

No. 18-1549

IN THE
Supreme Court of the United States

ZIMMER, INC., ET AL.,

Petitioners,

v.

STRYKER CORPORATION, ET AL.,

Respondents.

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

REPLY BRIEF FOR PETITIONER

SETH P. WAXMAN

Counsel of Record

THOMAS G. SAUNDERS

JACK STARCHER

WILMER CUTLER PICKERING

HALE AND DORR LLP

1875 Pennsylvania Ave., NW

Washington, DC 20006

(202) 663-6000

seth.waxman@wilmerhale.com

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
ARGUMENT.....	1
I. RESPONDENTS’ OPPOSITION UNDERSCORES THE NEED FOR THIS COURT TO GRANT CERTIORARI TO CLARIFY <i>HALO</i>	2
A. Respondents’ Arguments Reflect The Same Confusion That Infected The Federal Circuit’s Decision	2
B. Respondents’ Extensive Discussion Of The District Court’s Post-Verdict Analysis Is Irrelevant To The First Question Presented.....	6
C. This Case Presents An Ideal Vehicle To Address The Confusion Surrounding <i>Halo</i>	8
II. THE FEDERAL CIRCUIT’S SUMMARY AFFIRMANCE FAILS TO PROVIDE GUIDANCE TO THE DISTRICT COURTS ON THE PROPER STANDARD FOR DETERMINING WHETHER TO IMPOSE ENHANCED DAMAGES.....	10
CONCLUSION	12

TABLE OF AUTHORITIES

CASES

	Page(s)
<i>Halo Electronics, Inc. v. Pulse Electronics, Inc.</i> , 136 S.Ct. 1923 (2016)	1, 2, 3, 5, 6, 9, 11
<i>Milwaukee Electric Tool Corp. v. Snap-On Inc.</i> , 288 F. Supp. 3d 872 (E.D. Wis. 2017).....	11
<i>Read Corp. v. Portec, Inc.</i> , 970 F.2d 816 (Fed. Cir. 1992).....	2
<i>Virginia Military Institute v. United States</i> , 508 U.S. 946 (1993)	10
<i>WBIP, LLC v. Kohler Co.</i> , 829 F.3d 1317 (Fed. Cir. 2016).....	6

STATUTORY PROVISIONS

35 U.S.C.	
§ 284.....	6, 11
§ 285.....	11

OTHER AUTHORITIES

Shapiro, Stephen M., et al., <i>Supreme Court Practice</i> (10th ed. 2013)	10
--	----

ARGUMENT

Review here is warranted because the Federal Circuit’s holding effectively authorized the imposition of enhanced damages—damages that this court cautioned must be reserved for “exceptional” cases of egregious willful misconduct—in cases where the infringer’s conduct was merely negligent. That decision creates a patent-specific rule for establishing willfulness that is out of step with general principles applied by other courts to other civil liability schemes.

In opposing certiorari, respondents only underscore why this Court’s review is necessary. Respondents, like the Federal Circuit, ignore that *Seagate’s* two-part test for establishing *recklessness* is distinct from the kind of *intentional* conduct this Court discussed in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S.Ct. 1923 (2016). By missing that distinction entirely, both the Federal Circuit and respondents propose a confused willfulness standard under which a jury finding that an infringer “knew or should have known” that its behavior created an objectively high risk of infringement can later be equated with a finding that the infringer engaged in intentional, deliberate wrongdoing—even where a court has held that the infringer’s conduct was never objectively reckless to begin with.

Rather than engage with the irrational result of the Federal Circuit’s ruling, respondents largely ignore the Federal Circuit’s decision and instead focus on the district court’s decision on remand to impose maximum treble damages. But that puts the cart before the horse: The district court was only allowed to consider whether to impose treble damages *because of the Federal Circuit’s holding that the jury verdict adequately established that Zimmer behaved willfully*. Had the

Federal Circuit properly applied this Court's decision in *Halo*, it would have found that the jury's verdict did not establish willfulness, stripping the district court of the authority to impose enhanced damages at all.

