further, the opinion was merely conclusory as to its allegations concerning inequitable conduct, and made no mention that intent to deceive is a necessary component of this defense, a fact that is often difficult to establish.

¹⁰⁶*Comark Comm. Inc. v. Harris Corp.*, 156 F.3d 1182, 48 USPQ2d 1001 (Fed. Cir. 1998). An infringer's uncontradicted testimony that he or she had a good faith belief that the patent was invalid need not be accepted by a jury as true where there is also evidence that the belief was based on an opinion that was in part predicated on faulty or incomplete information. *Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 30 USPQ2d 1462 (Fed. Cir. 1994). The evidence was that the client knew that the attorney did not fully understand the invention and was not aware of objective evidence of nonobviousness.

¹⁰⁷*Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 2 USPQ2d 1915 (Fed. Cir. 1987); *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 231 USPQ 185 (Fed. Cir. 1986); *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985). Simply because the infringer obtained an opinion on another patent does not mean that its failure to do so on the one in suit amounts to conscious disregard of it. *American Original Corp. v. Jenkins Food Corp.*, 774 F.2d 459, 227 USPQ 299 (Fed. Cir. 1985). Where the defendant did not consult an attorney for five months after the first notice letter, did not search for prior art until after suit, and continued to make and sell after suit, double damages were justified. *Del Mar Avionics, Inc. v. Quinton Instr. Co.*, 836 F.2d 1320, 5 USPQ2d 1255 (Fed. Cir. 1987).

¹⁰⁸*Del Mar Avionics, Inc. v. Quinton Instr. Co.*, 836 F.2d 1320, 5 USPQ2d 1255 (Fed. Cir. 1987); *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 2 USPQ2d 1915 (Fed. Cir. 1987).

¹⁰⁹*Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985).

infringed, or unenforceable. Thus, the infringer's intent and reasonable beliefs are the primary focus of a willful infringement inquiry.¹¹⁰ An important consideration in assessing willfulness is that there is nothing in the opinion itself that would alert a client to regard the opinion as a bad one.¹¹¹

Certainly, an opinion must be rendered in good faith and must not be disregarded.¹¹² For example, a conclusory account of defense counsel's aspirations for winning an infringement suit without any supporting reasons does not amount to an authoritative opinion upon which a good faith reliance on invalidity may be founded.¹¹³ Reliance upon factual assumptions for the opinion must be reasonable.¹¹⁴

The client need not itself be able to evaluate the legal competence of its attorney's advice to avoid a finding of willfulness. The client would not need the attorney's advice at all in that event. That an opinion is "incompetent" must be shown by objective evidence. For example, an attorney may not have looked into the necessary facts and thus there would be no foundation for his or her opinion. A written

¹¹⁰*Ortho Pharm Corp. v. Smith*, 959 F.2d 936, 22 USPQ2d 1119 (Fed. Cir. 1992). Here, the court held that a failure to make a doctrine of equivalents analysis was not per se unreasonable. A critical factor in evaluating the effect of an opinion of counsel on willfulness is the reasonableness of a party's reliance on it. There is no requirement that an opinion must address validity to negate a finding of willful infringement, if it concludes that there is no infringement. Whether or not an opinion is legally correct is not the proper focus. *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 35 USPQ2d 1255 (Fed. Cir. 1995).

¹¹¹*Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992). See note 17:106.

¹¹²*Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985). Where an attorney advises the client to avoid a particular range of a constituent, but the client does not even measure the range for a long time after beginning production, and then only after adding another ingredient that might make a difference, any inference of good faith is negated and the client is in the same position as one who did not obtain an opinion of counsel. *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983). In another case, the attorney advised the client, who was under an injunction, to avoid certain things. The client complied, but modified its activities, without informing the attorney, to include things that the attorney had not specifically advised against. In affirming a finding of willfulness, the court observed that the attorney had done what he could, and likened the client to a child who complains that its mother never warned it not to eat the daisies. *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 785 F.2d 1013, 228 USPQ 938 (Fed. Cir. 1986). The court indicated that there was a duty, because of the injunction, to be ultra careful. In *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 35 USPQ2d 1255 (Fed. Cir. 1995), a few devices were made without approval of counsel. The Federal Circuit viewed this as due to carelessness or inadvertency by technical personnel, not disregard of patent rights by management.

