

No. _____

In the Supreme Court of the United States

Enplas Display Device Corporation,

Petitioner,

v.

Seoul Semiconductor Company, Ltd.,

Respondent.

**On Petition for a Writ of Certiorari to
United States Court of Appeals for the
Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

There are two forms of patent infringement: direct and indirect. Acts that constitute direct infringement, such as making or selling the invention, must occur in the United States to be cognizable. Title 35 U.S.C. § 271(b) governs one type of indirect infringement and imposes liability on one who “actively induces infringement of a patent.” Liability may attach only if the defendant took affirmative steps to induce conduct that it knew constituted direct patent infringement. *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 760, 766 (2011). Awareness of a “‘known risk’ that the induced acts are infringing” is insufficient. *Id.* at 770.

Under the “presumption against extraterritoriality,” courts construe federal laws to have only domestic application “[a]bsent clearly expressed congressional intent to the contrary.” *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2100 (2016). This principle “applies with particular force in patent law.” *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454–55 (2007).

The question presented is:

Whether, in view of the presumption against extraterritoriality, a foreign defendant’s foreign sales of components to a foreign company qualifies as induced infringement, where the defendant knew of, at most, a risk that the components might be incorporated by third parties into infringing products that might be sold by other third parties in the United States.

RULE 29.6 STATEMENT

Pursuant to Supreme Court Rule 29.6, Petitioner Enplas Display Device Corporation states that its parent corporation is Enplas Corporation. No publicly held company owns 10% or more of either public corporation's stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Enplas Display Device Corporation respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The Federal Circuit's opinion below is reported at 909 F.3d 398. Pet. App. 1a–47a. The Federal Circuit's order denying panel rehearing and rehearing en banc is unreported but is reproduced at Pet. App. 80a–81a. The district court's opinion denying Enplas's motion for judgment as a matter of law of no induced infringement is unreported but is available at 2016 WL 4208236 and is reproduced at Pet. App. 48a–71a.

JURISDICTION

The district court had jurisdiction over this case under 28 U.S.C. §§ 1331 and 1338. The Federal Circuit had jurisdiction to review the district court's final judgment under 28 U.S.C. § 1295(a)(1). The Federal Circuit entered judgment on November 19, 2018, and denied Enplas's petition for rehearing on March 13, 2019. This Petition is thus timely filed under Sup. Ct. R. 13.1. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 271(b) of the Patent Act, 35 U.S.C. § 271(b), provides as follows:

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

INTRODUCTION

This case presents an important question concerning the extraterritorial reach of 35 U.S.C. § 271(b), which imposes liability on those who “actively induce[]” an act of direct patent infringement by another. Under this Court’s precedents, liability under this provision attaches only if (i) the induced acts are in fact direct infringement and (ii) the defendant *intends* for the induced acts to infringe. *E.g.*, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015). It is well settled that only domestic acts—such as selling or using the invention in the United States—can constitute direct infringement; “foreign law alone, not United States law,” governs the manufacture, sale, and use “of patented inventions in foreign countries.” *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 456 (2007). The Federal Circuit has held, however, that foreign activity can form the basis for *inducement* liability, so long as the underlying act of direct infringement occurs in this country (otherwise, it would not be infringement at all). *See, e.g.*, *Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1302–03 (Fed. Cir. 2012).

The question here is whether a foreign defendant's sales outside of the United States of a component to another foreign company qualifies as inducement under § 271(b) where the defendant: (i) has no contacts with the United States; (ii) does not know whether the component will eventually end up in the United States; but (iii) is merely aware of a risk that a third party might incorporate the component into an infringing product that another third party might sell in the United States.

Petitioner Enplas Display Device Corporation is a Japanese company that manufactures plastic lenses that are used in backlights for LED televisions. The district court and, ultimately, the Federal Circuit found Enplas liable for induced infringement based solely on its foreign sales of lenses to other foreign companies, even though there was no evidence in the record that Enplas knew (much less intended) that those lenses would end up in infringing backlights in televisions sold in the United States. At most, the evidence showed that Enplas was aware that it had a substantial worldwide market share and that some of its foreign customers (which also had other lens suppliers) ultimately sold TVs (which incorporated backlights using someone's lenses) in the United States—meaning there was a possibility that Enplas's components would eventually make their way into finished televisions sold in the United States.

In holding Enplas liable, the Federal Circuit expanded the law of induced infringement in contravention of this Court's caselaw, which rejects

the proposition that a defendant aware of “merely a ‘known risk’ that the induced acts are infringing” can be held liable for inducement. *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 770 (2011). That, standing alone, would warrant certiorari and reversal.

But there is much more at stake here than merely a misapplication of the standard for induced infringement. The Federal Circuit’s expansive interpretation of § 271(b) not only contravenes *Commil* and *Global-Tech*; it also flies in the face of the presumption of extraterritoriality.

The presumption of extraterritoriality reflects a “basic premise of our legal system”: “United States law governs domestically but does not rule the world.” *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2100 (2016) (quoting *Microsoft*, 550 U.S. at 454). Under the presumption—which applies with particular force to patent laws, *Microsoft*, 550 U.S. at 454–55—courts will not construe a statute to apply extraterritorially unless Congress has given a clear indication to that effect. Moreover, where a statute specifically provides for some extraterritorial applications, the presumption “operates to limit that provision to its terms.” *Morrison v. Nat’l Australia Bank Ltd.*, 561 U.S. 247, 265 (2010).

The Federal Circuit’s decision to extend liability under § 271(b) to cover foreign sales by a foreign company of a product to another foreign company, where the company did not know the ultimate destination of its product, cannot be reconciled with the presumption against extraterritoriality. There is

no indication in the Patent Act—much less the required *clear* indication—that Congress intended § 271(b) to reach so broadly or to encompass conduct with such a tenuous connection to the United States.

In finding Enplas liable, the Federal Circuit relied on its precedent indicating that circumstantial evidence of intent, combined with evidence of direct infringement, can support inducement liability. But whatever validity this principle has in the *domestic* context, the presumption against extraterritoriality precludes its application where the allegedly inducing conduct occurs abroad. Where foreign acts are at issue, there must be direct evidence that (i) those acts were intended to cause specific instances of infringement in the United States and (ii) those specific instances of infringement in fact resulted. Any other conclusion would run afoul of this Court’s extraterritoriality precedents.

If allowed to stand, the Federal Circuit’s approach presents a severe risk of conflict between American patent law and the patent laws of foreign nations. As this Court has recognized, “where such a risk is evident, the need to enforce the presumption is at its apex.” *RJR Nabisco*, 136 S. Ct. at 2107. Principles of international comity strongly counsel against subjecting foreign transactions between foreign companies to U.S. patent law, at least where, as here, the scienter requirements set forth in *Commil* and *Global-Tech* are lacking. In light of the size of the U.S. economy, the importance of the U.S. market to sellers of a vast array of patented products, and the increasing globalization of supply

chains, most extraterritorial manufacturers know that it is at least possible that their products might, eventually, end up in the United States. The vast majority of these foreign transactions should be governed by “foreign law alone, not United States law.” *Microsoft*, 550 U.S. at 456. It is imperative that this Court correct the Federal Circuit’s error and clarify the scope of § 271(b).

This Court should grant certiorari and reverse the judgment below.

STATEMENT

A. Factual background

Enplas manufactures plastic lenses for use in “light bars,” which are used for backlighting displays such as those used in flat-screen televisions. Enplas’s customers provide Enplas with initial specifications for backlights, and Enplas then manufactures and mass-produces lenses for use in those backlights through a collaborative, iterative process with the customer.

It is undisputed that every step in this process occurs outside of the United States. It is likewise undisputed that Enplas does not sell any lenses to U.S. customers. All of Enplas’s sales, and all of its interactions with its customers, take place in Asia.

The dispute that gave rise to this litigation began in October 2013, when Seoul Semiconductor Company, Ltd. (“SSC”)—a onetime customer of Enplas’s—sent Enplas a demand letter alleging that it had found in U.S. televisions light bars that used

Enplas's lenses in a configuration that infringed SSC's U.S. patents. Before receiving that letter, Enplas was aware that some of its customers manufactured televisions that were sold in the United States. But Enplas was not its customers' only lens supplier, and Enplas did not know whether those televisions incorporated Enplas's lenses or lenses from another supplier.

Litigation ensued the month following SSC's demand letter. SSC ultimately accused seven specific models of Enplas lenses of infringement. SSC based its accusations of infringement on lens sales by Enplas that occurred *before* SSC sent its demand letter. The parties tried the case to a jury in March 2016.

B. Procedural history

The jury returned a verdict in favor of SSC, finding that Enplas, by its overseas sales of the lenses, had actively induced infringement of two of SSC's patents. Pet. App. 72a–79a. Enplas filed a motion for judgment as a matter of law of no induced infringement, arguing that Enplas's "overseas interactions with its foreign customers [were] insufficient to prove inducement as a matter of law" because Enplas did not know where the televisions incorporating the accused lenses would ultimately be sold.

The district court denied Enplas's motion. It stated that "[t]he case law does not require proof that the induced infringer knows of the direct infringement, or intends to induce a specific

infringer.” Pet. App. 53a–54a (citing *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993)). The court thus concluded that the jury’s inducement verdict was “based on substantial evidence.” *Id.* 56a.

A panel of the Federal Circuit affirmed. While acknowledging that “this is a close case,” the court of appeals concluded that the jury verdict was supportable. *Id.* 17a. The panel cited four pieces of evidence to substantiate this conclusion. *First*, the panel noted that Enplas knew of SSC’s patents and knew of SSC’s allegations of infringement. *Id.* *Second*, the panel cited SSC’s pre-suit demand letter (though the panel did not mention that the letter was sent *after* Enplas’s alleged acts of inducement had occurred). *Id.* 18a. *Third*, the panel observed that Enplas provided its Asian customers “with product specifications that recommended infringing configurations for its accused lenses.” *Id.* *Fourth*, the panel cited Enplas’s 50% worldwide market share in the lens market and held that this “support[ed] an inference that Enplas *knew of the likelihood* that its lenses would end up in the United States.” *Id.* (emphasis added).

“[T]he evidence,” the panel concluded, “while not overwhelming, provides at least circumstantial evidence that would allow a jury to reasonably find that Enplas had knowledge of the patents and of its customers’ infringing activity and that it intended to induce their infringement.” *Id.* 18a.

Enplas petitioned for rehearing, arguing that the panel’s decision was inconsistent with this Court’s articulation of the inducement standard in *Global-*

Tech and—more troublingly—with the presumption against extraterritoriality. The Federal Circuit denied Enplas’s request for rehearing, Pet. App. 80a–81a, and this petition followed.

REASON FOR GRANTING THE PETITION

- I. **The Federal Circuit’s construction of § 271(b) to reach the foreign conduct in this case is inconsistent with the presumption against extraterritoriality.**
 - A. **Where a patentee alleges induced infringement based on foreign conduct, *Global-Tech*’s strict intent requirement is necessary to guard against impermissible extraterritorial application of U.S. patent law.**

1. “It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.” *Morrison*, 561 U.S. at 255 (quoting *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991)). This principle finds expression in the presumption against extraterritoriality, under which courts presume that a statute has exclusively domestic application unless Congress “clearly express[es]” a contrary intention. *Id.* The presumption “applies with particular force in patent law.” *Microsoft*, 550 U.S. at 454–55. That is because U.S. patent rights, by definition, confer exclusive rights in an invention only in the United

States, and because other countries' patent laws "may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions." *Id.* at 455; *see also RJR Nabisco*, 136 S. Ct. at 2107 (when extraterritorial application of U.S. law presents "a potential for international controversy," "the need to enforce the presumption is at its apex").