As to the second question presented, respondents do not dispute that district courts are applying the factors articulated by the Federal Circuit in *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992), in conceptually different ways. Contrary to respondents' arguments, those differences cannot be chalked up to mere factual differences between cases or normal variation under an abuse of discretion standard. For example, as explained in the petition, district courts are applying the "litigation behavior" factor in diametrically opposed ways. Respondents' opposition also disregards this Court's admonition in *Halo* that "district courts may award enhanced damages too readily" and the Federal Circuit should "review such exercises of discretion" to ensure they are "reserved for egregious cases." 136 S.Ct. at 1934. Certiorari is necessary to remedy this confusion.

I. RESPONDENTS' OPPOSITION UNDERSCORES THE NEED FOR THIS COURT TO GRANT CERTIORARI TO CLARIFY *HALO*

A. Respondents' Arguments Reflect The Same Confusion That Infected The Federal Circuit's Decision

Respondents' opposition misunderstands the relationship between the two-part *Seagate* test that formed the basis of the jury instruction given in this case and this Court's decision in *Halo* in precisely the same way the Federal Circuit's decision does. Respondents, like the Federal Circuit, pretend as though *Seagate's* reck-

lessness standard and the kind of actual willfulness standard this Court contemplated in *Halo* are the same thing. But as explained at length in the petition, those two distinct inquiries reflect well-settled principles that are applied by other courts to other civil liability schemes that require a showing of willfulness. *See* Pet. 10-13. While *Seagate* imposed a two-part test designed to determine whether an infringer’s conduct was objectively reckless, *Halo* contemplated an alternative path focused on whether the infringer’s conduct was an “intentional[.]” act of “deliberate wrongdoing.” 136 S.Ct. at 1932.

Respondents do not grapple with the fact that those two inquiries ask different questions. The “subjective” prong of the recklessness test is designed to work *in concert with* the objective prong of recklessness. It cannot be stripped from the objective prong and used, on its own, as a substitute for a finding of intentional infringement, as the Federal Circuit did. Respondents repeatedly attempt to bypass that problem by writing off the *Seagate* test as merely representing a “more rigorous” or “more exacting” standard than what is now required after *Halo*. Opp. 1, 21. But as explained at length in the petition, *Seagate* is not a more or less rigorous test than what this Court contemplated in *Halo*; it is a different inquiry entirely.

Nor do respondents offer any answer to the well-settled principles regarding how to prove willfulness in the context of civil liability. Willfulness can generally be proved in either of two distinct ways: through evidence of the defendant’s actual, subjective intent, or through a combination of objective and subjective evidence that establishes the defendant acted recklessly. Rather than address those cases, respondents essentially lean into the idea that *Halo* created a patent-

specific standard for establishing willfulness that is out of step with those general principles. That confusion is precisely why this Court should grant certiorari to clarify that there is no patent-specific willfulness standard.

Respondents quote (Opp. 22) the jury instructions as if it helps their case. But respondents, like the Federal Circuit, skate right over the relevant language of the instructions. The instructions, tracking the *Seagate* standard, asked whether “Zimmer actually knew or should have known *that its actions constituted an unjustifiably high risk of infringement of a valid patent,*” which the district court clarified meant that the jury must find Zimmer “knew or should have known” of facts that presented “an *objectively high likelihood* ... that its actions constituted an unjustifiably high risk of infringement of a valid patent.” C.A.J.A. 2879 (emphases added). Thus, the only subjective finding the jury was asked to make—a finding directly tied to an objective set of facts that the Federal Circuit found *did not exist in this case*—had nothing to do with the kind of deliberate infringement this Court contemplated in *Halo*.