¹¹³*Bott v. Four Star Corp.*, 807 F.2d 1567, 1 USPQ2d 1210 (Fed. Cir. 1986); *Kori Corp. v. Wilco Marsh Buggies, Inc.*, 761 F.2d 649, 225 USPQ 985 (Fed. Cir. 1985). It may not satisfy the duty to seek and obtain competent legal advice where the party merely obtains an assurance from the manufacturer that it has obtained an opinion of invalidity and noninfringement, without actually seeing the opinion or investigating further. *Jurgens v. McKasy*, 927 F.2d 1552, 18 USPQ2d 1031 (Fed. Cir. 1991). In *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 11 USPQ2d 1321 (Fed. Cir. 1989), an opinion said nothing about validity, and considered only literal infringement, not equivalents (indeed, the Federal Circuit concluded that the opinion could not have dealt with equivalents because defendant's attorneys neither obtained nor consulted the prosecution history of the patent). The district court's conclusion of nonwillfulness, based largely on the opinion, was held clearly erroneous.

¹¹⁴*Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321, 1340 (Fed. Cir. 1992).

opinion may be incompetent on its face by reason of its containing merely conclusory statements without discussion of facts or obviously presenting only a superficial or off-the-cuff analysis. But an opinion need not unequivocally state that the client will not be held liable for infringement. An honest opinion is more likely to speak of probabilities than certainties. A good test that the advice given is genuine and not merely self-serving is whether the asserted defenses are backed up with viable proof during a trial that raises substantial questions.¹¹⁵

Oral opinions are not favored because they have to be proved perhaps years after the event, based only on testimony that may be affected by faded memories and the forces of contemporaneous litigation.¹¹⁶

There is no rule excluding reliance upon house counsel opinions.¹¹⁷ But house counsel's opinion may be insufficient, especially if he or she is not a patent attorney and does not examine the prosecution history of the patent¹¹⁸ or if he or she was aware of other wrongdoing relating to the matter. In such circumstances, due care may require the opinion of outside counsel.¹¹⁹

The court has held that a copyist's reliance on counsel's Rule 11 obligations to support its assertion that it had a good faith belief in the invalidity or unenforceability of the patent was insufficient to overcome a finding of willful infringement. A defensive pleading of invalidity or unenforceability may pass muster under Rule 11, yet not provide adequate defense to a charge of willfulness.¹²⁰

In an important statement on the question of whether and when to reveal an attorney's opinion, the court has suggested that it may be useful to have separate trials on liability and on willfulness and damages. That way, the accused infringer need only disclose an attorney's opinion if it is found liable.¹²¹ An accused infringer should not,

¹¹⁵*Read Corp. v. Portec, Inc.*, 970 F.2d 816, 23 USPQ2d 1426 (Fed. Cir. 1992). A failure of a lawyer to perform specific legal research prior to rendering an opinion does not per se render that opinion incompetent, particularly where the attorney has many years of experience in the patent specialty. *Id.* The fact that a letter speaks in terms of probabilities, and therefore can be said to be equivocal, does not require a finding of willfulness. *Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 26 USPQ2d 1353 (Fed. Cir. 1993).

¹¹⁶*Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321 (Fed. Cir. 1992).

¹¹⁷*SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 44 USPQ2d 1422 (Fed. Cir. 1997).

¹¹⁸*Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 219 USPQ 569 (Fed. Cir. 1983). Ordering the prosecution file is a normal and necessary step. *Id.* On the other hand, in *Studiengesellschaft Kohle v. Dart Indus., Inc.*, 862 F.2d 1564, 9 USPQ2d 1273 (Fed. Cir. 1988), a 2-1 panel found no clear error in a holding that the defendant had acted reasonably in electing to rely upon the opinion of inside counsel, a qualified patent attorney who had been monitoring the relevant field for three years.

¹¹⁹*Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321 (Fed. Cir. 1992).

¹²⁰*L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 25 USPQ2d 1913 (Fed. Cir. 1993).