This Court analyzes questions of extraterritoriality using "a two-step framework." *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2136 (2018). "The first step asks whether the presumption against extraterritoriality has been rebutted" by the requisite "clear indication of an extraterritorial application." *Id.* (citations and quotation marks omitted). If not, the court must next consider whether "the conduct relevant to the statute's focus occurred in the United States." *Id.* at 2137 (citation omitted). If the relevant conduct was domestic, the statute may permissibly be applied to it, but if the relevant conduct occurred abroad, the case involves "an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory." *Id.* (citation omitted).

If, on the other hand, the answer to the first-step question is yes and the presumption against extraterritoriality *has* been rebutted, the statute may properly be applied to foreign conduct. *See, e.g., RJR Nabisco*, 136 S. Ct. at 2101. But—critically for purposes of this case—the presumption against extraterritoriality still has a role to play in determining the *scope* of the statute's application.

Even if “a statute provides for some extraterritorial application, the presumption against extraterritoriality operates to limit that provision to its terms.” *Morrison*, 561 U.S. at 265; accord *RJR Nabisco*, 136 S. Ct. at 2102; *Microsoft*, 550 U.S. at 456.

This Court’s decision in *Microsoft v. AT&T* well illustrates the application of this principle. *Microsoft* confronted a question regarding the scope of 35 U.S.C. § 271(f)(1), which imposes infringement liability on anyone who “supplies . . . in or from the United States all or a substantial portion of the components of a patented invention . . . in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States.” *Microsoft* exported “master disks” containing software code for its Windows operating system. The master disks were subsequently copied abroad, and the copies were used to install Windows on foreign computers. *Microsoft* conceded that a computer loaded with Windows would infringe AT&T’s patent if the computer were located within the United States. *Microsoft*, 550 U.S. at 446. The issue was whether *Microsoft*’s act of supplying the master disks to its foreign customers gave rise to infringement liability under § 271(f)(1). *Id.* at 441–42.

The *Microsoft* Court, relying on “the general rule under United States patent law that no infringement occurs when a patented product is made and sold in

another country,” said no. *Id.* at 441–42. The Court “[r]ecogniz[ed] that § 271(f) is an exception to th[at] general rule,” but “resist[ed] giving the language in which Congress cast § 271(f) an expansive interpretation” because doing so would have run afoul of the presumption against extraterritoriality. *Id.* at 442, 455–56. Specifically, the Court held that the relevant “component” for purposes of the § 271(f) analysis was the *copy* of Windows that was used to install Windows on a foreign computer, and since Microsoft had supplied only the master disks (not the copies), it had not “supplie[d] . . . the components of a patented invention” within the meaning of the statute. *See id.* at 449, 451–52. In concluding its analysis, the Court emphasized the extent to which the presumption against extraterritoriality informed its conclusion:

Foreign conduct is generally the domain of foreign law, and in [patent law], in particular, foreign law may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions. Applied to this case, the presumption tugs strongly against construction of § 271(f) to encompass as a “component” not only a physical copy of software, but also software’s intangible code, and to render “supplied . . . from the United States” not only exported copies of software, but also duplicates made abroad.

Id. at 455 (some alterations, quotation marks, and citations omitted).

2. The question presented in this case concerns the extent of the extraterritorial reach of the induced-infringement provision, 35 U.S.C. § 271(b). Broadly speaking, section 271 is limited to domestic conduct in some respects but also has some permissible extraterritorial applications. For example, subsection (a), which governs direct infringement, is limited by its terms to conduct occurring “within the United States.” 35 U.S.C. § 271(a); *see also id.* § 154(a)(1) (providing that patents confer exclusive rights only “throughout the United States”); *Impression Prods., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1538 (2017) (Ginsburg, J., concurring in part and dissenting in part) (“When an inventor receives a U.S. patent, that patent provides no protection abroad.”). Subsection (c), which governs contributory infringement, contains a similar territorial limitation. *See id.* § 271(c). As just noted, however, subsection (f), the subject of the *Microsoft* decision, imposes liability on individuals who export components of a patented invention for assembly abroad and thus expressly contemplates some extraterritorial reach. *Cf. WesternGeco*, 138 S. Ct. at 2138 (stating that the “focus” of § 271(f) is domestic but acknowledging that it “incidental[ly]” reaches some “overseas events”).

Subsection (b) contains neither the explicit territorial limitation of subsections (a) and (c) nor the explicit extraterritoriality language of subsection (f). It provides merely that “[w]hoever actively

induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

Recent Federal Circuit cases have held that extraterritorial conduct can form the basis for inducement liability, so long as the overseas actions “actively induce an act of direct infringement that occurs within the United States.” *Merial*, 681 F.3d at 1302–03 (“[W]here a foreign party, with the requisite knowledge and intent, employs extraterritorial means to actively induce acts of direct infringement that occur within the United States, such conduct is not categorically exempt from redress under § 271(b).”); *but see Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1365 (Fed. Cir. 2001) (suggesting that overseas activity cannot form the basis for inducement liability). This Court has appeared to endorse this proposition, at least implicitly; the allegedly inducing acts found sufficient to support liability in *Global-Tech* occurred in China. *See* 563 U.S. at 758.¹

This conclusion—that foreign acts can serve as the basis for liability if the foreign party has “the requisite knowledge and intent” to induce infringement in the United States, *Merial*, 681 F.3d at 1302—is defensible, though debatable as a matter

¹ *But cf. Ayrshire Collieries Corp. v. United States*, 331 U.S. 132, 137 n.2 (1947) (noting that “[t]he mere fact that the case was entertained by this Court is no basis for considering it as authoritative” precedent on a jurisdictional issue if the jurisdictional issue “was ignored”).

of first principles.² But, even assuming the conclusion is correct, the qualifier following the word “if” is critical. A showing of “purposeful, culpable expression and conduct” is required in induced infringement cases to “overcome[] the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936, 937 (2005); accord *Global-Tech*, 563 U.S. at 763–66. And, where the allegedly inducing acts occurred overseas, a showing of such conduct directed *toward the United States* is necessary to overcome the presumption that U.S. law applies “only within the territorial jurisdiction of the United States,” *Morrison*, 561 U.S. at 255; see also *Am. Banana Co. v. United Fruit Co.*, 213 U.S.

² The best argument for not imposing a strict territorial restriction on § 271(b) is that it, unlike § 271(a) and § 271(c), does not expressly cabin its application to conduct occurring in the United States. See *Merial*, 681 F.3d at 1302; Bernard Chao, *Reconciling Foreign & Domestic Infringement*, 80 U.M.K.C. L. Rev. 607, 620 (2012). That interpretation is plausible—but, as this Court has explained, “even plausible[] interpretations of language” are insufficient “to override the presumption against extraterritorial application”; otherwise, “there would be little left of the presumption.” *EEOC*, 499 U.S. at 253; see also *Morrison*, 561 U.S. at 255 (“When a statute gives no *clear indication* of an extraterritorial application, it has none.”) (emphasis added). In view of the presumption against extraterritoriality, § 271(b) may be better read to reach only inducing conduct that occurs within the United States, especially given that it lacks the explicit extraterritorial language of § 271(f). However, it is not necessary for the Court to reach that question to decide this case.

347, 356 (1909) (Holmes, J.) (“[T]he general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.”). Only when that showing is made can the court be satisfied that the allegedly wrongful conduct has a sufficiently close connection to this country to make extraterritorial application of domestic patent law permissible. As this Court has noted, “the presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever *some* domestic activity is involved in the case.” *Morrison*, 561 U.S. at 266. Failure to apply the *Global-Tech* standard to cases alleging extraterritorial acts of inducement would turn the presumption into “just such a timid sentinel,” *id.* That approach is foreclosed by this Court’s caselaw. *See id.* (collecting cases).

In short, if a court premises liability under § 271(b) on acts of inducement that occur outside of the United States, the presumption of extraterritoriality requires that the court scrupulously adhere to *Global-Tech*’s requirement that the defendant both know and intend that its inducement will lead to infringement *in the United States*. As discussed in the following sections, the Federal Circuit failed to follow that dictate in this case, and it compounded its error by improperly relying on “circumstantial evidence” of Enplas’s alleged intent—evidence that had no ties whatsoever to any actual instances of infringement in the United States. The court’s approach, if allowed to stand,

presents a serious risk of international friction, and this Court's intervention is thus warranted.

B. The Federal Circuit disregarded *Global-Tech* and the presumption against extraterritoriality in this case by premising a finding of inducement off nothing more than a known risk that the induced acts are infringing.

Under *Global-Tech* and its progeny, liability for inducement attaches *only* where (i) the defendant specifically intends to induce conduct that is in fact infringing and (ii) the defendant knows the conduct is infringing or is willfully blind to that fact. 563 U.S. 766–70. That standard was not satisfied in this case.

SSC's evidence showed, at best, that Enplas was aware of a "likelihood that its lenses would end up in the United States." Pet. App. 18a. Nothing more. That is categorically insufficient for inducement liability under this Court's precedent. And the Federal Circuit's failure to apply the correct standard was particularly egregious in the circumstances of this case in light of the presumption against extraterritoriality.

The panel decision found Enplas liable for inducing infringement based on lens sales that took place exclusively in Asia and exclusively to Asian customers. Enplas introduced undisputed evidence that it had no insight into its customers' supply chains and did not know where lenses sold to its

Asian customers would end up. C.A.J.A. 15265. While Enplas knew that some of its Asian customers sold some of their products (which incorporated someone's lenses) to U.S. retail companies, Enplas was not its sole supplier of lenses, and so it had no way of knowing if *Enplas's* lenses would ever make their way into the United States. At most, then, Enplas knew of a risk that its lenses might eventually end up in the United States, inside of infringing backlights sold by others. But that is insufficient as a matter of law to form the basis for liability for actively inducing infringement. See *Global-Tech*, 563 U.S. at 770 (rejecting standard that would “permit[] a finding of knowledge when there is merely a ‘known risk’ that the induced acts are infringing”).

None of the evidence cited in the panel's decision, taken individually or collectively, is sufficient to support a finding that Enplas knew (or was willfully blind to the fact) that its lenses would be incorporated into products sold in the United States—much less than Enplas specifically intended that result.

First, the panel noted that Enplas knew of SSC's patents and knew that SSC believed that Enplas's lenses infringed those patents. Pet. App. 17a–18a. True enough, but that evidence does nothing to support the allegation that Enplas sold its lenses with the knowledge or intent that they would be used *in the United States*.

Second, the panel cited SSC's pre-suit letter stating that SSC had found infringing Enplas lenses

in U.S. televisions. Pet. App. 18a. But that letter was not sent until *after* Enplas’s allegedly inducing sales had already occurred, and it is thus irrelevant to Enplas’s state of mind at the time of the allegedly inducing acts.

Third, the panel observed that “Enplas provided its customers with product specifications that recommended infringing configurations for its accused lenses.” Pet. App. 18a. But that evidence would be relevant only if Enplas knew and specifically intended that the lenses would be used *in the United States*. SSC adduced no evidence supporting the latter proposition. Indeed, the “customers” to whom the panel decision refers were undisputedly all located in Asia, so Enplas had no reason to think its product specifications would lead to infringement in the United States.