Respondents alternatively attempt to save the Federal Circuit’s ruling by rewriting it—claiming (Opp. 21) that “the Federal Circuit’s affirmance of the jury’s willfulness verdict” was not merely a misunderstanding of what the jury found under *Seagate*, but was instead based on some kind of independent “finding that the record of this case supported willful misconduct, not negligence.” That argument misrepresents what the Federal Circuit did on remand from this Court. The Federal Circuit conducted no independent analysis of whether, notwithstanding what the jury was instructed, the record in this case so clearly supported a finding of intentional infringement that the jury’s willfulness finding could nevertheless stand. It simply affirmed

because, in its original appeal challenging the jury's willfulness finding, Zimmer did not independently challenge the "jury's finding of subjective willfulness under the *Seagate* test." Pet. App. 21a. The Federal Circuit therefore summarily found that "willful misconduct is sufficiently established *by the jury's finding*" without ever recognizing or addressing the fact that the "subjective willfulness" prong of the *Seagate* test is both (1) linked to the objective recklessness prong and (2) conceptually distinct from what this Court described in *Halo*. *Id.* (emphasis added).

Respondents also confusingly argue (Opp. 22) that *Seagate's* recklessness standard "was and remains one way to try to prove willful infringement," and faults Zimmer for "complain[ing] about the sufficiency of the jury's willfulness verdict decided on the basis of a *Seagate* instruction." But respondents lost under *Seagate's* recklessness standard long ago, and cannot return to that well now. The Federal Circuit held years ago that respondents could not satisfy the objective prong of *Seagate's* recklessness standard. Indeed, that holding formed the basis of this Court's decision in *Halo*. *See* 136 S.Ct. 1932-1933. And the Federal Circuit reaffirmed that Zimmer's defenses presented a close case on remand from this Court. *See* Pet. App. 15a. There is thus no question that the jury's verdict of willfulness cannot stand based on *Seagate*.

Finally, respondents claim (Opp. 20) that "*Halo* was not an advisory opinion but was rather an analysis based on the Court's examination of Zimmer's conduct in this very case." If respondents mean to suggest that this Court prejudged the application of the new standard it articulated in *Halo* to the facts of this case, that is clearly wrong. This Court did not purport to address or even consider whether the facts of this case estab-

lished deliberate, knowing infringement. Instead, it vacated and remanded for application of the new standard. 136 S.Ct. at 1935-1936. But rather than actually apply this Court’s guidance, the Federal Circuit stuck a square peg in a round hole by equating the “should have known” prong of a recklessness test—stripped of any consideration of the objectively defined risk that should have been known—with the type of “intentional or knowing” infringement discussed in *Halo*. *Id.* at 1932-1933.

B. Respondents’ Extensive Discussion Of The District Court’s Post-Verdict Analysis Is Irrelevant To The First Question Presented

Rather than providing any meaningful response to the first question presented in the petition, respondents open with an extensive discussion (Opp. 15-20) of the district court’s post-verdict decision whether to impose the full treble damages authorized by the jury’s verdict. Respondents accuse Zimmer (Opp. 20) of “[i]gnoring that [those] findings” by the district court “are sufficient under *Halo* to warrant enhanced damages.” But it is respondents, not Zimmer, that ignore what is required to impose enhanced damages under 35 U.S.C. §284. Section 284 authorizes a district court to award enhanced damages *only if the jury first finds that the underlying infringement was willful*. See *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341 & n.13 (Fed. Cir. 2016) (“[T]here is a right to a jury trial on the willfulness question,” and “[w]e do not interpret *Halo* as changing the established law that the factual components of the willfulness question should be resolved by the jury.”). Here, that meant that the district court had no discretion to award enhanced damages unless the jury first found that Zimmer acted willfully.

Thus, whether the district court independently “found that Zimmer’s conduct” warranted treble damages has nothing to do with the question presented in this petition. If the Federal Circuit erred in holding that the jury’s subjective finding under *Seagate’s* recklessness standard was interchangeable with the kind of egregious, intentional conduct this Court contemplated in *Halo*, then the district court had no discretion to impose treble damages. As discussed, *supra* pp. 2-6, respondents’ attempt to defend the Federal Circuit’s decision on that front is unavailing.

