

No. 18-395

In the Supreme Court of the United States

CORNING OPTICAL COMMUNICATIONS RF LLC,
PETITIONER

v.

PPC BROADBAND, INC.

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

**BRIEF OF SAMSUNG ELECTRONICS CO., LTD. AS
AMICUS CURIAE IN SUPPORT OF PETITIONER**

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INTEREST OF AMICUS CURIAE¹

Samsung is a global market leader in high-tech electronics manufacturing and digital media. Samsung's flagship products are complex products that use technology from multiple suppliers. Given its revenue, Samsung is an attractive target for patent assertion entities seeking to force settlements with the threat of treble damages. In one such case, currently on appeal to the Court of Appeals for the Federal Circuit, the dis-

¹ Both parties have consented to the filing of this amicus curiae brief. No counsel for any party authored this brief in whole or in part, and no person or entity, other than amicus curiae or their counsel made a monetary contribution intended to fund the preparation or submission of this brief.

trict court imposed treble damages without weighing whether Samsung’s conduct was objectively reasonable. The Patent and Trademark Office (PTO) subsequently found two of the three patents-in-suit invalid and instituted *ex parte* reexamination of the third, confirming the reasonableness of Samsung’s conduct. Nonetheless, despite the PTO findings, the district court denied Samsung’s motion for reconsideration.

SUMMARY OF THE ARGUMENT

This Court plays a distinctive and indispensable role in supervising and correcting departures from its precedent in patent cases over which exclusive appellate jurisdiction lies in the Court of Appeals for the Federal Circuit, which prevents the normal “percolation” process. In the present case, the Federal Circuit departed from this Court’s precedent in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1929, 1935 (2016). *Halo* rejected a categorical rule restricting enhanced damages, and instead restored the traditional approach to determining the suitability of enhanced damages, in which objective reasonableness is an important consideration, but not independently dispositive. By summarily affirming the district court’s reliance on pre-*Seagate* Federal Circuit precedent that disregarded objective reasonableness as irrelevant, the Federal Circuit went from one extreme to the other, requiring this Court to correct the court of appeals’ course once again.

Traditionally, courts were reluctant, absent strong countervailing factors, to enhance damages where validity or infringement were “open to honest doubt.” See pp. 6-15, *infra*. *Halo* directs district courts to be

guided by that history in deciding whether to enhance damages after a willfulness verdict. 136 S. Ct. at 1929, 1935. That is, while this Court in *Halo* rejected categorical rules, it confirmed that district courts must consider objective reasonableness, and should be reluctant to enhance damages where objective reasonableness is found. See *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358, 1363 (Fed. Cir. 2016), rev'd on other grounds, 138 S. Ct. 2129 (2018).

Despite this Court's emphasis on the traditional approach, numerous lower court decisions—as illustrated by this case—have mistakenly gone from the one extreme explicitly rejected by *Halo* to the opposite end of the spectrum, in which objective reasonableness does not even factor in enhancement, which *Halo* also implicitly rejected. See 136 S. Ct. at 1929, 1935. Based on a misreading of *Halo*, these courts, like the district court here, rely on earlier, since-overruled Federal Circuit precedent that had mistakenly rejected the traditional consideration of objective reasonableness. That precedent began with *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, which imposed a duty of care to avoid infringement. 717 F.2d 1380 (Fed. Cir. 1983). Pursuant to *Underwater Devices*, courts did not consider objective reasonableness because accused infringers had an affirmative duty to confirm noninfringement or invalidity *before* undertaking (or continuing) potentially infringing activities. See, e.g., *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1279 (Fed. Cir. 1999).

Halo does not mark a return to the Federal Circuit's disavowed approach of *Underwater Devices* or *Odetics*. Rather, as *Halo* recognized, the Federal Circuit correctly overruled *Underwater Devices* and its

progeny in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). See *Halo*, 136 S. Ct. at 1932 (recognizing *Seagate* was “sound” “in many respects”). The problem was that *Seagate* itself overcorrected for *Underwater Devices*: rather than merely restore consideration of objective reasonableness, *Seagate* transformed objective reasonableness into a categorical bar (the “objective prong”) to willfulness. While this Court eliminated that *categorical* bar as going too far, the Court appropriately did not eliminate the traditional consideration of objective reasonableness as a mitigating factor in considering enhancement.

Unfortunately, as illustrated by this case, *Halo* has led to further confusion among the lower courts. Here, the district court misread *Halo*’s elimination of the “objective prong” as precluding consideration of objective reasonableness altogether, and so as marking a return to authority, like *Odetics*, that applies the now-defunct *Underwater Devices* standard. As a result of this misreading, the district court imposed enhancement of \$23.85 million for Corning’s “willful” infringement of a patent that another court, the Court of International Trade (CIT), had previously found not infringed by Corning. Compare Pet. App. 18a, 26a, with *Corning Gilbert Inc. v. United States*, 896 F. Supp. 2d 1281 (Ct. Int’l Trade 2013). And the district court did so in reliance on *Odetics*, without even considering the CIT’s decision, or otherwise assessing Corning’s objective reasonableness. Pet. App. 21a-23a (citing *Odetics*, 185 F.3d at 1276). The Federal Circuit’s summary affirmance heightens the need for this Court’s intervention to clarify the appropriate approach. Pet. App. 2a.