Finally, the panel decision states that “Enplas knew of its 50% worldwide market share, supporting an inference that Enplas *knew of the likelihood* that its lenses would end up in the United States.” *Id.* (emphasis added). This statement is perhaps the clearest indication that the panel premised its finding of inducement liability based on nothing more than Enplas’s knowledge of a risk—or “likelihood”—that Enplas’s products might make their way to the United States. The panel’s reasoning appears to rest on its intuition that, given the general importance of the U.S. market for consumer goods like televisions, a company with a 50% worldwide market share would have to know

that some of its products would eventually make their way to this country.

As an initial matter, the panel’s intuition has no basis in the evidence. The “inference” that Enplas knew its lenses would end up in the United States would be “support[able],” Pet. App. 18a, only if the U.S. market is at least 50% of the worldwide market.³ That may or may not be true—there is no way to know, because SSC presented no evidence whatsoever of the size of the U.S. market relative to the rest of the world. Absent any such evidence, Enplas’s 50% worldwide market share is irrelevant to the inducement question.

More generally speaking, the panel’s reasoning, if allowed to stand, threatens to extend the reach of U.S. patent law far beyond our country’s borders, in violation of the fundamental principle that “[f]oreign conduct is generally the domain of foreign law,” *Microsoft*, 550 U.S. at 456. Given the size of the U.S. economy, the importance of the U.S. market to sellers of a vast array of patented products, and the increasing globalization of supply chains, the panel’s expansive interpretation of § 271(b) would allow virtually any large-scale foreign transaction

³ Suppose, for example, that the worldwide market is composed of Asia (50%), Europe (30%), and the United States (20%). The products of a company with a worldwide market share of 50% could very well never end up in the United States in this hypothetical—for example, 40% of its products could go to Asia, and 10% to Europe. And if the company makes sales only in Asia, it would stand to reason that most of the products ultimately end up there.

involving a product that would infringe a U.S. patent to form the basis for inducement liability. Most extraterritorial sellers of products covered by a U.S. patent know that it is at least *possible*, even likely, that their products will eventually end up in the United States.

Even if this broad conception of induced-infringement liability were not foreclosed by *Global-Tech*—and it is—it would be foreclosed by the presumption against extraterritoriality. This Court has explained that, where “[p]lausible arguments can be made for and against extending” the patent laws to a given extraterritorial setting, the presumption means that courts should “resist . . . an expansive interpretation.” *Microsoft*, 550 U.S. at 442. Here, that means that, if inducement liability is to be premised on extraterritorial conduct, it is essential that the defendant have the requisite knowledge that the induced conduct will lead to infringement in the United States. Otherwise, the conduct lacks the requisite nexus with this country, and the presumption against extraterritoriality precludes it from being subject to U.S. law. *See Morrison*, 561 U.S. at 266 (“[I]t is a rare case of prohibited extraterritorial application that lacks *all* contact with the territory of the United States. But the presumption . . . would be a craven watchdog indeed if it retreated to its kennel whenever *some* domestic activity is involved in the case.”). The Federal Circuit failed to hold SSC to the proper standard here.

The Federal Circuit’s decision in *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 843 F.3d 1315 (Fed. Cir. 2016), provides a useful example of evidence that *does* establish the requisite nexus to the United States. There, the Federal Circuit found Fairchild liable for induced infringement based on overseas sales of controller chips where “Fairchild designed its controller chips to meet certain United States energy standards”; “Fairchild provided demonstration boards containing the infringing controller chips to customers and potential customers in the United States”; “Fairchild’s website enabled customers to locate a United States-based distributor that sold Fairchild’s infringing controller chips”; “Fairchild maintained a technical support center in the United States that provided support for the infringing controller chips to customers based in the United States”; and “Fairchild’s standard terms and conditions indemnified customers against claims for infringement of United States patents.” *Id.* at 1333–34. Critically, all of this evidence concerned actions taken by Fairchild that were directed in some way *at the United States*. Here, in contrast, none of the evidence established the requisite domestic connection, and the Federal Circuit’s liability finding therefore ran afoul of the presumption against extraterritoriality.

**C. The Federal Circuit’s
“circumstantial evidence” induced-
infringement precedent cannot be
validly applied in cases where the
allegedly inducing acts occurred
abroad.**

The Federal Circuit’s induced-infringement analysis was inconsistent with the presumption against extraterritoriality in a second respect as well: the court impermissibly relied on its prior cases indicating that circumstantial evidence can support a finding of specific intent to induce infringement. Even if this approach is proper where all the relevant conduct is domestic—and that itself is questionable—it is decidedly improper where the allegedly infringing acts are extraterritorial.

In a line of cases—including *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009), cited by the panel below, Pet. App. 19a—the Federal Circuit has held that circumstantial evidence of intent combined with evidence of specific instances of direct infringement may form the basis for inducement liability, even if the evidence of intent is not tied to the direct infringement that was actually proved. *See, e.g., Lucent*, 580 F.3d at 1322–23. In this case, the Federal Circuit relied on those precedents to find Enplas liable for inducement, concluding that Enplas’s 50% market share “provide[d] at least circumstantial evidence” that Enplas intended to induce infringement in the United States. Pet. App. 18a–19a.

The problem with this “circumstantial evidence” is that it had *no connection whatsoever with the United States*. The panel cited *no* evidence of any actions taken by Enplas that were intended to result in infringement in the United States and did in fact result in infringement in the United States. Under this Court’s extraterritoriality jurisprudence, such evidence should have been required in order to subject Enplas to liability based on purely foreign conduct. *See Microsoft*, 550 U.S. at 444 (absent “clear congressional indication of intent,” “courts ha[ve] no warrant to stop the manufacture and sale of the parts of patented inventions for assembly and use abroad”) (quoting *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 532 (1972)); *id.* at 456 (“foreign law alone, not United States law, currently governs the manufacture and sale of components of patented inventions in foreign countries”). Generalized “circumstantial evidence” of Enplas’s intent is not sufficient.

In short, whatever validity the Federal Circuit’s “circumstantial evidence” precedents have in the mine-run case where all the relevant conduct is domestic, they cannot validly be applied where, as here, the case’s only connection to the United States is that some third party, unconnected with the defendant, happened to commit an act of infringement in this country. Finding “circumstantial evidence” of induced infringement in such a case is inconsistent with the presumption against extraterritoriality and the recognized limitations on the reach of U.S. patent law.

II. The question presented is important because the Federal Circuit’s broad interpretation of the inducement statute presents a significant danger of international friction.

This Court’s review is warranted in this case because the Federal Circuit’s approach, if allowed to stand, threatens to bring a wide swath of foreign conduct within the reach of the U.S. patent laws. That result, in turn, presents a serious “danger of international friction”—precisely the scenario in which “the need to enforce the presumption [against extraterritoriality] is at its apex.” *RJR Nabisco*, 136 S. Ct. at 2107; *see also id.* at 2100 (presumption “serves to avoid the international discord that can result when U.S. law is applied to conduct in foreign countries”); *EEOC*, 499 U.S. at 248 (similar). Indeed, in patent law, “in particular, foreign law may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions.” *Microsoft*, 550 U.S. at 455; *see also* Agreement on Trade-Related Aspects of Intellectual Property Rights, *adopted by United States*, Dec. 8, 1994, 1869 U.N.T.S. 299, 300, 33 I.L.M. 1197 (1998) (noting that intellectual-property regimes should “tak[e] into account differences in national legal systems”). This Court should grant certiorari to ensure that courts’ application of § 271(b) does not encroach upon the sovereign prerogatives of our fellow nations.

“Principles of international comity suggest that the United States should not dictate how other

countries' patent systems operate." Bernard Chao, *Patent Imperialism*, 109 Nw. U. L. Rev. Online 77, 86 (2014). But that is exactly what the Federal Circuit's approach would do. Wholly foreign transactions with only a tenuous connection with the United States—transactions like the ones at issue here—would suddenly become subject to U.S. law.

At best (if both the foreign jurisdiction and the United States recognize the conduct as infringing), the Federal Circuit's approach invites the prospect of double recovery. The patentee could sue the accused infringer twice, under two sets of sovereigns' laws, for the exact same conduct. See Timothy Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 Notre Dame L. Rev. 1745, 1789 (2017) (“[A]llowing damages for extraterritorial conduct creates a greater risk for a patentee to obtain double recovery, once through the United States and again through another country whose laws could also govern the infringing conduct.”).

At worst (if the foreign jurisdiction does not recognize the conduct as infringing, but the United States does), the Federal Circuit's approach invites a significant potential for international discord. See Chao, *supra*, at 87; Timothy Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 Wm. & Mary L. Rev. 2119, 2126–27 (2008). Consider the reverse situation: if a foreign nation attempted to impose patent-infringement liability on a U.S. company based on lawful U.S. sales of a product that happens to infringe a foreign patent, merely on the ground that the seller knew the product might later

be exported to that foreign country, the United States would—understandably—be extremely upset. *See Microsoft*, 550 U.S. at 444 (“[O]ur patent system makes no claim to extraterritorial effect . . . and we correspondingly reject the claims of others to such control over our markets.”); Chao, *Patent Imperialism*, *supra*, at 87; *cf. Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 124 (2013) (“[A]ccepting petitioners’ view would imply that other nations, also applying the law of nations, could hale our citizens into their courts for alleged violations of the law of nations occurring in the United States, or anywhere else in the world. The presumption against extraterritoriality guards against our courts triggering such serious foreign policy consequences, and instead defers such decisions, quite appropriately, to the political branches.”).

Moreover, the Federal Circuit’s expansive conception of § 271(b) also threatens deleterious *domestic* consequences. Imposing inducement liability on transactions based on only circumstantial evidence of a domestic connection could deter foreign companies from doing business with companies that also do business in the United States, for fear of incurring infringement liability under U.S. law. That, in turn, could ultimately harm the U.S. economy. *Cf.* Pamela Samuelson, *Intellectual Property Arbitrage: How Foreign Rules Can Affect Domestic Protections*, 71 U. Chi. L. Rev. 223, 225 (2004) (noting that excessive intellectual-property “[p]rotection in one or a small number of nations necessarily creates a voluntary outflow of profit from the country’s own users to foreign innovators

without a reciprocal inflow from foreign users to domestic innovators.”).

In short, proper resolution of the question presented is critically important because taking the wrong approach, as the Federal Circuit did in this case, threatens extremely significant negative consequences, both domestically and abroad. The issue of the extraterritorial scope of § 271(b) arises frequently,⁴ and it will only arise more frequently with the increasing globalization of supply chains and the economy as a whole. This Court’s intervention is imperative to restrict the Patent Act to its proper—and properly limited—role in regulating foreign transactions.

III. This case presents an excellent vehicle for resolving the proper scope of § 271(b).

This case is an ideal candidate for certiorari. The question presented is dispositive of the dispute between the parties, and Enplas has pressed this argument at each stage of the proceedings, meaning that this Court has the benefit of both the district

⁴ For a handful of the decisions addressing the issue, see *Enplas*, 909 F.3d at 408; *Fairchild*, 843 F.3d at 1333–34; *Merial*, 681 F.3d at 1302–03; *Semcon IP Inc. v. Kyocera Corp.*, 2019 WL 1979930, at *3 (E.D. Tex. May 3, 2019); *Asia Vital Components Co. v. Asetek Danmark A/S*, --- F. Supp. 3d ---, 2019 WL 1369908, at *22 (N.D. Cal. Mar. 26, 2019); *Honeywell Int’l, Inc. v. Acer Am. Corp.*, 655 F. Supp. 2d 650, 659 (E.D. Tex. 2009); *Wing Shing Prods. (BVI), Ltd., v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 409 (S.D.N.Y. 2007).

court's and the Federal Circuit's treatment of the issue.