¹²¹*Fromson v. Western Litho Plate & Supp. Co.*, 853 F.2d 1568, 7 USPQ2d 1606 (Fed. Cir. 1988). Here, however, willfulness and damages were tried with liability, and since the infringer

without the trial court's careful consideration, be forced to choose between waiving the privilege in order to protect itself from a willfulness finding (in which case it may risk prejudicing itself on the question of liability) and maintaining the privilege (in which case it may risk being held to be a willful infringer if liability is found). Trial courts thus should give serious consideration to a separate trial on willfulness whenever the particular attorney-client communications, once inspected by the court in camera, reveal that the defendant is indeed confronted with this dilemma.¹²²

(b) Notice of the Patent

To willfully infringe a patent, the patent must exist and one must have knowledge of it.¹²³ What constitutes notice? Or, more to the point, when does the duty of care begin? It is obvious that a party cannot be held liable for infringement, and thus not for willful infringement, of a nonexistent patent.¹²⁴ Moreover, in our patent system patent applications are secret, and patentees are authorized to sue "innocent" manufacturers immediately after their patents issue and without warning. To hold such patentees entitled to increased damages or attorney fees on the ground of willful infringement, however, would be to reward use of the patent system as a form of ambush.¹²⁵ Nonetheless, as a general proposition, the fact that the accused party may have started its infringement before the patent issued, or before becoming aware of the patent, does not always bar an award of increased damages or attorney fees.¹²⁶ Although willfulness is generally based on conduct that occurred after a patent issued, prepatent conduct may also be used to support a finding of willfulness.¹²⁷

In *Gustafson v. Intersystems*,¹²⁸ the court traced its evolving jurisprudence concerning circumstances where a product found to infringe at trial had been manufactured before the patent issued. In two early cases, the court had concluded nonwillfulness where there was no prior notice of the patent and suit followed within days after the patent

failed to introduce an exculpatory opinion of counsel at trial, the court was free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer's desire to initiate or continue its use of the patentee's invention.

¹²²*Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 19 USPQ2d 1799 (Fed. Cir. 1991).

¹²³*State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 224 USPQ 418, 425 (Fed. Cir. 1985). See also *Jurgens v. McKasy*, 927 F.2d 1552, 18 USPQ2d 1031, 1039 (Fed. Cir. 1991).

¹²⁴*Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 13 USPQ2d 1972 (Fed. Cir. 1990).

¹²⁵*Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 13 USPQ2d 1972 (Fed. Cir. 1990).

¹²⁶*Pacific Furniture Mfg. Co. v. Preview Furniture Corp.*, 800 F.2d 1111, 231 USPQ 67 (Fed. Cir. 1986).

¹²⁷*Minnesota Min. & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 24 USPQ2d 1321 (Fed. Cir. 1992).

¹²⁸*Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 13 USPQ2d 1972 (Fed. Cir. 1990).

issued.¹²⁹ In its next decision,¹³⁰ willfulness was sustained because a prior warning had been given and the infringer knew of the patent the day it issued. Thereafter, the court distinguished its earlier cases,¹³¹ indicating that it had not laid down a per se rule that willful infringement could never be found when manufacture began before issue, and adopting a "totality of the circumstances" approach to analyzing willfulness.¹³² Using that test, it later sustained willfulness findings for manufacture before issue where warnings had been given.¹³³

In the *Gustafson* case itself, the court reversed a willfulness finding where the infringer's first knowledge of the patent came when it got sued. It would appear, therefore, that no knowledge at all will be important in defeating a willfulness finding, while a warning, even prior to infringement, will support a willfulness finding. As the court explained, whether an act is willful is by definition a question of the actor's intent, the answer to which must be inferred from all the circumstances. Hence, a party cannot be found to have willfully infringed a patent of which the party had no knowledge. Nor is there a universal rule that to avoid willfulness one must cease manufacture of a product immediately upon learning of a patent, or upon receipt of a patentee's charge of infringement, or upon the filing of suit. Exercising due care, a party may continue to manufacture and may present what in good faith it believes to be a legitimate defense without risk of being found on that basis alone a willful infringer. That such a defense proves unsuccessful does not establish that infringement was willful. However, presentation in bad faith of a totally unsupported, frivolous defense may in itself provide a basis for attorney fees under §285 and may, in light of all the circumstances, also constitute some evidence that continued infringement was willful.¹³⁴

¹²⁹*American Original Corp. v. Jenkins Food Corp.*, 774 F.2d 459, 227 USPQ 299 (Fed. Cir. 1985); *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 224 USPQ 418 (Fed. Cir. 1985). In *American Original*, the infringing machine was altered, upon the advice of a contractor who did have legal counsel, in the hope of avoiding infringement.