Accordingly, it is critical that the Court clarify that *Halo* does not resurrect *Underwater Devices* or its progeny. Instead, *Halo* directs district courts to much earlier precedent, from well before *Underwater Devices*, so that they may “be guided by the sound legal principles developed over nearly two centuries of application and interpretation of the Patent Act.” *Halo*, 136 S. Ct. at 1935 (quotation marks and citation omitted); *id.* at 1929 (discussing history). That earlier precedent makes clear that district courts must still consider objective reasonableness in their enhancement decisions. pp. 6-15, *infra*. And the experience from the *Underwater Devices* era (from 1983 to 2007) confirms that considering objective reasonableness is not merely a “sound” principle, but a necessary one: it is the only way to ensure that punitive damages are reserved for the most egregious offenders, as *Halo* requires. pp. 15-24, *infra*.

Halo embraced the traditional analysis, which considers objective reasonableness, in order to restore the “careful balance” between promoting innovation “through patent protection” and, equally important, “facilitating the ‘imitation and refinement through imitation’ that are ‘necessary to invention itself and the very lifeblood of a competitive economy.’” 136 S. Ct. at 1935 (citation omitted). Permitting a district court to enhance damages without even considering whether the defendant’s conduct was objectively reasonable upsets that balance. This Court’s intervention is the only way to correct course, and prevent repeating the mistakes of the *Underwater Devices* era.

ARGUMENT

I. CERTIORARI IS WARRANTED TO CLARIFY THAT DISTRICT COURTS SHOULD STILL CONSIDER “OBJECTIVE REASONABLENESS” UNDER *HALO*

This Court’s decision in *Halo* directs district courts, in considering enhancement under Section 284, to be guided by the traditional application of the Patent Act. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016). This history makes clear that district courts should at least consider objective reasonableness in determining whether to award enhanced damages. See *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358, 1363 (Fed. Cir. 2016), rev’d on other grounds, 138 S. Ct. 2129 (2018). An analysis of those historical cases confirms that *Halo*’s elimination of *Seagate*’s threshold objective prong as a categorical bar to a finding of willfulness did not resurrect pre-*Seagate* decisions, like *Odetics*, that precluded consideration of objective reasonableness.

A. Courts Have Traditionally Considered Objective Reasonableness As A Factor That Mitigates Against Enhancement

The legal principle recognized by *WesternGeco*, that objective reasonableness mitigates against enhancement, was developed over the course of nearly two centuries of application and interpretation of the Patent Act. It follows from courts’ “traditional[] * * * reluctan[ce]” to find that enhancement is warranted. *Upjohn Co. v. Italian Drugs Importing Co.*, 190 F. Supp. 361, 367 (S.D.N.Y. 1961) (collecting cases). Over time, the Circuit Courts repeatedly held that punitive damages should not be awarded “absen[t] * * * a *delib-*

erate purpose to infringe.” *Rockwood v. Gen. Fire Extinguisher Co.*, 37 F.2d 62, 66 (2d Cir. 1930) (emphasis added) (reversing award); accord *Saginaw Prods. Corp. v. E. Airlines, Inc.*, 615 F.2d 1136, 1143 (6th Cir. 1980) (requiring “bad faith”). Most courts agreed that “such a purpose is not found” where liability and validity issues were “open to honest doubt.” *Wilden Pump & Eng’g Co. v. Pressed & Welded Prods. Co.*, 655 F.2d 984, 989-990 (9th Cir. 1981) (quoting *Int’l Mfg. Co. v. Landon, Inc.*, 336 F.2d 723, 728 (9th Cir. 1964)); see also *Livingston v. Woodworth*, 56 U.S. (15 How.) 546, 560 (1853).