This case is an excellent vehicle for the additional reason that it brings the Federal Circuit's expansive conception of § 271(b) into stark relief. This is a lawsuit between two foreign entities in which the allegedly wrongful acts comprise a foreign company selling a product to another foreign company in a foreign country. It is thus analogous to so-called "foreign-cubed actions" that arise in the securities law context—"actions in which (1) *foreign* plaintiffs are suing (2) a *foreign* issuer in an American court for violations of American securities laws based on securities transactions in (3) *foreign* countries." *Morrison*, 561 U.S. at 283 n.11 (Stevens, J., concurring). It was common ground among all the Justices in *Morrison* that U.S. securities laws should not reach such transactions in view of their tenuous connection to the United States, and a similar conclusion should obtain here. If a foreign defendant can be held liable for patent infringement for purely foreign activity, based on nothing more than speculation and "circumstantial evidence" that the defendant "knew of [a] likelihood that its [products] would end up in the United States," Pet. App. 18a, the potential territorial reach of our patent laws will be virtually unlimited. Such a result would be contrary to congressional intent, inconsistent with centuries of this Court's jurisprudence, and insufficiently respectful of other nations' sovereign prerogatives. See *Microsoft*, 550 U.S. at 444; *Deepsouth*, 406 U.S. at 531; *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1857).

CONCLUSION

The Court should grant the petition for certiorari and reverse the judgment below.

Respectfully submitted,

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APPENDICES

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APPENDIX A

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

Enplas Display Device Corporation,
Plaintiff-Appellant

**Enplas Tech Solutions, Inc., Enplas (U.S.A.),
Inc.,**
Plaintiffs

v.

Seoul Semiconductor Company, Ltd.,
Defendant-Appellee

2016-2599

Appeal from the United States District Court for the
Northern District of California in No. 3:13-cv-05038-
NC, Magistrate Judge Nathanael M. Cousins.

Decided: November 19, 2018

JOHN C. ROZENDAAL, Sterne Kessler Goldstein &
Fox, PLLC, Washington, DC, argued for plaintiff-
appellant. Also represented by MICHAEL E. JOFFRE.

LAWRENCE J. GOTTS, Latham & Watkins LLP,
Washington, DC, argued for defendant-appellee.

Also represented by GABRIEL BELL; CHARLES SANDERS, Boston, MA; RYAN OWENS, Costa Mesa, CA.

Before NEWMAN, HUGHES, and STOLL, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* STOLL.

Opinion concurring in part, dissenting in part filed by *Circuit Judge* NEWMAN.

STOLL, *Circuit Judge*.

Enplas Display Device Corporation appeals the district court's summary judgment that claim 20 of Seoul Semiconductor Company, Ltd.'s ("SSC") U.S. Patent No. 6,007,209 is not anticipated. Following a jury trial on the remaining infringement and invalidity issues, Enplas also appeals the district court's denial of judgment as a matter of law ("JMOL") that SSC's U.S. Patent No. 6,473,554 is anticipated; denial of JMOL of no induced infringement; and denial of JMOL that the jury's damages award is excessive and not supported by the trial evidence.

For the reasons below, we affirm the district court's judgment that claim 20 of the '209 patent and the asserted '554 patent claims are not anticipated. Although a close question, we also affirm the district court's denial of JMOL of no inducement. We hold, however, that the district court erred when it denied JMOL that the damages award was not supported by substantial evidence. We therefore vacate the

jury's damages award, and remand for further proceedings.

BACKGROUND

The asserted '209 and '554 patents are directed to methods of backlighting display panels, particularly LED displays used in televisions, laptop computers, and other electronics. In such displays, the '209 patent teaches, "uniform illumination is difficult to achieve, and prior art devices frequently fail[ed] to provide a sufficiently uniform source of illumination for LCD displays." '209 patent col. 1 ll. 36–38. The invention claimed in the '209 patent purports to solve this problem by providing a light source that uniformly backlights the rear surface of the display panel. *Id.* at col. 1 ll. 45–48. The light source includes "a housing having a cavity formed by diffusely reflective bottom and side interior surfaces." *Id.* at col. 1 ll. 46–48. "Illumination is provided by [LEDs] that are shielded by shielding elements." *Id.* at col. 1 ll. 50–51. The LEDs and shielding elements are "positioned such that the emitted light is substantially uniformly distributed throughout the cavity, thereby eliminating bright spots (i.e., 'hot spots') in the display panel." *Id.* at col. 1 ll. 52–55.

Claim 20 of the '209 patent recites:

20. A method of backlighting a display panel, comprising:

producing illumination from a substantially lambertian light source comprising a cavity with internal side walls,

an internal bottom wall, and an aperture, said step of producing illumination comprising the step of directing light rays *emitted by plural light sources mounted on said internal bottom wall* and around the perimeter of the aperture into the cavity such that the light exiting the aperture is substantially uniform in intensity and color;

using a diffuser to diffuse light from said substantially lambertian light source;

using a brightness enhancing film to concentrate the diffused light into a predetermined angular range without significantly reducing the uniformity of the diffused light; and

directing the concentrated, diffused light onto said display panel.

Id. at col. 9 l. 18–col. 10 l. 8 (emphasis added).

The '554 patent, however, purports to solve the illumination uniformity problem in a different way. The patent discloses a lighting apparatus using a “waveguide coupled to a light source for injecting light into the waveguide.” '554 patent, Abstract. Embedded within the waveguide is “an illumination coupler.” *Id.* at col. 3 ll. 18–20. The illumination coupler “comprises a refractive index interface configured to capture light rays propagating along a line that forms less than the critical angle of total internal reflection with respect to at least one of the top and bottom surfaces, such that the captured light rays are injected therebetween for propagation

outside of the interior region.” *Id.* at col. 3 ll. 23–29. The illumination coupling element has two curved surfaces in its top surface that form the total internal reflection (“TIR”) region above the LED and a bottom surface above the LED. *Id.* at col. 16 ll. 14–24. The bottom surface works with the TIR region to distribute light within the waveguide. *Id.* at col. 16 ll. 27–48.

Through TIR, the ’554 patent solves the bright spot problem by preventing light from shining directly from the light source through the display. The curved portions of the TIR region, however, also create a “dark spot” by completely redirecting light above the LED. *Id.* at col. 14 ll. 58–61. To counter this problem, the ’554 patent discloses a rounded bottom TIR surface that is configured to allow a small amount of light to “leak” through its top surface to ensure uniformity in the display. *Id.* at col. 14 l. 61–col. 15 l. 3. This is known as “leaky TIR.” *Id.* at col. 15 ll. 1–3.

Claims 1, 6, 30, and 33–35 of the ’554 patent are reproduced below:

1. An illumination device, comprising:

a waveguide having an *illumination coupler* embedded in an interior region of said waveguide, said illumination coupler adapted to receive light from a point source within said interior region, and to direct light between generally parallel top and bottom surfaces outside said interior region, said illumination coupler comprising a refractive index interface which is inclined relative to at

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least one of said top and bottom surfaces said interface being configured to reflect light rays emitted by the point source which propagate along a line that forms less than the critical angle of total internal reflection with respect to a line lying in one of said top and bottom surfaces, such that light rays which would otherwise pass out of said waveguide are captured for propagation between said top and bottom surfaces.

....

6. The illumination device of claim 1, wherein the waveguide and illumination coupler are integrally formed from a single piece of material.

....

30. An optical apparatus, comprising:

a light emitting diode (LED);

an optical element having top and bottom opposing sides and an edge extending between the top and bottom opposing sides, said LED *mounted at a predetermined location beneath a central portion of said optical element* such that light from the LED enters the optical element, said optical element including a TIR surface spaced from said bottom side and extending from a point above the LED outwardly towards said edges, said TIR surface positioned to receive light emitted by the LED, said TIR surface curving towards the LED so as to form a cusp above

the LED, the curving TIR surface totally internally reflecting light rays such that reflected light rays propagate from the TIR surface towards the edge of the optical element.

....

33. The optical apparatus of claim 30, wherein *said TIR surface is leaky* such that some light emitted by the LED is transmitted therethrough.

34. The optical apparatus of claim 33, wherein said cusp is contoured to permit leakage of light through said TIR surface.

35. The optical apparatus of claim 34, wherein said cusp is rounded to permit leakage of light through said TIR surface.

Id. at col. 19 ll. 2–17, col. 19 ll. 31–33, col. 21 ll. 8–23, col. 21 ll. 28–36 (emphases added).

Enplas is a Japanese manufacturer of plastic lenses used in “light bars,” which are used for backlighting displays in flat-screen televisions. SSC is a Korean company that manufactures and sells LEDs, which are also used in light bars for backlighting flat-screen televisions, as well as automotive, smartphone, and lighting applications. From November 2010 to June 2011, SSC and Enplas collaborated to manufacture lenses for SSC’s light bars, which are covered by SSC’s ’209 and ’554 patents. SSC presented testimony that, during this joint development period, SSC employees informed Enplas that the end product, including SSC’s LEDs

and Enplas's lenses, would be covered by SSC's patents. SSC also presented testimony that it had understood that it would have an exclusive relationship with Enplas for sales of the lenses.

In 2012, however, SSC suspected that Enplas had provided the lenses to SSC's competitors who sold light bar products in the United States. SSC believed that those products infringed the '209 and '554 patents. To confirm its suspicion, SSC purchased several televisions from various retailers in the United States and took them apart for analysis. In particular, SSC purchased a Samsung Display LCD television, which used a lens supplied to Lumens Co., Ltd., and an LG Electronics LED television, which used lenses supplied to LG Innotek. SSC analyzed the televisions and determined that they contained infringing light bars with Enplas's lenses. As a result, SSC sent Enplas a letter alleging that Enplas was inducing and contributing to the infringement of the '209 and '554 patents in the United States.

In response, Enplas filed the present declaratory judgment action against SSC, seeking a declaration that the '209 and '554 patents were invalid and not infringed. SSC counterclaimed, asserting infringement and seeking damages. SSC alleged that Enplas induced its direct and indirect customers to import, use, sell or offer for sale products infringing SSC's patents.

Before trial, Enplas moved for summary judgment that claim 20 of the '209 patent is anticipated by U.S. Patent No. 5,684,354 to

Gleckman (“Gleckman”). The district court denied Enplas’s motion but converted SSC’s opposition into a cross-motion for summary judgment. The district court granted SSC’s cross-motion, concluding that no reasonable juror could find that Gleckman anticipates claim 20 of the ’209 patent.

The case proceeded to a jury trial on anticipation of the asserted claims of the ’554 patent, induced infringement of the ’209 and ’554 patents, willfulness, and damages. The jury found that Enplas induced infringement of the ’209 and ’554 patents and that none of the asserted claims of the ’554 patent were anticipated by U.S. Patent No. 3,774,021 to Johnson (“Johnson”) or Japanese Patent Application Publication No. S63-127161 (“JP-161”). Based on SSC’s damages expert testimony, the jury awarded \$4 million in damages for a one-time freedom-to-operate payment for the ’554 patent and \$70,000 for the ’209 patent. The jury verdict form specifically indicated that the one-time freedom to operate payment was for “all [Enplas] products,” including lenses that had not been accused of infringement. J.A. 119, 121. The district court denied Enplas’s pre-trial motions to exclude SSC’s damages expert evidence on the basis that it improperly considered products not alleged or shown to infringe the ’554 and ’209 patents. The district court also denied Enplas’s post-trial motions for JMOL of anticipation of the ’554 patent, no inducement, and excessive damages.

Enplas appeals the district court's summary judgment and denial of its post-trial motions. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

I.