¹³⁰*Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 227 USPQ 435 (Fed. Cir. 1985).

¹³¹See note 17:129.

¹³²*Shiley, Inc. v. Bentley Labs., Inc.*, 794 F.2d 1561, 230 USPQ 112 (Fed. Cir. 1986). The fact that an infringer may have started its infringement before the patent issued or before it was aware of the patent does not bar an award of increased damages or attorney fees. *Avia Group Int'l, Inc. v. L.A. Gear Calif., Inc.*, 853 F.2d 1557, 7 USPQ2d 1548 (Fed. Cir. 1988).

¹³³*Kaufman Co. v. Lantech*, 807 F.2d 970, 1 USPQ2d 1202 (Fed. Cir. 1986); *Pacific Furniture Mfg. Co. v. Preview Furniture Corp.*, 800 F.2d 1111, 231 USPQ 67 (Fed. Cir. 1986). In *National Presto Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 37 USPQ2d 1685 (Fed. Cir. 1996), the court rejected, as an exculpatory argument, the circumstance that the plaintiff filed suit on the day the patent issued. It appeared that the defendant knew of its issuance on that day and indeed had several months' advance warning. The district court increased the damages by one-half; this was affirmed.

¹³⁴*Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 13 USPQ2d 1972 (Fed. Cir. 1990). In *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l Inc.*, 57 USPQ2d 1953 (Fed. Cir. 2001), the court noted that *Gustafson* did not hold, as a matter of law, that a party that continues its accused infringing activity after a patentee files suit cannot be guilty of willful infringement provided the party presents a nonfrivolous defense to infringement.

The matter will certainly be developed on a case-by-case basis. For example, the court has refused to consider the conduct of an infringer prior to its contact with an attorney, where the devices made during that period were prototypes only and not the real focus of the litigation.¹³⁵ In another case, the infringer had received some orders by the time it received an opinion on the patent, but no installations had been made. Before installation, modifications were made, although they turned out to be insufficient to avoid infringement. The Federal Circuit was unable to conclude in the face of such evidence that a finding of nonwillfulness was clearly erroneous.¹³⁶

A patent-pending notice gives one no knowledge whatsoever. It is not even a guarantee that an application has been filed. Filing an application is no guarantee any patent will issue, and a very substantial percentage of applications never result in patents. What the scope of claims in patents that do issue will be is something that is totally unforeseeable.¹³⁷

(c) Particular Cases

The rejection of a license offer without even consulting house counsel is a factor that tends toward a finding of willfulness. The fact that the license offer was quickly withdrawn and suit filed within 60 days of the issuance of the patent does not overcome this; there is no rule that an infringer must be allowed a certain amount of time to "develop" willfulness.¹³⁸ Actually, a request for a license can cut both ways. It can be evidence of willfulness or evidence of an infringer's good faith if the infringer can show that it wanted a license as an alternative to unaffordable or expensive litigation costs.¹³⁹ But an unsuccessful attempt to obtain a license under the patent in suit

Although a defendant may obtain counsel to defend an action, defenses prepared for a trial are not equivalent to the competent legal opinion of noninfringement or invalidity that qualify as "due care" before undertaking any potentially infringing activity.

¹³⁵*Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 229 USPQ 431 (Fed. Cir. 1986). In *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 12 USPQ2d 1026 (Fed. Cir. 1989), the district court found that the infringement was not willful, based upon reliance on erroneous advice of counsel that there was no infringement. This finding, however, seemed inconsistent with the district court's other findings that the defendant purposely patterned its method upon that of the plaintiff, and that the defendant should have known it was infringing. Thus the Federal Circuit remanded to resolve the conflicting evidence. With all respect, it appeared that the district court had done its best to resolve the conflicting evidence and had come out on the side of nonwillfulness.

¹³⁶*Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 3 USPQ2d 1412 (Fed. Cir. 1987).

¹³⁷*State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 224 USPQ 418 (Fed. Cir. 1985). Here, the infringer did not copy the plaintiff's device but was spurred into activity by it. The court hints, however, that a finding of willful infringement might be supported by actual copying of a product bearing patent-applied-for markings.