Numerous decisions treated “honest doubt” and objective reasonableness as interchangeable. These decisions do not limit consideration to the accused infringer’s state of mind, but rather also evaluate whether the issues were “fairly debatable.” *E.g., Wahl v. Carrier Mfg. Co.*, 511 F.2d 209, 214 (7th Cir. 1975) (affirming refusal to enhance). If the issues were debatable, then infringement and validity were necessarily “open to honest doubt” “at any time.” *Nat’l Bus. Sys., Inc. v. AM Int’l, Inc.*, 546 F. Supp. 340, 363-364 (N.D. Ill. 1982), aff’d and remanded, 743 F.2d 1227 (7th Cir. 1984). Given this, most courts recognized that they should be even “more reluctant to impose punitive damages” where the issues are “close” and “litigated in good faith.” *Yoder Bros., Inc. v. California-Florida Plant Corp.*, 537 F.2d 1347, 1383 (5th Cir. 1976) (emphasis added) (collecting cases). Objective reasonableness was thus a relevant mitigating factor to enhancement, even where willfulness was found. See, *e.g.*, *White v. Mar-Bel, Inc.*, 369 F. Supp. 1321, 1326 (M.D. Fla. 1973) (declining enhancement, despite willfulness verdict, in

light of patent’s “apparent invalidity”), aff’d in relevant part, 509 F.2d 287, 292 (5th Cir. 1975).

Even those courts that did not treat “honest doubt” and objective reasonableness as coterminous still considered objective reasonableness to be a part of the “honest doubt” inquiry. For example, in *Marvel Specialty Co. v. Bell Hosiery Mills, Inc.*, the Fourth Circuit considered both subjective and objective reasonableness to affirm enhanced damages for infringement of one product-in-suit, but not another. 386 F.2d 287, 289 (1967), cert. denied, 390 U.S. 1030 (1968). Enhanced damages were appropriate for the first product, because the accused infringer admitted *knowing* the accused and patented devices “were quite similar.” *Ibid.* But the district court correctly refused enhancement as to the second based on objective evidence, namely, “the disagreement [on infringement] between the district court and the Court of Appeals.” *Ibid.* Given that disagreement, “it could hardly be said that [the defendant] deliberately and intentionally infringed.”² These courts recognized that “the usual conditions * * * in patent causes” are that defenses “present[] debatable questions,” and, where that was so, there was no reason for punishment unless the defendant’s conduct was “actuated by malice or bad faith.” *E.g., Brown Bag Filling Mach. Co. v. Drohen*, 175 F. 576, 577 (2d Cir. 1910).

² Still other decisions treated “honest doubt” like a good faith defense—similar to reliance on opinion of counsel—that could “*preclude*[] a finding of wilfulness.” *E.g., Eltra Corp. v. Basic Inc.*, 599 F.2d 745, 757 (6th Cir.) (emphasis added), cert. denied, 444 U.S. 942 (1979).

Either way, most courts gave considerable weight to other forums' invalidity or noninfringement findings, regardless of timing. Although there was no "hard and fast rule," a "favorable decision" in another forum could even overcome otherwise "ample justification for * * * increased damages." *B.F. Goodrich Co. v. Consol. Rubber Tire Co.*, 251 F. 617, 624-625 (7th Cir. 1918); accord *Metallic Rubber Tire Co. v. Hartford Rubber Works Co.*, 275 F. 315, 326 (2d Cir.), cert. denied, 257 U.S. 650 (1921). These courts recognized that such decisions should be respected because willful infringement of a patent differs from willful trespass: unlike the bounds of real property, "the test of invention" has "the most plastic and uncertain character" in its application. *Consol. Rubber Tire Co. v. Diamond Rubber Co.*, 226 F. 455, 463-465 (S.D.N.Y. 1915) (Hand, J.), aff'd, 232 F. 475 (2d Cir. 1916); see also *Livingston*, 56 U.S. (15 How.) at 560. Accordingly, if there were conflicting decisions, some courts would deny enhancement even for those who "infringe[d] * * * with impunity." *Consol. Rubber*, 226 F. at 463-465 (declining enhancement until rights had been "definitely settled"); *Philadelphia Rubber Works Co. v. U.S. Rubber Reclaiming Works*, 276 F. 600, 609 (W.D.N.Y. 1920) (holding that, because of conflicting authority, "malicious infringement cannot be successfully urged" while appeal was pending), aff'd, 277 F. 171 (2d Cir. 1921); see also *Upjohn*, 190 F. Supp. at 367 (finding significant that the patent "had never been tested" in litigation); *Livingston*, 56 U.S. (15 How.) at 554-555, 560 (same); *Remington Rand, Inc. v. Art Metal Constr. Co.*, 34 F.2d 693, 698 (W.D.N.Y. 1929) (same), modified, 45 F.2d 136 (2d Cir. 1930).

B. *Halo's Rejection Of Seagate's Categorical Objective Prong Restored The Traditional Approach To Objective Reasonableness As Part Of Enhancement*

Halo did not change the traditional approach in which courts consider objective reasonableness as a factor in enhancement decisions. *WesternGeco*, 837 F.3d at 1363. Rather, *Halo* rejected *Seagate*'s imposition (as part of the predicate willfulness finding) of a categorical bar based on a finding of objective reasonableness—the so-called “objective prong.” In so doing, *Halo* did not eliminate the traditional use of objective reasonableness as a mitigating factor to enhancement of damages once willfulness is found. Nor did *Halo* mark a return to the Federal Circuit’s pre-*Seagate* jurisprudence, which had also departed from the traditional approach by eliminating consideration of objective reasonableness altogether. *Halo* instead marks an appropriate middle ground between the Federal Circuit’s two extremes: courts making willfulness and then enhancement determinations must take objective reasonableness into account, even though objective reasonableness is not independently dispositive.