In any event, even assuming respondents were correct that the district court’s analysis were relevant to the first question presented in this petition, respondents’ discussion of what the district court found is misleading. For example, respondents say (Opp. 4) that “Zimmer lost on every disputed issue considered at the District Court.” Except that Zimmer survived summary judgment and went to trial with dispositive defenses on every single patent claimed. And on appeal, the Federal Circuit eventually held that one of Zimmer’s defenses presented a close call. *See* Pet. App. 37a. And while respondents repeatedly quote the district court’s finding that Zimmer “deliberately copied Stryker’s patented inventions,” that quote elides that the uncontroverted facts at trial showed that all of Zimmer’s supposed copying that the district court identified took place *before* respondents’ products were even patented. And while respondents now claim (Opp. 26) that “it is difficult to imagine” facts that would suggest “a greater risk of infringement,” it is undisputed that Zimmer’s products were not identical to respondents’ and that respondents said not one word about infringement until after Zimmer’s products had been on the market for *10 years*. *See* Pet. App 6a.

C. This Case Presents An Ideal Vehicle To Address The Confusion Surrounding *Halo*

Respondents incorrectly claim (Opp. 12) that, “[a]t its core,” this petition raises a “fact bound” dispute about “whether the District Court was justified in concluding that Zimmer acted egregiously.” *See also* Opp. 27-29. But as already discussed, *supra* pp. 6-7, respondents’ attempt to transform the question presented here into a question about the district court’s discretion puts the cart entirely before the horse. This petition presents a clear, legal question about the Federal Circuit’s decision to equate the jury’s finding based on the subjective prong of *Seagate* with the kind of subjective willfulness this Court described in *Halo*. That decision has nothing to do with the facts of this case. To the contrary, this case is an ideal vehicle to consider this question precisely because there is no doubt in this case that the jury’s decision was based *only* on the *Seagate* test. Whereas post-*Halo* cases might involve jury verdicts where the jury was instructed on both *Seagate*’s recklessness standard and *Halo*’s subjective willfulness standard, making it difficult to know what formed the basis of the jury’s willfulness finding, the question is cleanly presented here.

Nor is there any other vehicle problem with this case. Respondents are simply wrong to suggest (Opp. 27-28) that the Federal Circuit’s decision did not “purport to create law on the standard for willfulness or enhanced damages.” The Federal Circuit’s decision on remand from this Court clearly held that the “jury’s finding of subjective willfulness” under the subjective prong of the *Seagate* test “sufficiently established” that Zimmer engaged in willful misconduct after *Halo*. Pet. App. 21a. That was indisputably a holding of the Federal Circuit, and that holding—that *Seagate*’s subjec-

tive prong can, standing alone, establish the kind of “intentional or knowing” infringement discussed in *Halo*, Pet. App. 20a-21a (quoting *Halo*, 136 S.Ct. at 1932)—has clear implications for every patent case in the country that involves a claim for enhanced damages. See Pet 18-19.

Respondents also suggest in a passing footnote (Opp. 20 n.1) that Zimmer somehow might not have preserved the question whether the subjective intent prong of *Seagate*’s two-part test could independently support a finding of willfulness. Respondents bury that point in a footnote for good reason. After trial, Zimmer appealed the jury’s finding that Zimmer behaved recklessly because it “knew or should have known” of facts that presented “an objectively high likelihood ... that its actions constituted ... infringement of a valid patent,” see C.A.J.A. 2879, and won that appeal on the basis that its conduct did not create an objectively high risk of infringement, see Pet. App. 4a. Zimmer had no reason to independently challenge the subjective prong of the jury’s finding because, as explained in Zimmer’s petition, the subjective and objective prongs of the *Seagate* standard are inextricably intertwined. The Federal Circuit’s holding that there was no “objectively high likelihood ... that [Zimmer’s] actions constituted ... infringement of a valid patent” necessarily meant that Zimmer neither knew nor should have known of such a risk. It was only on remand after this Court’s decision in *Halo* that the Federal Circuit gave Zimmer any reason to separately challenge whether the subjective prong of *Seagate* standing alone could somehow satisfy the willfulness standard articulated in *Halo*.