¹³⁸*Ralston Purina Co. v. Far-Mar-Co, Inc.*, 772 F.2d 1570, 227 USPQ 177 (Fed. Cir. 1985). The court also referred to the infringer's knowledge that the patentee had won an interference as support for the finding of willfulness.

¹³⁹*King Instr. Corp. v. Otari Corp.*, 767 F.2d 853, 226 USPQ 402 (Fed. Cir. 1985).

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demands a high degree of caution to avoid the possibility of infringement of that patent.¹⁴⁰ Again, willfulness must be evaluated on the totality of the surrounding circumstances.¹⁴¹ But it is incorrect that all relevant circumstances should include anything that the infringer considers relevant. The decision on relevance is squarely within the discretion of the district court, subject to review for an abuse of that discretion. By establishing in its precedent that all relevant circumstances must be considered, the court has not changed the foundational rules that the trial judge determines whether to admit evidence and that the trier of fact is only required to weigh and to consider all of the admitted evidence.¹⁴²

In the end analysis, willfulness determinations are unpredictable. Certainly, where a defendant is informed of the specific allegation of infringement and given a copy of the patent, where it takes no affirmative steps through consultation with counsel or otherwise to ascertain whether the patent is infringed, and where it deliberately continues its infringement, a finding of willfulness—even a reversal of the district court—is hardly surprising.¹⁴³ Nor is there error in a finding of willful infringement where the patentee offered a license and was ignored, and six years later advised of a validity holding and was still ignored.¹⁴⁴ An enormous increase in infringing activity during the period of a stay of an injunction pending appeal can appropriately be considered as part of the willful activity that justified increased damages.¹⁴⁵ An attempt to design a noninfringing alternative does not necessarily negate continuing sales of infringing devices during the redesign period.¹⁴⁶ Infringement after the Federal Circuit has affirmed a judgment on liability is particularly egregious.¹⁴⁷ Naturally enough, a statement by the president of the infringer to the effect that it would copy any machine that his customers requested, regardless of whether a patent was issued, will not sit well with the Federal Circuit when it is reviewing a finding of willful infringement.¹⁴⁸

But the circumstances are not always so clear. The court has left undisturbed a finding of no willfulness where the evidence showed

¹⁴⁰*Spindelfabrik GmbH v. Schubert & Salzer*, 829 F.2d 1075, 4 USPQ2d 1044 (Fed. Cir. 1987). Here, that factor overcame reliance upon the advice of German in-house counsel and resulted in a finding of willfulness and an award of increased damages and attorney fees.

¹⁴¹*King Instr. Corp. v. Otari Corp.*, 767 F.2d 853, 226 USPQ 402 (Fed. Cir. 1985).

¹⁴²*Advanced Card. Sys. Inc. v. Medtronic*, 265 F.3d 1294, 60 USPQ2d 1161 (Fed. Cir. 2001).

¹⁴³*CPG Prods. Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007, 227 USPQ 497 (Fed. Cir. 1985). See also *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1 USPQ2d 1081 (Fed. Cir. 1986).

¹⁴⁴*Leinoff v. Louis Milona & Sons*, 726 F.2d 734, 220 USPQ 845 (Fed. Cir. 1984).

¹⁴⁵*Bott v. Four Star Corp.*, 807 F.2d 1567, 1 USPQ2d 1210 (Fed. Cir. 1986). A stay is not a judicial license to continue and greatly increase infringing activities. *Id.*

¹⁴⁶*American Med. Sys., Inc. v. Medical Eng'g Corp.*, 6 F.3d 1523, 28 USPQ2d 1321 (Fed. Cir. 1993).

¹⁴⁷*Bott v. Four Star Corp.*, 807 F.2d 1567, 1 USPQ2d 1210 (Fed. Cir. 1986).