As this Court explained in *Halo*, “[t]he *Seagate* test reflects, in many respects, a sound recognition that enhanced damages are generally appropriate *** only in egregious cases.” 136 S. Ct. at 1932. *Seagate* had sought to correct an earlier mistake in the Federal Circuit’s jurisprudence. Before *Seagate*, enhancement had become typical as a result of the Federal Circuit’s decision in *Underwater Devices*, which rejected traditional consideration of objective reasonableness. 717 F.2d at 1390-1391; pp. 16-19, *infra*. *Seagate* correctly recog-

nized that this was a problem, and so attempted to restore the traditional high bar for willfulness and enhancement, including consideration of objective reasonableness.

The “principal problem” was not that *Seagate* restored consideration of objective reasonableness for enhancement, but that *Seagate* transformed it into a *per se* threshold requirement for willfulness. *Halo*, 136 S. Ct. at 1932-1933. As such, district courts could not “even consider” punishment for “wanton and malicious pirate[s],” as long as the defendant could “muster” a reasonable defense. *Ibid.* (citation omitted). In other words, *Seagate*’s categorical rule went much farther than the traditional cases. Under the traditional authority, conflicting decisions or truly unsettled authority could, where appropriate, overcome otherwise “ample justification” for enhancing damages. See, *e.g.*, *B.F. Goodrich*, 251 F. at 624-625. By contrast, under *Seagate*, a “pirate” with a reasonable defense could not even be found willful and so enhancement was categorically precluded. *Halo*, 136 S. Ct. at 1932-1933.

It was “[i]n [that] context”—*i.e.*, “[i]n the context of such *deliberate wrongdoing*”—that this Court rejected objective reasonableness as a “prerequisite” to willfulness. *Halo*, 136 S. Ct. at 1932 (emphasis added). But, as the Federal Circuit has previously recognized, *Halo* did not eliminate objective reasonableness as a “relevant factor” in determining whether to award enhanced damages. *WesternGeco*, 837 F.3d at 1363. Nor did *Halo* find that district courts should disregard the decisions of other fora (or earlier decisions in the same case) adopting the accused infringer’s positions—direct evidence that the case is a close call—as the district

court did here. To the contrary, *Halo* expressly relied on a number of cases that followed the traditional approach above. See *Halo*, 136 S. Ct. at 1928-1929 (citing *Brown Bag*, 175 F. at 577; *Livingston*, 56 U.S. (15 How.) at 560; *Rockwood*, 37 F.2d at 66).³

This Court also made clear that, in deciding *Halo*, it was following its own treatment of similar provisions in other areas of law. 136 S. Ct. at 1931-1932 (collecting cases). This Court has repeatedly recognized—in contexts from copyright to removal—that, even where objective reasonableness is “not *** controlling,” it remains an “important” factor that must be considered before imposing punitive measures. See, e.g., *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1988-1989 (2016) (construing fee-shifting provision in copyright); *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 141 (2005) (construing fee-shifting provision in removal statute); cf. *Harlow v. Fitzgerald*, 457 U.S. 800, 818 (1982) (recognizing, in the qualified immunity context, that objective unreasonableness is “measured by reference to clearly established law”). These decisions are consistent with the Circuit Courts’ traditional approach to enhancement, which neither required a finding of objective *unreasonableness* to support willfulness, nor ignored the relevance of objective *reasonableness* as a mitigating factor weighing against punitive damages. pp. 6-9, *supra*. Such consistency is required: As this “Court has made abundantly clear,” there

³ The other historical patent cases relied on by this Court in *Halo* do not address the relevance of objective reasonableness or honest doubt. *Halo*, 136 S. Ct. at 1929. Rather, those other cases establish that enhanced damages are traditionally *punitive*. *Ibid.*

“must be a particular justification *** before *** rules for patent cases [may] depart from the rules for other areas of civil litigation.” *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1335 (Fed. Cir. 2015) (Hughes, J., concurring-in-part and dissenting-in-part) (collecting cases), en banc op. vacated in part, 137 S. Ct. 954 (2017).