Respondents also suggest (Opp. 20) that Zimmer should somehow be faulted for not immediately petitioning in an interlocutory posture from the Federal

Circuit’s post-*Halo* decision remanding to the district court for further consideration whether enhanced damages should be imposed. But it is well established that that kind of interlocutory petition is disfavored precisely because the decision on remand might moot or alter the question presented. *See Virginia Military Inst. v. United States*, 508 U.S. 946 (1993) (Scalia, J., respecting the denial of the petition for writ of certiorari) (“This present petition ... seeks our intervention before the litigation below has come to final judgment. The Court of Appeals ... remanded the case to the District Court for determination of an appropriate remedy. ... We generally await final judgment in the lower courts before exercising our certiorari jurisdiction.”); *see also* Shapiro et al., *Supreme Court Practice* §4.18, at 282-283 (10th ed. 2013). Zimmer’s decision not to seek that kind of disfavored interlocutory review until after the district court once again took the extreme step of imposing treble damages is hardly a basis to question the propriety of this petition.

II. THE FEDERAL CIRCUIT’S SUMMARY AFFIRMANCE FAILS TO PROVIDE GUIDANCE TO THE DISTRICT COURTS ON THE PROPER STANDARD FOR DETERMINING WHETHER TO IMPOSE ENHANCED DAMAGES

In opposing certiorari on question two, respondents do not actually dispute the principle point made in Zimmer’s petition: Contrary to respondents’ claim that “Zimmer does not and cannot point to any evidence of serious confusion or error in the realm of enhanced damages,” the petition explained at length how district courts are applying the *Read* factors in conceptually different ways. For example, as explained in the petition (Opp. 24-26), district courts are applying the “litigation behavior” factor in diametrically opposed ways.

Some have held that even significant delays in litigation are not the kind of egregious misconduct that would merit enhancement. *E.g.*, *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 288 F. Supp. 3d 872, 902 (E.D. Wis. 2017), *appeal filed*, No. 18-1516 (Fed. Cir. Feb. 5, 2018). This is consistent with this Court’s observation that use of enhanced damages under §284 to punish litigation conduct “dissipated with the enactment of 35 U.S.C. §285, which authorized district courts to award reasonable attorney’s fees.” *Halo*, 136 S.Ct. at 1929. But others, including the district court here, hold that delays caused by normal litigation conduct favor enhancement, *see* Pet. App. 36a. It is that type of flagrant disagreement—disagreement that Zimmer identified for the Federal Circuit—that requires clarification.

Rather than address that point, respondents focus on strawmen arguments. Respondents argue (Opp. 30-32) that *Halo* does not preclude summary affirmance, selectively quoting *Halo*’s reaffirmance of the fact that district courts enjoy discretion in deciding whether to award enhanced damages. But *Halo* made clear that that discretion must be cabined. In meting out enhanced damages, there is always a danger that “district courts may award enhanced damages too readily.” 136 S.Ct. at 1934. This Court satisfied itself that that danger would be guarded against because the Federal Circuit would “review such exercises of discretion” to ensure they are “reserved for egregious cases.” *Id.* at 1934. The Federal Circuit failed to fulfil that role here.

CONCLUSION

The petition should be granted.

Respectfully submitted.

SETH P. WAXMAN

Counsel of Record

THOMAS G. SAUNDERS

JACK STARCHER

WILMER CUTLER PICKERING

HALE AND DORR LLP

1875 Pennsylvania Ave., NW

Washington, DC 20006

(202) 663-6000

seth.waxman@wilmerhale.com

AUGUST 2019