¹⁴⁸*Kaufman Co. v. Lantech*, 807 F.2d 970, 1 USPQ2d 1202 (Fed. Cir. 1986). He also remained at the patentee's trade show booth, observing operation of the device, despite being asked to leave.

that the infringer had previously obtained an opinion on an earlier device and had abandoned the device when advised it would infringe, and yet had obtained no opinion on the device in suit.¹⁴⁹ An oral opinion that was based on the patent and an accused device, but not the prosecution history or prior art, was sufficient to support a finding of no willfulness.¹⁵⁰ In another case, the infringer had known about the patent prior to commencing the infringing activity but was not aware of the patentee's charge of infringement until shortly prior to suit. No opinion of counsel was obtained; indeed, counsel was not consulted until after suit was filed. However, an officer of the infringer testified that he thought a lot of the features were covered by prior art, and the district court found that this amounted to a good faith belief that the patent was invalid. The Federal Circuit affirmed a finding of no willfulness.¹⁵¹ On the other hand, an invalidity opinion based solely on file wrapper references does not, by itself, raise an inference of good faith substantial enough to overturn a trial court's finding of willfulness.¹⁵² The lack of a separate doctrine of equivalents analysis in an opinion letter is not necessarily critical or dispositive where the opinion letter contains enough other indicia of competence.¹⁵³

In one case the district court excluded evidence of a prior jury trial in which defendant's position was vindicated (the verdict was later overturned on motion) from a subsequent trial on willfulness and damages. The Federal Circuit found no abuse of discretion. The jury verdict came four years after defendant received notice of the patent and thus had no bearing upon the willfulness of defendant's conduct at that earlier time. Moreover, it had significant potential to confuse the second jury.¹⁵⁴ In another case a "green-light" opinion letter had been obtained by an industry defense group. The patentee's

¹⁴⁹*Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 231 USPQ 185 (Fed. Cir. 1986). Significant design changes, in most instances, would require a new opinion of counsel. *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 43 USPQ2d 1666 (Fed. Cir. 1997).

¹⁵⁰*Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 229 USPQ 431 (Fed. Cir. 1986). The court pointed out that this was not a case where the attorney was reluctantly pressured into an opinion by its client, or one in which the client had previously received a carefully prepared written opinion but had instead acted on the basis of an oral, off-the-cuff opinion. In those situations an oral opinion might not suffice to establish nonwillfulness.

¹⁵¹*Nickson Indus., Inc. v. Rol Mfg. Co.*, 847 F.2d 795, 6 USPQ2d 1878 (Fed. Cir. 1988).

¹⁵²*Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983). A counsel's opinion is to be weighed on the question of good faith.

¹⁵³*Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 26 USPQ2d 1353 (Fed. Cir. 1993). In *Hoechst Celanese Corp. v. BP Chem. Ltd.*, 78 F.3d 1575, 38 USPQ2d 1126 (Fed. Cir. 1996), the court declined an invitation to adopt a per se rule that infringement only under the doctrine of equivalents cannot be regarded as willful conduct. In *WMS Gaming Inc. v. International Game Tech.*, 184 F.3d 1339, 51 USPQ2d 1385 (Fed. Cir. 1999), the court reversed a finding of literal infringement but affirmed on infringement by equivalence. Under these circumstances, it vacated and remanded the finding of willful infringement for reconsideration in light of the conclusion of no literal infringement. It admonished the district court to bear in mind that the patent law encourages competitors to design or invent around existing patents.

¹⁵⁴*Johns Hopkins Univ. v. Cellpro Inc.*, 152 F.3d 1342, 47 USPQ2d 1705 (Fed. Cir. 1998). See also *Odetics Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 51 USPQ2d 1225 (Fed. Cir. 1999).

expert witness had criticized the letter on various grounds, including a failure to make a proper and full analysis under 35 U.S.C. §103. There was evidence that the accused device was designed to be compatible with the patented device. The defendant, as the founder of the industry group, was aware that its declaratory judgment litigation against the patent owner would be more effective if other members of the group did not take a license. All of these factors supported an inference by the jury that the defendant made its decision to infringe without a good faith belief in the invalidity of the patent and that it used the opinion letter as a basis for forming a patent defense group rather than as a genuine basis for decision making.¹⁵⁵ The court has held that a grant by the PTO of reexamination is not probative of unpatentability and thus the grant of reexamination does not automatically preclude a finding of willfulness. The grant of reexamination, although surely evidence that the criterion for reexamination has been met, does not establish a likelihood of patent invalidity.¹⁵⁶

That someone has a patent right to exclude others from making the invention claimed in his or her patent does not mean that the invention cannot infringe claims of another's patent that are broad enough to encompass, i.e., to "dominate," the invention. Thus, an infringer probably cannot rely upon the fact that it has itself obtained a patent on the accused product as establishing a reasonable belief that it did not infringe.¹⁵⁷