Accordingly, as members of the Federal Circuit have independently recognized, “objective evidence” remains relevant under *Halo* as it was in the past. For example, “[a] jury might well conclude” that an accused infringer did not believe it was infringing based on “objective evidence” about, for example, “disputed claim construction[s] and invalidity issues.” *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, 240 F. Supp. 3d 605, 618 (E.D. Tex. 2017) (Bryson, J.); see also *Halo*, 136 S. Ct. at 1938 (Breyer, J., concurring) (recognizing that “[w]hether *** an infringer truly had ‘no doubts about the validity’ of a patent may require an assessment of the reasonableness of a defense *** apparent from the face of that patent”); cf. *Livingston*, 56 U.S. (15 How.) at 560 (finding defendant “might well have supposed” they were not infringing based on objective evidence); *Halo*, 136 S. Ct. at 1928 (citing *Livingston*). And even where willfulness is found, such “objective evidence” is relevant to whether the patentee “demonstrated that level of willfulness necessary to trigger *** enhanced damages.” *Erfindergemeinschaft*, 240 F. Supp. 3d at 618; cf. *Brown Bag*, 175 F. at 577; *Halo*, 136 S. Ct. at 1929 (citing *Brown Bag*, 175 F. at 577). In this way, *Halo* restored the approach to enhancement that courts traditionally followed before the Federal

Circuit's earlier decision in *Underwater Devices* broke from that tradition.

C. In Refusing To Consider The CIT's Non-infringement Decision, The District Court Failed To Follow The Traditional Approach

The district court's enhancement award, and the Federal Circuit's summary affirmance, erroneously failed to adhere to this traditional guidance. This is not merely a case where the accused "mustered" a reasonable defense or relied "solely" on its attorneys' "ingenuity." *Halo*, 136 S. Ct. at 1933. The fact that two Article III judges (a judge of the CIT on the one hand and the district court judge in the present suit on the other) came to different conclusions about infringement demonstrates beyond question that the issue was genuinely debatable. The district court thus erred, both by refusing to consider the CIT decision, and by relying on since-overruled precedent to do so. Pet. App. 21a (citing *Odetics*, 185 F.3d at 1276). In light of the Federal Circuit's summary affirmance, this Court's intervention is necessary to prevent further misreading of *Halo* in the Federal Circuit and district courts.

Amicus respectfully urges this Court to clarify that, contrary to the Federal Circuit and district courts' misreading, *Halo* neither relies on nor marks a return to the Federal Circuit's pre-*Seagate* jurisprudence relied on by the district court. Instead, *Halo* recognized "the fallout" from *Underwater Devices* and so specifically directed that district courts "be guided" by the "sound legal principles" developed in earlier cases. *Halo*, 136 S. Ct. at 1928-1929, 1935. Under this traditional guidance, and unlike under *Odetics*, the fact that the

CIT's decision was issued *after* the alleged infringement is "no reason * * *" for taking the case out of the general rule." *Metallic Rubber*, 275 F. at 326. Rather, where courts reach different conclusions on infringement, whenever decided, enhancement is not appropriate until after the issue has been finally resolved. *Ibid.*

II. THIS COURT SHOULD CLARIFY THAT DISTRICT COURTS MUST CONSIDER OBJECTIVE REASONABleness AS A FACTOR IN WEIGHING DAMAGES ENHANCEMENT

This Court should confirm that objective reasonableness, though not dispositive, must be considered at the enhancement stage. *Halo* mandated that enhanced damages are not "typical" and do not automatically follow when willfulness is found. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933-1934 (2016). And history teaches that the only way to achieve this end is to require consideration of objective reasonableness. But, since this Court's decision in *Halo*, many district courts have failed to follow this traditional principle that channels their discretion, and the Federal Circuit has failed to provide consistent guidance. Compare, *e.g.*, *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358, 1363 (Fed. Cir. 2016), rev'd on other grounds, 138 S. Ct. 2129 (2018) (recognizing the relevance of objective reasonableness to enhancement), with Pet App. 2a (affirming, without explanation, the district court's refusal to consider the CIT decision). In light of this misunderstanding, further clarification from this Court is therefore warranted.

A. The Traditional Consideration Of Objective Reasonableness Is Necessary To Prevent Enhancement In The Typical Case

The history of Section 284 from the *Underwater Devices* decision in 1983 to *Seagate* in 2007 teaches that this Court’s directive in *Kirtsaeng* and similar cases—to consider objective reasonableness—is not only a “sound” legal principle, but a necessary one.

After *Underwater Devices* departed from the traditional approach by eliminating consideration of objective reasonableness, enhancement of damages became typical. Patentees claimed willfulness “in the overwhelming majority of cases.” Christopher B. Seaman, *Willful Patent Infringement & Enhanced Damages After In Re Seagate: An Empirical Study*, 97 Iowa L. Rev. 417, 442-443 (2012); Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. Cir. B.J. 227, 232 (2004) (“For those that complained that willful infringement was alleged in every lawsuit, their concerns were justified.”). Meanwhile, both proving willfulness and securing enhanced damages became easier. See Seaman, 97 Iowa L. Rev. at 465-470. Most cases settled. *Ibid.*; see also Moore, 14 Fed. Cir. B.J. at 234 (71.7% settled in study of cases 1999-2000); *Halo*, 136 S. Ct. at 1937 (Breyer, J., concurring) (“[T]he risk of treble damages can encourage the company to settle, or even abandon any challenged activity.”). And of those that went to trial, willfulness was found in over half. Seaman, 97 Iowa L. Rev. at 445. This result has been rightly and roundly criticized.⁴

