

No. 18-395

In the Supreme Court of the United States

CORNING OPTICAL COMMUNICATIONS RF LLC,

Petitioner

v.

PPC BROADBAND, INC.

Respondent

**On Petition for a Writ of Certiorari to the
U.S. Court of Appeals for the Federal Circuit**

REPLY TO BRIEF IN OPPOSITION

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RULE 29.6 DISCLOSURE

Corning Optical Communications RF LLC is a wholly owned subsidiary of Corning Oak Holding LLC, which is a wholly owned subsidiary of Corning Inc., a publicly traded company. To our knowledge, no other publicly held corporation holds 10% or more of stock in Corning Optical Communications RF LLC or Corning Oak Holding LLC.

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REPLY TO BRIEF IN OPPOSITION

This case provides a good vehicle to resolve two critical questions about the standard for awarding enhanced patent damages after *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2014): first, whether courts considering whether to enhance damages for “egregious” infringement must consider all the circumstances, including evidence that the defendant’s conduct was objectively reasonable; and second, whether finding willful infringement based on a “should have known” standard violates *Halo*’s requirement that willfulness be “intentional or knowing.”

Respondent PPC Broadband, Inc. (“PPC”) does not dispute the importance of either question, which the amicus briefs from both the high-tech and financial industries confirm. The business community is rightly concerned about these issues: the Federal Circuit’s post-*Halo* jurisprudence encourages abusive patent suits that stifle innovation and legitimate competition.

For its part, PPC largely concedes the merits of Corning Optical Communications RF LLC’s (“Corning”) position on both questions. First, PPC acknowledges that nearly two centuries of decisions cited in *Halo* “suggest that evidence of ‘reasonable’ conduct may be relevant” in assessing enhanced damages. Opp. 18. PPC thus has little choice but to recast Corning’s petition as an argument that the reasonableness of the defendant’s position is “dispositive,” and to claim (implausibly) that the district court did consider Corning’s evidence of objective reasonableness. But the petition repeatedly stresses that objective reasonableness is “relevant,” not “dispositive,” and the district court’s *one sentence* about the CIT’s noninfringement decision discussed only Corning’s *subjective* intent.

Second, PPC agrees that a negligence standard conflicts with *Halo*, but insists (implausibly) that the “should have known” standard here is not a negligence standard. Precedent forecloses that position. And once the fallacy of PPC’s lone argument is exposed, the importance of review is effectively uncontested.

Certiorari should be granted.

I. Certiorari Is Warranted To Give Effect To *Halo* And “Nearly Two Centuries” Of Precedent Requiring Courts To Consider Evidence Of Objective Reasonableness Before Imposing Punitive Damages.

A. The decision below conflicts with *Halo*, and PPC’s contrary argument distorts both the petition and the decision below.

PPC’s opposition badly mischaracterizes both the petition and the holding below.

1. PPC repeatedly recasts the petition as a broadside attack on *Halo*—one that seeks to re-establish the discredited *Seagate* regime in which evidence of objective reasonableness is “dispositive” of enhanced damages. Opp. 3, 13-14, 18-19, 23. But no good-faith reader could understand the petition that way. The first question presented asks only whether evidence of objective reasonableness is “relevant” and must be “consider[ed]” in assessing enhanced damages. Pet. i. The petition’s central theme is that review is needed “to make clear that the objective reasonableness of an infringer’s conduct is *always relevant to*, even if *not dispositive of*, the award of enhanced damages.” Pet. 12 (emphasis added); accord Pet. 2-3 (*Halo* “did not eliminate the traditional consideration of objective reasonableness as a *mitigating factor*”) (emphasis added);

Pet. 25 (“*Halo* holds that the existence of an objectively reasonable defense is not *dispositive*,” but “does not suggest that the existence of such a defense is *irrelevant*”).

PPC’s persistent mischaracterization of Corning’s argument allows it to avoid stating openly what it implicitly concedes: evidence of objective reasonableness *is* relevant in assessing enhanced damages under *Halo*, and thus must be considered. Only by falsely claiming that Corning seeks to make objective reasonableness “dispositive” can PPC avoid the “nearly two centuries” of precedent cited in the petition (at 14-17), under which PPC concedes “that evidence of ‘reasonable’ conduct may be relevant.” Opp. 18.

2. Aware that overwhelming authority treats reasonableness as relevant to enhanced damages, PPC has no choice but to claim that the district court *did* consider Corning’s best evidence of reasonableness—the CIT’s noninfringement decision—but found it “unpersuasive.” Opp. 3, 14, 15, 22, 27. Even a brief review of the court’s opinion disproves this statement.