ANTICIPATION

Enplas appeals the district court's summary judgment that claim 20 of the '209 patent is not anticipated by Gleckman and the district court's denial of JMOL that the '554 patent is anticipated by Johnson and JP-161. We affirm both judgments.

A.

First, Enplas asserts that the district court erred by granting summary judgment that claim 20 of the '209 patent is not anticipated by Gleckman. We review the district court's grant of summary judgment under regional circuit law. *MAG Aerospace Indus., Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1376 (Fed. Cir. 2016). The Ninth Circuit reviews a grant of summary judgment de novo. *Id.* (citing *Greater Yellowstone Coal. v. Lewis*, 628 F.3d 1143, 1148 (9th Cir. 2010)). Summary judgment is appropriate "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a).

Gleckman discloses a method of backlighting a display panel comprising LEDs disposed around the periphery of a cavity having reflective walls and an aperture. The question before us is whether

Gleckman discloses the “emitted by plural light sources mounted on said internal bottom wall” limitation of claim 20. Although Gleckman does not disclose mounting light sources on the bottom wall as required by the claim, Enplas nonetheless argues that a genuine issue of material fact exists regarding whether Gleckman teaches light sources mounted on the bottom wall. This is so, according to Enplas, because the inventor of the ’209 patent, Dr. Pelka, testified that Gleckman “doesn’t exclude the mounting on the perimeter being on the bottom wall as long as it’s on the perimeter.” J.A. 3413 at 59:12–14. We disagree.

At most, Dr. Pelka’s testimony suggests that Gleckman could have been modified to include light sources on the bottom wall. This is not enough, however, for anticipation. Anticipation requires that a single reference disclose each and every element of the claimed invention. *In re Smith Int’l, Inc.*, 871 F.3d 1375, 1381 (Fed. Cir. 2017) (“A patent claim is anticipated ‘only if each and every element is found within a single prior art reference, arranged as claimed.’ ” (quoting *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1294 (Fed. Cir. 2015))). Prior art that must be modified to meet the disputed claim limitation does not anticipate the claim. *See, e.g., In re Chudik*, 851 F.3d 1365, 1374 (Fed. Cir. 2017) (“Prior art that ‘must be distorted from its obvious design’ does not anticipate a new invention.” (quoting *In re Wells*, 53 F.2d 537, 539 (CCPA 1931))). We therefore affirm the district court’s summary judgment of no anticipation of claim 20 of the ’209 patent.

B.

Second, Enplas asserts that the district court erred by denying JMOL that Johnson anticipates the asserted claims of the '554 patent. We review the district court's denial of JMOL de novo under the law of the Ninth Circuit. *ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1319 (Fed. Cir. 2012); *Hangarter v. Provident Life & Accident Ins. Co.*, 373 F.3d 998, 1005 (9th Cir. 2004). A motion for JMOL is properly granted "if the evidence, construed in the light most favorable to the nonmoving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict." *Escriba v. Foster Poultry Farms, Inc.*, 743 F.3d 1236, 1242 (9th Cir. 2014) (quoting *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002)). Whether a claim is anticipated is a question of fact. *MPHJ Tech. Invs., LLC v. Ricoh Ams. Corp.*, 847 F.3d 1363, 1378 (Fed. Cir. 2017). As a factual question, the "jury's verdict must be upheld if it is supported by substantial evidence that is adequate to support the jury's findings, even if contrary findings are also possible." *Escriba*, 743 F.3d at 1242 (citation omitted).

Johnson generally discloses an LED module that couples light into a planar light guide, e.g., a telephone faceplate, such that discrete remote regions of the faceplate can be illuminated. The issues at trial included whether Johnson discloses (1) the "illumination coupler" required by claims 1 and 6; (2) an "LED mounted at a predetermined location beneath a central portion of said optical

element” required by claims 30 and 33–35; and (3) a “TIR surface” that is leaky such that some light emitted by the LED is transmitted through, as required by claims 33–35.

The jury heard testimony from SSC’s expert, Dr. Moore, who explained that the illumination coupler of claim 1 of the ’554 patent comprises a top and bottom surface that work in conjunction to direct light from the LED. Dr. Moore explained that the illumination coupler is physically separated from the LED and that this was distinguished from Johnson, which discloses a fully encapsulated LED, not an illumination coupler. Dr. Moore testified that because the LEDs in Johnson are encapsulated, there is no bottom surface of an illumination coupler as required by the ’554 patent. Dr. Moore also testified that the LED in Johnson is positioned in the middle of the optical element, not beneath the central portion of the optical element as required by claims 30 and 33–35. Further, Dr. Moore testified that the system disclosed in Johnson was designed to distribute light left and right and that there was no reason in Johnson to allow light to escape from the top surface. Thus, Dr. Moore opined that Johnson does not disclose the “leaky TIR” limitation as required by claims 33–35.

Although Enplas presented conflicting expert testimony, “when there is conflicting testimony at trial, and the evidence overall does not make only one finding on the point reasonable, the jury is permitted to make credibility determinations and believe the witness it considers more trustworthy.”

MobileMedia Ideas LLC v. Apple Inc., 780 F.3d 1159, 1168 (Fed. Cir. 2015). We must presume that the jury credited the testimony of Dr. Moore in finding that Johnson does not anticipate the '554 patent. Because the jury's finding is supported by Dr. Moore's testimony, as well as the Johnson reference itself, we agree with the district court that the jury's verdict that Johnson fails to anticipate the '554 patent is supported by substantial evidence.

Finally, Enplas argues that the district court erred by denying JMOL that the asserted claims of the '554 patent are anticipated by JP-161. JP-161 discloses a device that "relates to a light source that distributes the light from a light-emitting diode over [a] large-area surface emitting light." J.A. 22516. The device "provide[s] a distributing type surface light source using a light-emitting diode . . . wherein the emitted light from [the] light-emitting diodes is efficiently and uniformly distributed to a light-emitting surface and a large area luminescent device using a small number of light-emitting diodes." J.A. 22517. The device also comprises reflective back and side surfaces that cover the translucent main surface of the display. At trial, Enplas asserted that JP-161 discloses the "illumination coupler" and capturing of light rays "for propagation between said top and bottom surfaces" required in claim 1 of the '554 patent. J.A. 15893–94.

SSC, however, also presented competing testimony from Dr. Moore. Dr. Moore explained that JP-161 does not disclose the illumination coupler because there is no "refracting surface at the bottom

which allows the light to be refracted at that surface.” J.A. 16056 at 1238:11–14. He further testified that the claimed illumination coupler is physically separated with an air gap to cause refraction into the illumination coupler and that JP-161 is “missing the air gap in the refracting surface.” *Id.* at 1238:15–21. Dr. Moore also testified that the interface in JP-161 does not show “capturing” by total internal reflection, but rather shows “Fresnel refraction,” which allows light to pass out of the waveguide on its second reflection rather than being totally internally reflected. J.A. 16057–58 at 1239:3–1240:11. Here again, we must presume the jury credited Dr. Moore in finding that JP-161 does not anticipate the asserted claims of the ’554 patent. Because the jury’s verdict is supported by Dr. Moore’s testimony, we agree with the district court that the verdict is supported by substantial evidence and affirm its denial of JMOL of no anticipation.

II.

INDUCED INFRINGEMENT

Enplas argues the district court erred by denying JMOL of no induced infringement because the trial evidence did not support a finding that it had specific intent to induce infringement in the United States. We review the district court’s denial of JMOL de novo under the law of the Ninth Circuit. *ActiveVideo*, 694 F.3d at 1319; *Hangarter*, 373 F.3d at 1005. Questions of knowledge and intent are factual questions for the jury. *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1222 (Fed. Cir. 2014); see *Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, 824

F.3d 1344, 1348 (Fed. Cir. 2016). On appeal, therefore, the sole question is whether substantial evidence supported the verdict. Substantial evidence is “such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” *Consol. Edison Co. of N.Y. v. NLRB*, 305 U.S. 197, 229 (1938).

“Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). “In order to succeed on a claim of inducement, the patentee must show, first that there has been direct infringement, and second that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.” *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1304–05 (Fed. Cir. 2002) (internal citations omitted). Mere knowledge of infringement is insufficient. Liability for inducement “can only attach if the defendant knew of the patent and knew as well that ‘the induced acts constitute patent infringement.’ ” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S.Ct. 1920, 1926 (2015) (quoting *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766 (2011)); see also *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006). “Although the text of § 271(b) makes no mention of intent, we infer that at least some intent is required.” *Global-Tech*, 563 U.S. at 760. Thus, “specific intent and action to induce infringement must be proven.” *DSU Med. Corp.*, 471 F.3d at 1305 (quoting *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed. Cir. 2003)). Unlike direct infringement under 35 U.S.C. § 271(a), which must occur in the United

States, liability for induced infringement under § 271(b) can be imposed based on extraterritorial acts, provided that the patentee proves the defendant possessed the requisite knowledge and specific intent to induce direct infringement in the United States. *See Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1302–03 (Fed. Cir. 2012).

Although we recognize that this is a close case, we conclude that the trial record demonstrates that the jury received substantial evidence whereby both Enplas's knowledge and intent to induce infringement could be reasonably found. At trial, Enplas did not dispute that it knew of the '209 and '554 patents. Enplas also did not dispute that it was informed that the product it manufactured, co-developed, and sold to SSC was covered by SSC's patents. Nor did Enplas dispute that it had a 50% worldwide market share and that Enplas's customers sold televisions in the United States among other countries.

The jury also received evidence of Enplas and SSC's prior business relationship, including that Enplas had initially manufactured the lenses specifically for SSC's light bars, but then sold them to others. SSC also presented testimony that, during the joint development project, SSC employees informed Enplas that the end product, including SSC's LEDs and Enplas's lenses, was covered by SSC's patents. The jury heard testimony that SSC purchased several televisions from various retailers in the United States and determined that they contained infringing light bars with Enplas's lenses.

SSC presented evidence showing that SSC had sent Enplas a pre-suit letter, informing it that SSC had found infringing lenses in televisions sold in the United States and including part numbers of the light bars having Enplas's lenses. The jury also heard evidence that SSC discussed the letter and its infringement position with Enplas.

SSC also presented evidence that Enplas knew of its 50% worldwide market share, supporting an inference that Enplas knew of the likelihood that its lenses would end up in the United States. In addition, SSC presented evidence that Enplas provided its customers with product specifications that recommended infringing configurations for its accused lenses. As we have recognized, “[p]roviding instructions to use a product in an infringing manner is evidence of the required mental state for inducing infringement.” *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 905 (Fed. Cir. 2014).

Enplas argues that this evidence does not establish that it *knew* its lenses would be incorporated in U.S. televisions and that in any event mere knowledge is not enough to establish specific intent. We agree that mere knowledge of possible infringement is not enough. *See DSU Med. Corp.*, 471 F.3d at 1305. We conclude, however, that the evidence in this case, while not overwhelming, provides at least circumstantial evidence that would allow a jury to reasonably find that Enplas had knowledge of the patents and of its customers' infringing activity and that it intended to induce their infringement. *See Water Techs. Corp. v. Calco*,

Ltd., 850 F.2d 660, 668 (Fed. Cir. 1988) (“While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice.”); *see also Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1322 (Fed. Cir. 2009) (“A plaintiff may . . . prove the intent element [of induced infringement] through circumstantial evidence, just as with direct infringement. . .”). Accordingly, we affirm the district court’s denial of JMOL.

III.