⁴ E.g., *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1351 (Fed. Cir. 2004) (Dyk, J., concur-

The Federal Circuit “sound[ly]” recognized that this result was inconsistent with courts’ traditional reluctance to impose enhanced damages in cases open to honest doubt. See *Halo*, 136 S. Ct. at 1932. And the solution largely tracked the problem: *Underwater Devices* had overlooked conventional wisdom that patent law is difficult to apply, and so whether a patent is valid and infringed may be genuinely “uncertain.”⁵ *Consol. Rubber Tire Co. v. Diamond Rubber Co.*, 226 F. 455, 463-465 (S.D.N.Y. 1915); *Brown Bag Filling Mach. Co. v. Drohen*, 175 F. 576, 577 (2d Cir. 1910). By requiring district courts to consider objective reasonableness, *Seagate* and its progeny ensured district courts took this wisdom into account, reserving enhancement for truly egregious cases, not close calls. *Seaman*, 97 Iowa

ring and dissenting) (“[T]he imposition of the due care requirement has produced nothing of benefit to the patent system.”); FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law Policy* 29 (2003) (noting that the willfulness doctrine of *Underwater Devices* “drew few defenders”), https://www.ftc.gov/sites/default/files/documents/reports/promote-innovation-proper-balance-competition-and-patent-law-and-policy/innovation_rpt.pdf.

⁵ This remains true today. See Shawn P. Miller, *Where’s the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 Va. J.L. & Tech. 1, 7 (2013) (estimating that 39% to 56% of software and business method patents respectively are invalid); Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. Econ. Persp. 75, 76 (2005) (finding that litigation invalidates “[r]oughly half” of patents so challenged); Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 Chi. L. Rev. Dialogue 93, 94 (2014) (finding that 77% of patents challenged through *inter partes* review and that reach final merits decisions are invalidated or disclaimed).

L. Rev. at 457; *Halo*, 136 S. Ct. at 1938 (Breyer, J., concurring) (recognizing the Federal Circuit's expertise).

Empirical data confirms the wisdom of the traditional approach. As shown by a study of willfulness and enhancement decisions in the three years before and after *Seagate*, *Seagate* may have reduced enhancement, but not by raising the standard for finding willfulness from negligence to recklessness, or increasing the burden of proof. See Seaman, 97 Iowa L. Rev. at 445. In fact, juries found *willfulness* at an “almost identical” rate in the three years before and after *Seagate*, suggesting the “subjective prong” made little difference. *Ibid.* Rather, it appears that *Seagate* reduced the frequency of cases imposing enhanced damages by requiring judges to evaluate whether a defendant’s conduct was objectively reasonable. Cf. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1987 (2016) (recognizing judge’s ability to assess reasonableness of defenses). As the data shows, enhancement decreased in the three years after *Seagate* because judges were significantly less likely to find willfulness, and, where a jury found willfulness, judges were significantly less likely to enhance. See Seaman, 97 Iowa L. Rev. at 465-470; see also *ibid.* (suggesting that judges after *Seagate* often declined to award enhanced damages rather than overturning questionable willfulness verdicts). These results are consistent with the traditional approach, under which consideration of objective reasonableness channeled the district court’s discretion. pp. 6-9, *supra*. These results also tend to confirm that *Seagate*’s subjective prong—without consideration of objective reasonableness—does not reliably identify egregious cases. See Seaman, 97 Iowa L. Rev. at 445. While *Seagate*

may have gone too far in the other direction, its reintroduction of objective reasonableness into the Section 284 inquiry was essential to reigning in unwarranted enhanced damages awards.

B. The Traditional Consideration of Objective Reasonableness Is Necessary to Ensure Any Enhancement Is Proportional

Halo also requires that any enhancement “be proportional.” Final Judgment at 1-2, *Core Wireless Licensing S.a.r.l. v. LG Elecs., Inc.*, No. 2:14-cv-912-JRG (E.D. Tex. Nov. 1, 2016), ECF No. 47. Here, again, objective reasonableness plays an important role.