Far from basing its enhancement decision on “*all the evidence of record*, including the 2013 CIT decision and its underlying facts” (Opp. 19), the district court devoted exactly one sentence to the CIT’s decision, dismissing it solely because it was rendered “years after Corning knew of both PPC’s patents and infringement allegations.” Pet. App. 21a. The court mentioned *none* of PPC’s purported justifications for discounting the CIT’s decision. Compare *ibid.* (dismissing the decision solely because of when it was issued) with Opp. 16 (describing the decision as “one-sided, biased, and deficient”). PPC implies that damages were “only dou-

ble[d]” “rather than triple[d]” because the court considered the CIT’s decision (Opp. 3, 1), but the court said nothing to support that implication; it treated the CIT’s decision as irrelevant. And as to other objective evidence—including PPC’s own affidavit swearing it could not create a factual dispute to oppose summary judgment of noninfringement (Dkt. 21-1 at 2)—the court said nothing.

Further, the district court mentioned the CIT’s decision only in discussing Corning’s “good faith belief of invalidity or noninfringement” in applying *Read*’s enhanced damages analysis—a purely *subjective* consideration—but arbitrarily discarded it because it issued after the date of the first alleged infringement. Thus, the court never considered the reasonableness of Corning’s long-held belief, which the CIT validated. The failure to consider strong evidence of objective reasonableness, particularly where it was fully aligned with Corning’s long-held belief, was a serious error—an error the Federal Circuit has repeatedly failed to police.

B. *Halo*’s reliance on fee-shifting precedent confirms that courts should give “substantial weight” to evidence of objective reasonableness.

PPC’s remaining arguments are no more convincing. In answer to our showing that the decision below conflicts with *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014), and *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (2016), PPC ignores *Kirtsaeng* and says “the attorney-fee inquiry” in *Octane* and “the enhanced-damages inquiry” here are “fundamentally differen[t].” Opp. 23, 24. But as *Halo* explains, the attorney-fee inquiry is “instructive” in assessing enhanced damages, and the two analyses

“point[] in the same direction.” 136 S. Ct. at 1932, 1934. PPC’s argument that the petition “disregards *Halo*’s direction” thus ignores *Halo* itself. Opp. 23.

PPC identifies obvious differences between the two contexts, but cannot explain why they warrant giving evidence of reasonableness “substantial weight” in one context but *no weight* in the other. Here too, moreover, PPC mischaracterizes the petition as an attempt “to reinstate *Seagate*.” Opp. 24. But requiring that evidence of objective reasonableness be given “substantial weight” in determining enhancement is a far cry from treating such evidence as *dispositive*. Here, the district court gave Corning’s evidence of objective reasonableness *no weight*, contrary to “nearly two centuries” of precedent. This Court should intervene.

C. PPC mischaracterizes the post-*Halo* decisions that ignore evidence of objective reasonableness in assessing enhanced damages.

1. In response to Corning’s and *amici*’s showing that many courts ignore evidence of objective reasonableness, PPC insists there is “no such trend in the Federal Circuit.” Opp. 19. Yet PPC highlights just one Federal Circuit decision, *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358 (Fed. Cir. 2016), *rev’d on other grounds*, 138 S. Ct. 2129 (2018), which opined that “objective reasonableness * * * can still be relevant.” PPC says *WesternGeco* was “clear,” but the numerous district courts that continue to ignore evidence of objective reasonableness have not found Federal Circuit precedent so “clear.” Opp. 20 n.6.

That is largely because, before *WesternGeco*, the Federal Circuit held that, post-*Halo*, “[p]roof of an objectively reasonable litigation-inspired defense is no longer a defense.” *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341 (Fed. Cir. 2016). Under *WBIP*, such proof is irrelevant: “err[or] in concluding that [a] defense was objectively unreasonable is not a basis for concluding that [a] district court abused its discretion in enhancing damages.” *Ibid.* *WBIP* erred in deriving a tortured temporal requirement from *Halo*, and as the earlier post-*Halo* decision, *WBIP*—not *WesternGeco*—controls. Opp. 20 n.6. Thus, even post-*WesternGeco*, district courts continue to follow *WBIP*’s teaching that they “[are] not required to assess the objective reasonableness of Defendants’ positions.” *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 2017 WL 1716788, *3–4 (E.D. Tex. Apr. 27, 2017).

PPC asserts that *WBIP* did not “ignore any litigation-derived defenses,” but rather held that such defenses “w[ere] not *dispositive*.” Opp. 25 (citing *WBIP*, 829 F.3d at 1340–41). Yet *WBIP* did not say a “litigation-inspired defense is no longer” *dispositive*; it said that it “is no longer *a defense*.” 829 F.3d at 1341 (emphasis added). Indeed, PPC argued below that the CIT decision “is not a basis for justifying Corning’s infringing conduct.” C.A. PPC Br. 55 (citing *WBIP*, 829 F.3d at 1341). Plaintiffs like PPC will continue to cite *WBIP* as support for ignoring objective reasonableness, and district courts will keep following it unless this Court intervenes.