DAMAGES

Finally, Enplas challenges the district court’s denial of JMOL that the jury’s \$4 million damages award for the ’554 patent was excessive and not supported by substantial evidence. “When reviewing damages in patent cases, we apply regional circuit law to procedural issues and Federal Circuit law to substantive and procedural issues pertaining to patent law.” *Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10, 26 (Fed. Cir. 2012) (quoting *Wordtech Sys., Inc. v. Integrated Networks Sols., Inc.*, 609 F.3d 1308, 1318 (Fed. Cir. 2010)). The Ninth Circuit reviews the denial of JMOL de novo. *Hangarter*, 373 F.3d at 1005.

Enplas argues that the district court erred when it denied JMOL that the damages award was not supported by substantial evidence. Specifically, it contends that the only evidence supporting the \$4 million award was testimony from SSC’s damages expert that explicitly and improperly included non-infringing devices in the royalty calculation. Before trial, Enplas filed a *Daubert* motion to exclude this

testimony. The district court deferred full consideration of that motion, stating that it was more appropriate for a motion in limine. Enplas filed a motion in limine, seeking to exclude SSC's damages expert's testimony regarding "other lenses" not at issue in this case. The district court denied that motion, holding:

Consistent with this Court's prior rulings, [SSC's expert] cannot assume that infringement can be proven for the lenses not in this case. However, [SSC's expert] may present evidence that under a lump-sum royalty negotiation, [Enplas] would seek to cover all of its *potentially infringing* products. As long as [the] ultimate damages determination is adequately adjusted to only recover for those lenses in the case, [the] testimony is permitted.

J.A. 13144 (emphasis added). Thus, the district court's order limited SSC's expert to a damages theory based on infringing and "potentially infringing products." *Id.* It did not allow a damages theory based on sales of non-accused products.

At trial, SSC's expert opined that Enplas would have agreed to a lump sum royalty in a hypothetical negotiation for the '554 and '209 patents. She testified that "[i]f the license [were] limited only to the accused lenses . . . the reasonable royalty for the '554 Patent [would be] \$500,000, and for the '209 Patent \$70,000." J.A. 15539 at 722:3-5. She explained that "the \$570,000 covers the[] five products" accused of infringement in this case. J.A.

15534 at 717:1–3. SSC’s expert did not stop there, however. She went on to testify that Enplas and SSC would not have limited the license to just the accused products “if there [were] a risk of infringing the patent by manufacturing *other* products that are similar in nature.” J.A. 15534 at 717:11–13 (emphasis added). The “more pragmatic approach,” explained SSC’s expert, would have been for the parties to agree to a premium “freedom to operate” license to avoid the need to test and negotiate licenses for additional or future potentially infringing lenses that Enplas might sell. J.A. 15534–35 at 717:22–718:3.

To determine the premium that Enplas would pay, SSC’s expert assessed the volume of sales of all non-accused lenses made by Enplas. Because none of this information had been produced during discovery, SSC’s expert found “some publicly-available information from the Enplas website” and used that to “determine what that volume of sales would be.” J.A. 15535 at 718:17–25. SSC’s expert testified that “the volume of sales” for Enplas’s unit that sells lenses “is eight to ten times the sales of the specific products that we’re here to talk about today”—i.e., the accused infringing products. J.A. 15537 at 720:3–7.

Based on this information and theory, SSC’s expert testified that Enplas and SSC would have agreed to pay \$2 to 4 million depending on the ultimate “volume of sales of *potentially* infringing products *beyond the ones in this case.*” J.A. 15538 at 721:2–5 (emphases added). SSC’s expert did not

present any explanation or evidence whatsoever to show how the past revenue from Enplas's noninfringing lenses could reasonably estimate the future revenue from Enplas's infringing or potentially infringing lenses. To the contrary, she admitted that her theory was based on limited information:

Q. And why is it that your range is 2-to \$4 million?

A. The range depends upon what you ultimately decide is the volume of sales of *potentially infringing products beyond the ones in this case*. And I don't have any better information on that.

If it were all the products, it would be the upper end of that range, the \$4 million. If it were only half of the products, it would be the lower end of the range.

J.A. 15538 at 721:1–8 (emphasis added).

Enplas again objected to SSC's expert's methodology during her direct examination. The district court over-ruled the objection, holding that its opinion had not changed from its prior rulings on this testimony and that Enplas's objection went to the weight of the testimony, not admissibility.

Following the close of evidence, the district court instructed the jury on damages, in relevant part, as follows:

If you find that [Enplas] induced infringement of any valid claim of the '554

and/or the '209 patent, you must then determine the amount of money damages to be awarded to SSC to compensate it for the infringement.

....

SSC seeks a reasonable royalty in the form of a one-time lump sum for all past and future *infringement* of its patents. If you find that SSC has established induced infringement, SSC is entitled to at least a reasonable royalty to compensate it for that infringement.

....

One way to calculate a royalty, as SSC has intended is appropriate here, is to determine a one-time lump sum payment that the infringer would have paid at the time of the hypothetical negotiation for a license covering all sales of a licensed product both past and future. When a one-time lump sum is paid, the infringer pays a single price for a license covering both past and future *infringing* sales.

Trial Tr. at 1295:6–1296:4, 1296:22–1297:3, *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 13-cv-05038 (N.D. Cal. Mar. 25, 2016) (Dkt. No. 454) (emphases added). Thus, the district court correctly instructed the jury to award damages adequate to compensate SSC for past and future *infringing sales* if the jury found that

Enplas induced infringement. The court also instructed the jury that it could award a lump sum for past and future *infringement*.

The jury awarded \$4 million in damages for a one-time freedom-to-operate payment for the '554 patent and \$70,000 for the '209 patent. Enplas moved for JMOL, renewing its objection to SSC's damages theory, which the district court again denied. In doing so, the court held that SSC's expert's testimony regarding a lump sum freedom-to-operate license complied with its earlier rulings that SSC could present evidence regarding Enplas's potentially infringing products in a hypothetical lump-sum royalty negotiation. The district court also noted that Enplas did not present a damages expert or present evidence to rebut SSC's expert's opinion.⁵

On appeal, Enplas contends that the jury's \$4 million damages award should be overturned because the only evidence supporting the jury's award was based, in part, on non-infringing sales of non-accused Enplas lenses.⁶ We agree. As we have

⁵ To the extent the district court relied on the failure of Enplas to produce a rebuttal witness to deny JMOL, the district court erred. The burden to prove damages remains with the patentee, and Enplas was not required to produce a witness to rebut SSC's damages theory. *Lucent*, 580 F.3d at 1324.

⁶ The dissent contends that Enplas's argument is contrary to our holding in *Versata Software, Inc. v. SAP America, Inc.*, 717 F.3d 1255, 1264 (Fed. Cir. 2013). In *Versata*, we held that it is improper to raise "questions of admissibility of . . . expert testimony" "[u]nder the guise of sufficiency of evidence." *Id.* But this case is distinguishable from *Versata*.

held, a reasonable royalty “cannot include activities that do not constitute patent infringement, as patent damages are limited to those ‘adequate to compensate for the infringement.’” *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1343 (Fed. Cir. 2015) (quoting § 284).

Our decision in *AstraZeneca* is instructive. There, the district court awarded damages that included a royalty on sales made after the asserted patents had expired but during a “pediatric exclusivity period.” *Id.* at 1341. This period barred the FDA from approving competing drug manufacturers’ Abbreviated New Drug Applications for six months beyond the patents’ expiration date. *Id.* The district court reasoned that “the effect of the pediatric exclusivity period, like that of the patent term, is to

There, the appellant’s “briefs and statements at oral argument confirm[ed] that its arguments should have been resolved under the framework of *Daubert* and the Federal Rules of Evidence” even though the appellant had “not appealed a *Daubert* ruling.” *Id.* For example, the appellant argued in its briefs that “the expert’s testimony should have been excluded from evidence, the jury ‘should have never heard any lost profits theory,’ that ‘the district court should not have permitted Versata’s expert to present his lost profits theory,’ and that his analysis is ‘legally defective.’” *Id.* In contrast, here, Enplas does not argue that the district court should not have admitted SSC’s expert testimony on damages; rather, it contends that the jury’s verdict is not supported by substantial evidence because SSC’s expert testimony on damages—the only evidence that supports the \$4 million damages award—was calculated based, in part, on non-infringing sales. Appellant Br. at 62–63. Thus, Enplas does not improperly raise a question of admissibility under the guise of sufficiency of evidence.

bar the sale of a generic product until after the expiration of the exclusivity period.” *Id.* Thus, the district court concluded, any license would have included the right to sell the licensed drug during the patent term as well as the pediatric exclusivity period. *Id.* at 1341–42.

We rejected that theory, however, because “[t]he royalty base for reasonable royalty damages cannot include activities that do not constitute patent infringement, as patent damages are limited to those ‘adequate to compensate for the infringement.’ ” *Id.* at 1343 (quoting 35 U.S.C. § 284). We also cited our decision in *Gjerlov v. Schuyler Laboratories, Inc.*, 131 F.3d 1016, 1024 (Fed. Cir. 1997), explaining that “it [is] improper to award a reasonable royalty damages for the defendant’s sale of the prohibited non-infringing products, because acts that do not constitute patent infringement cannot provide a proper basis for recovery of damages under section 284.” *Id.* at 1344.

Here, SSC’s expert opined that Enplas and SSC would have agreed to a \$2 to 4 million royalty based on a royalty base comprising sales of non-accused lenses. J.A. 15538 at 721:2–5. This testimony cannot support the jury’s damages award, for § 284 and our precedent proscribe awarding damages for non-infringing activity. Thus, the jury’s \$4 million award for infringement of the ’554 patent cannot stand.

We do not find SSC’s attempts to distinguish *AstraZeneca* and *Gjerlov* persuasive. SSC asserts that, unlike this case, “the district court improperly awarded damages for *non-infringing* activities” in

AstraZeneca and *Gjerlov*. Appellee Br. at 67. But that is precisely what occurred here. The only evidence presented at trial to support a damages award above \$570,000 was SSC's expert's damages theory applying a royalty to lenses that were neither accused of infringement nor shown to infringe. SSC presented no other evidence or damages theory to support an award above \$570,000. Nor did SSC's expert provide any explanation of how past sales revenue for non-accused lenses could predict the future sales revenue of infringing or even potentially infringing lenses. Without such an explanation, her conclusion is wholly inconsistent with our precedent. The expert's testimony that she arrived at a \$2 million to \$4 million range of possible damages due to the lack of information from which to calculate future infringing sales—as well as the 100% difference between these upper and lower limits—bolsters this conclusion.

SSC makes much of its expert's testimony that she was not saying that Enplas would pay damages on non-accused lenses. According to SSC, because its expert characterized her use of the volume of sales of non-accused lenses as a "paid-up, lump sum royalty" to ease an "administrative burden," her application of a royalty to non-accused lenses was acceptable. Appellee Br. at 65. We disagree. Regardless of the characterization by SSC's expert, damages calculated by applying a royalty to sales of non-accused lenses cannot support a jury's verdict on

damages.⁷ To be sure, we have held that a jury may award a lump-sum, paid-in-full royalty in lieu of a running royalty on future sales. *See Lucent*, 580 F.3d at 1325. But that lump-sum must be based on an estimate of the extent of future sales of accused products, not on past sales of non-accused products.

We therefore vacate the \$4 million damages award for infringement of the '554 patent and remand for further proceedings on damages. We do not disturb the jury's award of \$70,000 for infringement of the '209 patent.