Treble damages are only appropriate for the most egregious cases. See *Halo*, 136 S. Ct. at 1933 (recognizing Section 284 is directed to a “range of culpable behavior”). And yet, since *Halo*, at least one district court has imposed treble damages even where the PTO later found two of three patents-in-suit invalid. *Imperium IP Holdings (Cayman), Ltd. v. Samsung Electronics Co., Ltd.*, 203 F. Supp. 3d 755, 764 (E.D. Tex. Aug. 24, 2016), amended No. 4:14-cv-00371, 2017 WL 1716589, at *2 (E.D. Tex. Apr. 27, 2017), appeal pending, No. 17-2107 (lead) (Fed. Cir. docketed May 30, 2017). Unsurprisingly, that court’s ruling failed to separately weigh objective reasonableness.⁶ *Ibid.* But it is

⁶ Samsung moved for reconsideration, under *WesternGeco* and in light of the PTAB’s decisions. The district court nonetheless upheld the enhancement of damages, refusing to consider the PTAB’s decisions and rejecting the argument that the court even needed to consider objective reasonableness. *Imperium IP Holdings (Cayman), Ltd. v. Samsung Electronics Co., Ltd.*, No. 4:14-cv-00371, 2017 WL 1716788, at *3-4 (E.D. Tex. Apr. 27, 2017) (suggesting its review of the *Read* factors sufficed, and noting the

hardly alone: since *Halo*, many courts that have awarded treble damages had either already found objective unreasonableness or else have failed to consider objective reasonableness at all.⁷ See, e.g., *R-BOC Representatives, Inc. v. Minemyer*, 233 F. Supp. 3d 647, 654, 688-689 (N.D. Ill. 2017) (trebling damages despite parallel proceeding finding seven claims invalid), aff'd, 726 F. App'x 821 (2018). By contrast, consideration of objective reasonableness has often led to more proportional awards—consistent with *Halo*'s directive that

closeness-of-the-case *Read* factor “overlaps considerably” with another *Read* factor, about whether the infringer investigated and formed a good faith belief upon learning of the patent), appeal pending, No. 17-2107 (lead) (Fed. Cir. docketed May 30, 2017).

⁷ See *Arctic Cat Inc. v. Bombardier Recreational Prods., Inc.*, 198 F. Supp. 3d 1343, 1352-1353 (S.D. Fla. 2016) (citing *Arctic Cat Inc. v. Bombardier Recreational Prods., Inc.*, No. 14cv62369, 2016 WL 3948052, at *5 (S.D. Fla. May 31, 2016)) (imposing treble damages where court's “objective prong” analysis focused on subjective reliance, not objective reasonableness of noninfringement/invalidity positions), aff'd, 876 F.3d 1350 (Fed. Cir. 2017); *Innovention Toys, LLC v. MGA Entm't*, No. 07-cv-6510, 2017 WL 3206687, at *3-4 (E.D. La. Mar. 8, 2017) (imposing treble damages despite instruction to reconsider), aff'd, 773 F. App'x 1024 (Fed. Cir. 2018); see also *Polara Eng'g, Inc. v. Campbell Co.*, 237 F. Supp. 3d 956, 992-994 (C.D. Cal. 2017) (imposing 250% enhancement), vacated and remanded in rel. part, 894 F.3d 1339, 1355 (Fed. Cir. 2018); see also *Seaman*, 97 Iowa L. Rev. at 470 (concluding that, post-*Seagate*, judges imposed smaller award of enhanced damages following jury verdict of willfulness than if judges had concluded that infringer was objectively un-reasonable); cf. *Chamberlain Grp., Inc. v. Techtronic Indus. Co., Ltd.*, 315 F. Supp. 3d 977, 1014 (N.D. Ill. 2018) (imposing treble damages without explaining why case “was not close” despite “fact that some positions had merit”), appeal pending, No. 18-2228 (Fed. Cir. filed Aug. 9, 2018).

treble damages be reserved for only the most egregious cases. See, *e.g.*, *Canon, Inc. v. Color Imaging, Inc.*, 292 F. Supp. 3d 1357, 1366-1367, 1369 (N.D. Ga. 2018) (limiting to 20% enhancement where, *inter alia*, case was close and “defenses were not frivolous or completely without merit”).⁸

C. District Courts Are Not Consistently Applying The Traditional Approach, Threatening Innovation

But despite the traditional and practical importance of objective reasonableness, the district courts remain split over its relevance to their enhancement decisions.⁹ And the Federal Circuit is also split over its

⁸ See also, *e.g.*, *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 288 F. Supp. 3d 872, 900, 905 (E.D. Wis. 2017) (denying enhancement where evidence of copying was mixed and “defense was vigorous but not out of the ordinary”), appeal pending, No. 18-1516 (Fed. Cir. filed Feb. 5, 2018); *Idenix Pharm. LLC v. Gilead Sci., Inc.*, 271 F. Supp. 3d 694, 701, 703 (D. Del. 2017) (denying enhancement where case was close despite deliberate copying and concealment of misconduct); *Convolve, Inc. v. Dell Inc.*, No. 2:08-cv-244-RSP, 2017 WL 2463398, at *4-5 (E.D. Tex. June 7, 2017) (denying enhancement where positions objectively reasonable), appeal pending, No. 17-2335 (Fed. Cir. filed July 24, 2017); *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, No 09-cv-05235-MMC, 2017 WL 130236, at *4-5 (N.D. Cal. Jan. 13, 2017) (denying enhancement where “both parties took reasonable positions on the various issues raised as to both validity and infringement”).