2. PPC’s attempt to explain away the many district court decisions that ignore evidence of objective reasonableness is equally unpersuasive. Word limits prevent a comprehensive rebuttal here, but Corning

stands by its account of *Imperium, supra*, *Ericsson Inc. v. TCL Communication Technology Holdings, Ltd.*, 2018 WL 2149736 (E.D. Tex. May 10, 2018), *Innovation Toys, LLC v. MGA Entertainment, Inc.*, 2017 WL 3206687 (E.D. La. Mar. 8, 2018), and *Dominion Resources Inc. v. Alstom Grid, Inc.*, 2016 WL 5674713 (E.D. Pa. Oct. 3, 2016) (the last of which PPC conspicuously ignores). Pet. 22-24; see also Askeladden Amicus Br. 11; Samsung Amicus Br. 19-21. Many district courts are following the Federal Circuit into conflict with *Halo*. This Court should grant review.

D. The post-*Halo* confusion in the lower courts deprives commercial actors of the certainty necessary to make informed business decisions.

The amicus briefs confirm that the chaotic state of enhanced damages law post-*Halo* threatens companies making high-stakes decisions about how to conduct business in the face of infringement allegations. As Askeladden L.L.C. explains (Br. 17), resolving this judicial confusion is vital to “a broad spectrum of companies that are frequently subjected to frivolous patent suits.” Under *WBIP*, nothing occurring after the date of first infringement is *relevant*—not an opinion of counsel identifying viable defenses, a Patent Office decision instituting *inter partes* review, or even an intervening decision invalidating the patent. This not only over-deters reasonable conduct, but encourages abusive patent litigation, hinders design-around innovation, and stifles competition—all contrary to the Patent Act, which “seeks to guard against unreasonable advantages to the patentee and disadvantages to oth-

ers arising from uncertainty as to their rights.” *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938).

E. Corning lacked sufficient notice that its accused conduct was unlawful.

PPC does not dispute that enhanced damages may not be imposed where precedent provides no reasonable notice that the challenged conduct might lead to penalties. Pet. 28-29. Instead, it suggests that “Corning had notice of infringement since at least the 2003 trial when it was first found to infringe PPC’s ’194 patent.” Opp. 27. PPC’s attempt to muddy the factual record rewrites history.

As the petition explains (at 6), the 2003 infringement trial involved two Corning products—one that secured the connector to a cable by deforming a portion of the cylindrical body member inwardly toward a tubular post, and a second that secured the connector to a cable by wedging a plastic “Gripper” under the cylindrical body member without deforming it. Only *the first design* was found to infringe, and not because it included a compression ring, which was known in the prior art. The ’194 patent claims thus require the additional feature that the cylindrical body member is secured to a tubular post at one end to define a bore. All the accused Corning products use *the second, non-infringing “Gripper” design that wedged the Gripper under a cylindrical body member and did not define a bore*. Pet. 6-7. This was one of the CIT’s two independent grounds for granting Corning summary judgment.

PPC’s insinuation that the CIT acted improperly in “excluding” PPC from its proceedings is absurd: the statutory scheme *required* U.S. Customs, not PPC, to

defend the General Exclusion Order that PPC obtained—*ex parte*—against Corning’s products. 28 U.S.C. § 2631(j)(1)(A); C.A. App. 2390. PPC cannot complain about the one-sidedness of a statutorily required process initiated by PPC’s own *ex parte* acts.

PPC may not like the CIT’s decision. Yet the CIT’s non-infringement ruling vindicated Corning’s belief—held since the 2003 litigation—that Gripper products do not infringe. Even if the district court disagreed, the CIT’s decision—and Corning’s other evidence—were objective evidence that Corning’s post-2003 conduct was reasonable. Under basic principles of due process (Pet. 29-32)—principles PPC never engages—the district court should have considered that evidence before imposing enhanced damages.

II. Regardless Of Whether The Court Takes Up The First Question Presented, Review Is Warranted To Decide Whether A Jury May Find Willful Patent Infringement Based On Mere Negligence.

A. PPC does not deny the importance of courts and juries using the correct standard to find willful patent infringement—an obviously cert-worthy question. Nor does PPC deny that this case is an appropriate vehicle to answer that question.