In *Pall v. Micron*,¹⁵⁸ the court hinted that Rule 407, FRE, will apply to willfulness determinations. Rule 407 bars evidence of subsequent remedial action in proving culpability for a prior act or event; the policy implemented by the rule is to avoid inhibiting postaccident repair, lest additional injury occur. In *Pall*, the defendant switched largely to a new version after six years' production of the old version and after three years of litigation. It continued, however, to produce some quantities of the original version. The trial court found no willfulness as to the first six years of the original version, but did find willfulness as to the continued production of the old version after the switch. The Federal Circuit reversed. It recognized that patent infringement is a continuing tort, and an action even if innocent when begun does not automatically retain its purity as circumstances change; the filing of a lawsuit does not stop the clock insofar as culpability may arise from continuing disregard of the legal rights of

¹⁵⁵*In re Hayes Microcomputer Patent Litig.*, 982 F.2d 1527, 25 USPQ2d 1241 (Fed. Cir. 1992). In *State Contr. & Eng'g Corp. v. Condotte Am. Inc.*, 346 F.3d 1057, 68 USPQ2d 1481, 1486 (Fed. Cir. 2003), a state agency made a specific representation that it had a license to practice the invention, and it incorporated the invention in the contract specifications, thus requiring the contractors to use the patented process. It was not unreasonable for the contractors to rely on the agency's representation without seeking the advice of counsel to confirm the accuracy of that representation.

¹⁵⁶*Hoechst Celanese Corp. v. BP Chem. Ltd.*, 78 F.3d 1575, 38 USPQ2d 1126, 1133 (Fed. Cir. 1996).

¹⁵⁷*Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 231 USPQ 185 (Fed. Cir. 1986).

¹⁵⁸*Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 36 USPQ2d 1225 (Fed. Cir. 1995).

the patentee. It also disavowed any rule that because an original infringement was found not to be willful, there is a greater burden on the patentee to prove willfulness as circumstances change. Nonetheless, it held that partial conversion to the new version was not probative of willfulness for the continuing production of the old version.

The mere fact that a company has filed an ANDA application or certification cannot support a finding of willful infringement for purposes of awarding attorney fees pursuant to 35 U.S.C. §271(e)(4).¹⁵⁹

§17.5 Other Exceptional Conduct

(a) Inequitable Conduct

Inequitable conduct is a separate defense to patent infringement and, either alone or in conjunction with trial conduct, may constitute the basis for an award of attorney fees under 35 U.S.C. §285.¹⁶⁰ But not every case of proven inequitable conduct must result in an automatic attorney fee award or an evaluation of the case as "exceptional."¹⁶¹ Thus the court has refused the invitation to establish as a rule that one who succeeds in invalidating a fraudulently procured patent should be awarded attorney fees unless the patentee can show compelling countervailing circumstances.¹⁶² Section 285 does not contemplate that a prevailing alleged infringer should be treated as a private attorney general for invalidating a fraudulently obtained patent. Rather, its purpose is to provide discretion where it would be grossly unjust that the winner be left to bear the burden of its own counsel fees, which prevailing litigants normally bear.¹⁶³

¹⁵⁹*Glaxo Group Ltd. v. Apotex Inc.*, 376 F.3d 1339, 71 USPQ2d 1801, 1809 (Fed. Cir. 2004).

¹⁶⁰*A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 7 USPQ2d 1881 (Fed. Cir. 1988). Thus it was error for the district court to refuse an award of attorney fees without making a determination of whether the patentee had engaged in inequitable conduct as alleged, and a remand was required. *Id.* See also *Enzo Biochem Inc. v. Calgene Inc.*, 188 F.3d 1362, 52 USPQ2d 1129 (Fed. Cir. 1999). Inequitable conduct must, as a matter of law, be taken into account in deciding a request for attorney fees. *Pharmacia & Upjohn Co. v. Mylan Pharm. Inc.*, 182 F.3d 1356, 51 USPQ2d 1466 (Fed. Cir. 1999).

¹⁶¹*Consolidated Alum Corp. v. Fosco Int'l Ltd.*, 910 F.2d 804, 15 USPQ2d 1481 (Fed. Cir. 1990); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 882 F.2d 1556, 11 USPQ2d 1750 (Fed. Cir. 1989). See also *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 2 USPQ2d 2015 (Fed. Cir. 1987). Here, there was no showing that the district court was clearly erroneous in finding an absence of exceptional circumstances, and thus no showing of an abuse of discretion in failure to award attorney fees, despite the fact that the Federal Circuit indicated that the patentee's appeal of the finding of inequitable conduct would have been deemed frivolous if not for the presence of a jury trial issue of first impression.