⁹ Compare, *e.g.*, *Move, Inc. v. Real Estate Alliance Ltd.*, 221 F. Supp. 3d 1149, 1173 & n.14 (C.D. Cal. 2016) (granting summary judgment of no willfulness because trial court had originally agreed with accused infringer’s reasonable positions); *Sprint Commc’ns Co. L.P. v. Time Warner Cable, Inc.*, No. 11-cv-2686, 2017 WL 978107, at *14 (D. Kan. Mar. 14, 2017) (considering rea-

relevance, as evidenced by this case.¹⁰ As a result, accused infringers cannot rely on a consistent standard being applied, even within the same court.¹¹ The confusion is such that, even after *WesternGeco*, numerous courts (including the Federal Circuit) have failed to consider objective reasonableness in imposing enhancement (or affirmed such failure).¹² And some courts have gone so far as to deny that there is any such requirement. See, e.g., *Imperium*, 2017 WL 1716788, at *4. This uncertainty threatens the very outcome that *Halo* cautioned against: disrupting the “careful balance” between promoting innovation “through patent protection” and, equally important, “facilitating the ‘imitation and refinement through imitation’ that are ‘necessary to invention itself and the

sonableness of defenses under closeness of case), with, e.g., *Imperium*, 2017 WL 1716788, at *4 (refusing to consider *inter partes* review final decisions invalidating patents because issued after trial).

¹⁰ Compare, e.g., *Polara Eng’g Inc. v. Campbell Co.*, 894 F.3d 1339, 1355-1356 (Fed. Cir. 2018) (remanding for failure to explain why objective reasonableness did not mitigate against enhancement); *WesternGeco*, 837 F.3d at 1363 (recognizing the importance of this factor), with, e.g., Pet App. 2a (failing to address district court’s refusal to consider related court decisions showing accused infringer’s reasonableness, in reliance on pre-*Seagate* Federal Circuit case law).

¹¹ See note 10, *supra*. Compare also, e.g., *Erfindergemeinschaft*, 240 F. Supp. 3d at 618 (identifying multiple ways in which objective reasonableness is relevant), with *Imperium*, 2017 WL 1716788, at *4 (denying obligation to consider objective reasonableness, even after *WesternGeco*).

¹² See, e.g., Pet. App. 2a; *Innovation Toys*, 2017 WL 3206687, at *3-4 (trebling damages on remand); see also note 7, *supra*.

very lifeblood of a competitive economy.” *Halo*, 136 S. Ct. at 1935 (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989)); see also *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994) (emphasizing need for clarity of copyright law).

Clarification by this Court is needed. Corning attempted to design around its competitor’s product. Pet. App. 7a-9a. Such effort and innovation is legitimate and to be encouraged: where successful, it expands the options available to the public. *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1457 (Fed. Cir. 1991); see also Pet. App. 8a, 12a (noting new design was patented); *Livingston*, 56 U.S. (15 How.) at 560 (refusing to enhance where infringing device had been patented). In fact, “[d]esigning around patents is *** one of the ways in which the patent system works to the advantage of the public in promoting progress in the useful arts, its constitutional purpose.” *Slimfold*, 932 F.2d at 1457; see also *Fogerty*, 510 U.S. at 527 (recognizing copyright law serves similar function).

But, as this case demonstrates, whether a design-around successfully avoids infringement may be open to honest doubt. Compare *Corning Gilbert Inc. v. United States*, 896 F. Supp. 2d 1281, 1281 (Ct. Int’l Trade 2013) (finding no infringement); Pet. App. 8a, Pet. App. 12a (recognizing new design was patented), with Pet. App. 8a (noting jury verdict of infringement). Upholding double damages of \$23.85 million—without requiring the district court to so much as consider that another neutral jurist found that the accused device did *not* infringe—signals that close but failed attempts will be severely punished. Pet. App. 19a (citing Corning’s attempt as akin to copying and so a reason to enhance);

see also Seaman, 97 Iowa L. Rev. at 459-460 (observing that, though not statistically significant, willfulness was found more frequently where evidence of design-around attempts are offered). This threat may discourage close workarounds altogether, thereby allowing a patent to “reach beyond its lawful scope” in a way that “frustrate[s], rather than ‘promote[s],’ the ‘Progress of Science and the useful Arts.’” *Halo*, 136 S. Ct. at 1937-1938 (Breyer, J., concurring) (quoting U.S. Const. Art. I, § 8, cl. 8)).

CONCLUSION

For the foregoing reasons, and those stated in the Petition, the Court should grant the writ.

Respectfully submitted.

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