Rather, PPC opposes review by arguing that “[t]he language of ‘should have * * * known’ [in the jury instruction below] does not relate to negligence, but rather to *recklessness*.” Opp. 29. That view is foreclosed by this Court’s precedents holding that “should have known” liability is a classic “negligence” standard. *E.g.*, *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 770 (2011); *Davis Next Friend LaShonda D.*

v. *Monroe County Bd. of Educ.*, 526 U.S. 629, 642 (1999). Indeed, that black-letter rule applies broadly. *E.g., LaShonda D.*, 526 U.S. at 642 (Title IX); *Burlington Indus., Inc. v. Ellerth*, 524 U.S. 742, 759 (1998) (Title VI); *Urie v. Thompson*, 337 U.S. 163, 178 (Federal Employers' Liability Act); *The Iroquois*, 194 U.S. 240, 245 (1904) (maritime); see Restatement (Second) of Torts § 289 cmt. b (1965).

Most importantly, PPC's view cannot be reconciled with *Global-Tech*, which explained that "a negligent defendant is one who should have known of" a "substantial and unjustified risk" of infringement, "but, in fact, did not." 563 U.S. at 770. *Global-Tech* held that a "deliberate indifference" recklessness test was too lenient to satisfy the knowledge requirement of § 271(b) of the Patent Act. *Ibid.* Knowledge required at least "willful blindness"—i.e., "deliberate actions to avoid confirming a high probability of wrongdoing." *Id.* at 769. Further, the Court distinguished willfully blind, "reckless," and "negligent" acts from each other:

By contrast, a *reckless* defendant is one who merely *knows of a substantial and unjustified risk of* [] *wrongdoing*, and a *negligent* defendant is one who *should have known of a similar risk* but, in fact, did not.

Id. at 770 (citations omitted; emphasis added). Thus, for patent infringement purposes, one who "knows of a substantial and unjustified risk of" infringement is "reckless," but one who "should have known" of such a risk is "negligent." *Ibid.*

The jury instruction here used these standards in the disjunctive: It permitted a willfulness finding if Corning "actually knew or should have known that its

actions constituted an unjustifiably high risk of infringement.” 4 Trial Tr. (Dkt. 365) at 166. The instruction thus allowed the jury to find willfulness if Corning had only constructive knowledge of an unjustified risk of infringement. *Ibid.* That is a negligence standard. *Global-Tech*, 563 U.S. at 770.

In advocating a contrary view, PPC points to *Halo*’s citation of *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 69 (2007), a Fair Credit Reporting Act decision that PPC quotes as stating that one is “reckless if the person acts ‘knowing or having reason to know of facts.’” Opp. 29. But that language looks quite different in context. The Court defined reckless conduct as “knowing or having reason to know of facts which would lead a reasonable man to realize, *not only that his conduct creates an unreasonable risk of physical harm to another, but also that such risk is substantially greater than that which is necessary to make his conduct negligent.*” *Safeco*, 551 U.S. at 69 (quoting 2 Restatement (Second) of Torts § 500 at 587) (emphasis added).¹

Halo’s brief mention of *Safeco* is to the same effect. 136 S. Ct. at 1933 (“reckless” conduct requires “unreasonably risky” actions). Moreover, the phrase “should have known” appears nowhere in *Halo* or *Safeco*, and *Halo* never even *mentions* the concept of negligence. In sum, the instruction below did not use a “recklessness” standard.” Opp. 30.

¹ Moreover, *Safeco* held that where, as here, a court considering the same issue had “rule[d] in *Safeco*’s favor,” its position “was not objectively unreasonable, and so falls well short of raising the ‘unjustifiably high risk’ of violating the statute necessary for reckless liability.” 551 U.S. at 70.

B. *Halo* left unchanged the longstanding rule that enhanced damages may be awarded only where infringement was willful. But so long as a negligence standard applies, enhanced damages may be awarded where infringement is merely negligent and not willful. And treating objective reasonableness as irrelevant—as the Federal Circuit has done—compounds the problem: a negligence regime where objective reasonableness does not matter vastly expands potential liability, particularly given the deference district courts give to jury findings of willfulness when deciding whether to enhance damages

C. PPC argues that if “Corning now challenges the jury instructions on the basis of recklessness, that disregards this Court’s guidance in *Halo* that recklessness is sufficient to support a finding of willfulness.” Opp. 30. But because the instruction used a negligence standard, *Halo*’s guidance on recklessness is irrelevant: the question here is whether negligent infringement qualifies as “intentional or knowing” under *Halo*, 136 S. Ct. at 1933. It does not. And PPC does not dispute that *Halo* was decided well after the jury charge here, or that our position here was foreclosed by controlling precedent below (*WesternGeco*, 837 F.3d at 1362)—and thus is properly raised here. The Court should take the opportunity to decide it.

CONCLUSION

For the foregoing reasons, and those stated in the petition, the Court should grant certiorari.

Respectfully submitted.

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