CONCLUSION

For the foregoing reasons, the district court's summary judgment that claim 20 of the '209 patent is not anticipated is affirmed. We also affirm the district court's denial of JMOL that the asserted claims of the '554 patent are anticipated and affirm its denial of JMOL of no induced infringement. We conclude, however, that the district court erred in denying JMOL that the damages award was not supported by substantial evidence. Accordingly, we vacate and remand the jury's damages award for

⁷ We acknowledge that patentees may sometimes recover damages for "convoyed sales," where an unpatented product is sold with the patented product and the two are "analogous to components of a single assembly or [are] parts of a complete machine, or they must constitute a functional unit." *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995) (en banc). We note that the convoyed sales doctrine does not apply here, nor does SSC rely on it.

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further proceedings on damages consistent with this opinion.

**AFFIRMED-IN-PART, VACATED-IN-PART,
AND REMANDED**

COSTS

No costs.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Enplas Display Device Corporation,
Plaintiff-Appellant

**Enplas Tech Solutions, Inc., Enplas (U.S.A.),
Inc.,**
Plaintiffs

v.

Seoul Semiconductor Company, Ltd.,
Defendant-Appellee

2016-2599

Appeal from the United States District Court for
the Northern District of California in No. 3:13-cv-
05038-NC, Magistrate Judge Nathanael M. Cousins.

Decided: November 19, 2018

NEWMAN, *Circuit Judge*, concurring-in-part and
dissenting-in-part.

I concur in the court's decision sustaining the
validity of the Seoul Semiconductor Company
("SSC") patents in dispute and affirming the
judgment of induced infringement. The jury verdicts
were reached on correct instructions of law, and are

supported by substantial evidence. I must, however, dissent from the reversal of the jury's damages verdict. On the un rebutted testimony presented to the jury, the verdict is supported by substantial evidence and requires affirmance.

A jury's damages verdict receives substantial deference. *See Los Angeles Mem'l Coliseum Comm'n v. Nat'l Football League*, 791 F.2d 1356, 1365 (9th Cir. 1986) (“[W]e undertake only limited review of jury damages awards, in order to avoid encroaching upon the jury's proper function under the Constitution.”); *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1297 (9th Cir. 1984) (“A jury's finding of the amount of damages must be upheld unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or only based on speculation or guesswork.”) (internal quotation marks omitted) (quoting *Blanton v. Mobil Oil Corp.*, 721 F.2d 1207, 1216 (9th Cir. 1983)). On procedures not unique to patent law, we apply the procedural law of the regional circuit. The standard of review of the jury's damages verdict is the standard of the Ninth Circuit, the forum of the jury trial. The court today departs from these procedural principles, although these principles constitute binding precedent.

***The District Court Correctly Denied JMOL
On the Damages Verdict***

This court agrees that the district court correctly instructed the jury on damages. *See* Maj. Op. at 20. The instruction included: “One way to calculate a royalty, as SSC has intended is appropriate here, is

to determine a one-time lump-sum payment that the infringer would have paid at the time of a hypothetical negotiation for a license covering all sales of a licensed product both past and future.” Maj. Op. at 19. My colleagues focus on the uncontroverted expert testimony pertaining to a hypothetical negotiation that would have licensed Enplas under SSC patents for all infringing and potentially infringing products—past, present, and future—rather than a license limited to the accused product. Enplas at trial presented no challenge to this testimony, which was a realistic focus on the value of business certainty. Nonetheless, my colleagues conduct a *de novo* hypothetical negotiation on appeal—contrary to the strictures of precedent and practice. See *Slaven v. Am. Trading Transp. Co.*, 146 F.3d 1066, 1069 (9th Cir. 1998), *as amended on denial of reh’g and reh’g en banc* (Aug. 18, 1998) (“It is well-established that an appellate court will not consider issues that were not properly raised before the district court. It follows that if a party fails to raise an objection to an issue before judgment, he or she waives the right to challenge the issue on appeal.”) (internal citations omitted).

The Patent Act’s damages provision, 35 U.S.C. § 284, states that “the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.” *Id.* As explained in *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1544 (Fed. Cir. 1995) (*en banc*), “the language of [35 U.S.C. § 284] is expansive

rather than limiting. It affirmatively states that damages must be adequate, while providing only a lower limit and no other limitation.” *Id.*

Neither side argues that the jury’s damages award was not adequate to compensate for the infringement. No argument is presented that the jury awarded less than a reasonable royalty for the use made of the invention. Nonetheless, Enplas argues on appeal that an improper theory was presented by SSC’s damages expert and, thus, the jury verdict is fatally flawed. Enplas is mistaken, in law and in reality, as well as in contravention of standard litigation procedures. See *In re Oracle Corp. Sec. Litig.*, 627 F.3d 376, 386 (9th Cir. 2010) (“[F]ail[ure] to respond to Defendants’ [contentions], and to then challenge the district court’s evidentiary rulings on appeal, is to invite the district court to err and then complain of that very error. We cannot countenance such a tactic on appeal.”).

Enplas has not appealed the district court’s *Daubert* ruling, see *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993) (the court is the gatekeeper on the admissibility and appropriateness in law and fact of expert testimony). Likewise, Enplas has not appealed the district court’s ruling on the motion in limine:

Consistent with this Court’s prior rulings, [SSC’s expert] cannot assume that infringement can be proven for the lenses not in this case. However, [SSC’s expert] may present evidence that under a lump-sum royalty negotiation, [Enplas] would seek to

cover all of its potentially infringing products. As long as [the expert's] ultimate damages determination is adequately adjusted to only recover for those lenses in the case, [the expert's] testimony is permitted.

J.A. 13144 (“Order on Motion in Limine”). The evidence at trial comported with these evidentiary rulings. Enplas does not argue on appeal that it presented any evidence, expert or otherwise, contradicting this damages theory as applied in any hypothetical negotiation.

On appeal, Enplas asks the question: “Whether the district court erred in denying judgment as a matter of law that the damages award was not supported by the evidence, where the damages expert explicitly included non-infringing devices in her royalty calculation.” Appellant Br. 2. This is a grossly inaccurate description of the expert’s testimony, for non-infringing devices were not “explicitly included” by the expert. To the contrary, the expert estimated sales of “potentially infringing products beyond the ones in this case,” J.A. 15538,⁸ and testified that

if [Enplas] wanted [] a freedom-to-operate license, and they were pragmatic about it, they would be willing to pay 2- to \$4 million in order to ensure that they’d never have to

⁸ Transcript of Proceedings 721:3–4, *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 3:13-cv-05038-NC (N.D. Cal. Mar. 25, 2016), (No. 452) (“Trial Tr.”).

worry about testing these products and negotiating other licenses for those products in the future. . . . The range depends upon what you ultimately decide is the volume of sales of potentially infringing products beyond the ones in this case.

J.A. 15537–38 (Trial Tr. at 718:20–721:4). The lump-sum reflects a reasonable royalty that the infringer would have been willing to pay on hypothetical negotiation under the circumstances that existed.

On appeal, review of the district court’s action on a motion for judgment as a matter of law is governed by the standards of the regional circuit. *See InTouch Techs., Inc., v. VGO Commc’ns, Inc.*, 751 F.3d 1327, 1338 (Fed. Cir. 2014). “[I]n entertaining a motion for judgment as a matter of law, the court should review all of the evidence in the record.” *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000); *see Escriba v. Foster Poultry Farms, Inc.*, 743 F.3d 1236, 1242 (9th Cir. 2014) (“Reviewing a renewed motion for JMOL requires scrutiny of the entire evidentiary record . . .”). Thus, on appeal from the denial of JMOL, review is based on all the evidence before the jury, drawing all reasonable inferences in favor of the non-moving party, whereby we decide whether such evidence constituted substantial evidence in support of the verdict. *See Josephs v. Pac. Bell*, 443 F.3d 1050, 1062 (9th Cir. 2006).

The Ninth Circuit has explained that judgment as a matter of law is proper when “the evidence, construed in the light most favorable to the

nonmoving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict." *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002). "A jury's verdict must be upheld if it is supported by substantial evidence, which is evidence adequate to support the jury's conclusion, even if it is also possible to draw a contrary conclusion." *Id.* Further, "we cannot reverse [the jury's] findings merely because our reading of the evidence might have been different, especially where the district court concluded that the evidence at trial was sufficient to support the verdict" *Passantino v. Johnson & Johnson Consumer Prod., Inc.*, 212 F.3d 493, 513 (9th Cir. 2000) (internal quotation marks omitted).

Here, the district court ruled that the testimony regarding the freedom-to-operate royalty negotiation was admissible. This testimony was the only evidence presented to the jury on the hypothetical negotiation. It is not reasonable to draw a contrary conclusion from the record before the jury. See *Pavao*, 307 F.3d at 918 (JMOL is proper when "the evidence, construed in the light most favorable to the nonmoving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict."); *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 893 (Fed. Cir. 1984) ("In sum, only when the court is convinced upon the record before the jury that reasonable persons could not have reached a verdict for the non-mover, should it grant the motion for JNOV."). On this basis, the uncontradicted expert testimony

constitutes substantial evidence supporting the jury verdict.

The district court did not depart from the law of damages and the rules for review of jury verdicts. In *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255 (Fed. Cir. 2013), this court admonished the appellant for attacking the admissibility of expert testimony in the same manner as have Enplas and now the panel majority:

According to SAP, the jury's lost profits award should be set aside for four reasons. The first two reasons relate to the methodology used by Versata's expert. SAP avers that Versata's "but for" model is "inconsistent with sound economic principles," and thus "[the expert's] opinion should have been excluded from evidence." Appellant's Br. 46. Similarly, SAP claims Versata's expert did not adhere to the *Panduit* framework because he used multiple markets thereby rendering his analysis "legally defective." *Id.* at 50.

The court rejects these two arguments as improperly raised. Under the guise of sufficiency of the evidence, SAP questions the admissibility of Versata's expert testimony and whether his damages model is properly tied to the facts of the case. Such questions should be resolved under the framework of the Federal Rules of Evidence and through a challenge under *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993).

Id. at 1264.

Enplas appeals the district court's JMOL denial, and argues that SSC's expert testimony regarding a hypothetical negotiation for a freedom-to-operate license was insufficient to support the jury's damages assessment. Such questions should be resolved under the framework of the Federal Rules of Evidence and through a *Daubert* challenge. Nonetheless, Enplas and now my colleagues challenge admissibility under the guise of substantial evidence. Precedent is directly on point:

Whether evidence is inadmissible is a question clearly within the scope of the rules of evidence and *Daubert*. However, SAP has not appealed a *Daubert* ruling. Instead, it argues that the jury could have not had sufficient evidence to award lost profits because the expert's testimony was fatally flawed and should not have been admitted. This is the improper context for deciding questions that, by SAP's own admissions, boil down to the admissibility of evidence.

Versata, 717 F.3d at 1264.

In direct analogy, the district court herein properly allowed SSC's damages expert to testify concerning a hypothetical negotiation for a freedom-to-operate license. Deference is owed to the district court's evidentiary ruling, which comports with precedent. *See Harper v. City of Los Angeles*, 533 F.3d 1010, 1030 (9th Cir. 2008) ("We afford broad discretion to a district court's evidentiary rulings."); *see also Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1038 (9th Cir. 2003) ("We must accept any

reasonable interpretation of the jury's actions, reconciling the jury's findings by exegesis if necessary . . . ; a search for one possible view of the case which will make the jury's finding inconsistent results in a collision with the Seventh Amendment.") (internal citations omitted). The majority's view produces such a collision.