¹⁶²*J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 3 USPQ2d 1235 (Fed. Cir. 1987). The argument was that the court's prior decision in *Rohm & Haas Co. v. Crystal Chem. Co.*, 736 F.2d 688, 222 USPQ 97 (Fed. Cir. 1984), compels such a result, but the court rejected the argument on the basis that such a result would improperly shift the burden of proof.

¹⁶³*J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 3 USPQ2d 1235 (Fed. Cir. 1987). Both invalidating a fraudulently procured patent and sustaining a valid one are public services. *Id.*

(b) Invalidity

A patent owner has the right to exclude others from making, using, and selling the invention and to enforce that right until its patents are held invalid or expire. But that right is not unlimited; bad faith litigation, where a patentee initiates litigation on a patent known to be invalid or not infringed, is conduct offensive to public policy, and can provide a basis for granting attorney fees.¹⁶⁴ It has been suggested that the presumption of validity might protect the patentee in cases where validity is an issue.¹⁶⁵ Where a patentee is sued for a declaratory judgment of invalidity and noninfringement, it can probably rely upon the presumption of validity alone to establish the nonexceptional nature of the case, provided there is no fraud or inequitable conduct, or unless it appears that the initial accusations that established the case or controversy were made in bad faith or that the litigation was conducted in an unreasonable manner.¹⁶⁶

Nonetheless, bringing suit on a patent despite knowledge of earlier sales that would invalidate it justifies a holding of exceptional-ity.¹⁶⁷ By the same token, continuing with litigation after learning of invalidating sales can justify attorney fees.¹⁶⁸ On the other hand, a patentee should not automatically be penalized for pursuing an infringement action after a determination of invalidity in another suit.¹⁶⁹

The court has said that the only deterrent to the improper bringing of clearly unwarranted suits on obviously invalid or unenforceable patents is §285.¹⁷⁰ No award under §285 can fully compensate a defendant subjected to bad faith litigation, e.g., for loss of executives' time and missed business opportunities. Thus that defendant cannot be fully returned to the situation it would have occupied if the wrong

¹⁶⁴*McNeil-PPC Inc. v. L. Perrigo Co.*, 337 F.3d 1362, 67 USPQ2d 1649 (Fed. Cir. 2003). Here, the district court was upset by what was clearly an effort by the patentee to extend, in practical effect, the life of its patent on a drug by obtaining improvement patents. In reversing an award of attorney fees, the Federal Circuit observed that while it may be considered more socially desirable for companies to seek truly novel inventions for maladies not yet treatable, the patent laws set the standards of novelty, nonobviousness, and utility as the requirements for patentability, without making value judgments concerning the motives for making and attempting to patent new inventions of lesser medical value.

¹⁶⁵*Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 5 USPQ2d 1600 (Fed. Cir. 1988); *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 227 USPQ 368 (Fed. Cir. 1985).

¹⁶⁶*Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 5 USPQ2d 1600 (Fed. Cir. 1988).

¹⁶⁷*Interpart Corp. v. Italia*, 777 F.2d 678, 228 USPQ 124 (Fed. Cir. 1985).

¹⁶⁸*Hughes v. Novi Am., Inc.*, 724 F.2d 122, 220 USPQ 707 (Fed. Cir. 1984).

¹⁶⁹*Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 218 USPQ 969 (Fed. Cir. 1983). It should be noted that here there had been a Court of Customs and Patent Appeals decision affirming a prior holding of validity by the USITC, so that the award of fees by the district court would seem to have been particularly inappropriate. See also *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 5 F.3d 1464, 28 USPQ2d 1190 (Fed. Cir. 1993).

¹⁷⁰*Mathis v. Spears*, 857 F.2d 749, 8 USPQ2d 1029 (Fed. Cir. 1988). This may be an overstatement. Certainly, the antitrust laws provide a powerful deterrent in appropriate cases. Also, one is prompted to wonder when the defects in a patent reach the point that it can be said to be "obviously" invalid.