Substantial Evidence Supports the Jury's Verdict Based on a Lump-Sum Freedom-to-Operate License

This court explained in *Lucent Technologies, Inc. v. Gateway, Inc.*, "[t]he hypothetical negotiation tries, as best as possible, to recreate the ex ante licensing negotiation scenario and to describe the resulting agreement." 580 F.3d 1301, 1325 (Fed. Cir. 2009). The goal is to "accurately reflect[] the real-world bargaining that occurs, particularly in licensing." *Exmark Mfg. Co. v. Briggs & Stratton Power Prods. Grp., LLC*, 879 F.3d 1332, 1349 (Fed. Cir. 2018). We have observed that "[a] key inquiry in the analysis is what it would have been worth to the defendant, as it saw things at the time, to obtain the authority to use the patented technology" *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1304 (Fed. Cir. 2015).

At trial, the only damages expert opined that Enplas, in a hypothetical negotiation, would have agreed to pay \$2- to 4 million for a freedom-to-operate license, thereby avoiding the burdens and uncertainties associated with monitoring, testing, and complying with a license of limited scope that would have been only applicable to a single product.

The expert discussed the benefits, to both parties, of a freedom-to-operate patent license—elimination of uncertainty and pragmatic administration. A license is intended to alleviate business uncertainty; no precedent limits the hypothetical negotiation to consideration of a single product. This testimony was correctly held admissible, for the cost and disruption of separate litigation over every existing and future product within the possible scope of the patent is a reasonable consideration in license negotiations. *See Rude v. Westcott*, 130 U.S. 152, 164 (1889) (“The avoidance of the risk and expense of litigation will always be a potential motive for a settlement.”).

The district court was correct in allowing the jury to hear testimony to this effect. “Questions about what facts are most relevant or reliable to calculating a reasonable royalty are for the jury.” *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 856 (Fed. Cir. 2010), *aff’d*, 564 U.S. 91 (2011). SSC’s damages expert testified to a legally permissible theory for a hypothetical negotiation. The expert explained the methodology to the jury, testifying at trial:

Q. So in the real world, how would this license have been negotiated in your opinion?

A. The more pragmatic approach would be for the parties to decide that the royalty -- some premium should be paid in order for the right to avoid this ongoing hassle of testing and licensing additional products. So that the freedom to operate in other words, peace of

mind that you no longer have to negotiate for every future product that you might sell.

Q. And earlier today you said that you were assuming that the products at issue infringed the Patents-in-Suit; Correct?

A. Yes.

Q. And are you now assuming that other products infringe the Patents-in-Suit?

A. No.

Q. And are you seeking -- are you saying that EDD [Enplas Display Device Corp.] would pay for damages on products that aren't said to infringe the Patents-in-Suit?

A. No. I'm simply saying that they would be willing to pay a premium to avoid the complications of going through this negotiation process for every other product they might choose to sell. So it's an insurance policy.

Q. And did you determine this premium that EDD would pay?

A. Yes.

Q. And how did you go about doing that?

A. What I did was look at the best information I had available on the volume of sales of other lenses by EDD. And while EDD did not provide any of that information in this case, there is some publicly-available information from the Enplas web site that I

relied upon to determine what that volume of sales would be.

...

Q. Do you recognize this document?

A. I do.

Q. And what is this?

A. This is another page from my report that reflects the revenue and gross margin for the Enplas plastic optical. The plastic optical business, according to the Enplas web site and the documents on it, later became EDD.

...

Q. So the revenue on the top line, is that what you were looking at?

A. Yes. The sources for this are shown at the bottom of the page. But I obtained this information directly from the Enplas Corporation business plans that were on the Enplas web site, because that's the only information I have. So I captured the revenue number on top as well as the gross margin down below. The revenue number is stated in Japanese Yen. Once you convert that to U.S. dollars, what you learn is that the volume of sales for the entire business that sells the lenses is eight to ten times the sales of the specific products that we're here to talk about today.

J.A. 15534-37 (Trial Tr. 717:20-720:7). The expert further testified:

Q. And why is it that your range is 2- to \$4 million?

A. The range depends upon what you ultimately decide is the volume of sales of potentially infringing products beyond the ones in this case. And I don't have any better information on that. If it were all the products, it would be the upper end of that range, the \$4 million. If it were only half of the products, it would be the lower end of the range. Or you may determine if EDD ultimately provides you better information, that some other factor is appropriate.

J.A. 15538 (Trial Tr. 721:1–10).

No challenge to this testimony was raised during cross-examination at trial, and no contrary damages theory or estimate was presented. Enplas did not question the methodology or the underlying data for the freedom-to-operate damages theory; the cross-examination was focused on prior license agreements and figures underlying the expert's other theory for a hypothetical negotiation, a theory the expert characterized as "an endless stream of serial negotiations. And [] not something that's done in the real world." J.A. 15534 (Trial Tr. 717:18–19). "This court has recognized that estimating a reasonable royalty is not an exact science. The record may support a range of reasonable royalties, rather than a single value. Likewise, there may be more than one reliable method for estimating a reasonable royalty." *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015).

My colleagues state that “Enplas was not required to produce a witness to rebut SSC’s damages theory.” Maj. Op. at 20 n.1. While this is correct in the abstract, it does not atone for Enplas’ litigation decision to leave the damages theory unrebutted. “Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence.” *Daubert*, 509 U.S. at 596. The failure to provide contrary evidence, or even challenge the evidence SSC presented, may well have affected the jury’s verdict.

Here, the damages testimony was clearly relevant, the jury was correctly instructed, and the verdict was in conformity with the evidence. There is no basis to over-turn the denial of JMOL, for substantial and unrebutted evidence supported the jury verdict. *See Cataphote Corp. v. De Soto Chem. Coatings, Inc.*, 356 F.2d 24, 26 (9th Cir.), *opinion modified on denial of reh’g*, 358 F.2d 732 (9th Cir. 1966) (“It is not [the Appellate Court’s] function to reevaluate the evidence presented below. We cannot substitute our judgment for the first-hand evaluation made by the trier of fact. Pursuant to Rule 52(a) of the Federal Rules of Civil Procedure our obligation is to determine if the findings below were ‘clearly erroneous.’ This statutorily imposed standard does not vests us with power to reweigh the evidence presented at trial in an attempt to assess which items should and which should not have been accorded credibility.”). It is not the appellate judge’s

role to provide the evidence that a party declined to provide at trial.

The Appellant Misapplies AstraZeneca

Enplas also offers an unsupportable interpretation of *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324 (Fed. Cir. 2015), now accepted in the majority's opinion. See Maj. Op. at 21-22. This court stated in *AstraZeneca* that "a reasonable royalty cannot include activities that do not constitute patent infringement, as patent damages are limited to those adequate to compensate for the infringement," *AstraZeneca*, 782 F.3d at 1343 (internal quotation marks omitted), responding to the question of: whether damages may include a post-expiration pediatric exclusivity period. See *id.* at 1342. The court stated that "it is clear that Apotex did not infringe Astra's patents during the exclusivity period, since those patents had expired." *Id.* at 1343.

Unlike *AstraZeneca*, which held that an expired patent could not be infringed, the hypothetical negotiation in the present case assumes that SSC's patent is valid and infringed. Cf. *Lucent Techs.*, 580 F.3d at 1325 ("The hypothetical negotiation also assumes that the asserted patent claims are valid and infringed.").

Here, the issue of a hypothetical freedom-to-operate negotiation is, whether a potential infringer would reasonably include all potentially infringing products in a paid-up license, in order to avoid the uncertainty of possible infringement and further litigation. The panel majority misstates the record,

in stating that “SSC’s damages expert [] explicitly and improperly included non-infringing devices in the royalty calculation.” Maj. Op. at 16. As quoted ante, the damages expert answered “No” when asked: “[A]re you saying that EDD would pay for damages on products that aren’t said to infringe the Patents-in-Suit?” J.A. 15535 (Trial Tr. 718:10–12).

Throughout the trial, it was emphasized that the proposed measure of damages was freedom to operate under SSC patents. The expert testified, and Enplas did not dispute, that the cost and disruption of litigation and disagreements favor such business considerations. No rule excludes reasonable business considerations from a hypothetical negotiation. Rather than look only at units of infringement, SSC’s damages expert testified as to what would have been reasonable compensation for a freedom-to-operate patent license. And the expert explained why such a license would have been beneficial to the parties. This testimony aligns with *AstraZeneca* and was unopposed by Enplas, and is substantial evidence in support of the jury’s verdict.

SUMMARY

The Court has cogently stated: “Few bodies of law would be more difficult to reduce to a short and simple formula than that which determines the measure of damage recoverable for actionable wrongs.” *F. W. Woolworth Co. v. Contemporary Arts Inc.*, 344 U.S. 228, 232 (1952). Until today, “we have never laid down any rigid requirement that damages in all circumstances be limited to specific instances of infringement proven with direct evidence.” *Lucent*

Techs., 580 F.3d at 1334. Faced with unopposed expert testimony describing a hypothetical negotiation for a freedom-to-operate license, my colleagues “create a hypothetical negotiation far-removed from what parties regularly do during real-world licensing negotiations.” *Id.*

The damages verdict was the product of correct jury instructions, and testimony on examination and cross-examination before the jury. The lump-sum verdict was for “all past and future infringement,” Maj. Op. at 19, as the jury was instructed. My colleagues’ insistence that the payment was for non-infringing products was not presented at trial, and has no support in the record. The jury verdict is supported by substantial evidence, and should be affirmed. I respectfully dissent from the court’s contrary ruling.

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ENPLAS DISPLAY
DEVICE
CORPORATION, et al.,

Plaintiffs,

v.

SEOUL
SEMICONDUCTOR
COMPANY, LTD.,

Defendant.

Case No. 13-cv-05038 NC

**ORDER ON POST-
TRIAL MOTIONS**

Re: Dkt. Nos. 484, 486,
529

On March 24, 2016, the jury returned a verdict in this patent infringement case that Enplas Display Device Corporation (“EDD”) willfully infringed the ’554 and ’209 patents, and awarded Seoul Semiconductor Company, Ltd. (“SSC”) \$4,070,000. The jury also found that the patents were not invalid. After the trial, the Court determined that claim 2 of the ’554 patent was not invalid. The Court also ruled that EDD did not prove that the ’209 patent inventor, Dr. Pelka, engaged in inequitable conduct.

Now, the parties each move for further post-trial relief. EDD moves for judgment as a matter of law, a new trial, and to alter the judgment. SSC moves for the Court to award enhanced damages and attorneys’ fees. The Court finds that no further relief

is necessary. The Court DENIES EDD's motion. The Court concludes that although EDD willfully infringed the patents, there is no evidence of egregious behavior and this case does not warrant enhanced damages or attorneys' fees.

I. RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW

Under Federal Rule of Civil Procedure 50(b), a court may grant a renewed motion for judgment as a matter of law if "the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue." "A renewed motion for judgment as a matter of law is properly granted 'if the evidence, construed in the light most favorable to the nonmoving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict.'" *Escriba v. Foster Poultry Farms, Inc.*, 743 F.3d 1236, 1242 (9th Cir. 2014) (quoting *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002)); see also *Old Town Canoe Co. v. Confluence Holdings Corp.*, 448 F.3d 1309, 1314 (Fed. Cir. 2006) ("A motion for judgment as a matter of law is properly granted only if no reasonable juror could find in the non-movant's favor.").

A jury's verdict must be upheld if supported by substantial evidence, even if contrary findings are also possible. *Harper v. City of Los Angeles*, 533 F.3d 1010, 1021 (9th Cir. 2008). In considering the evidence, the Court must draw all reasonable inferences in favor of the nonmoving party, disregard all evidence favorable to the moving party that the jury is not required to believe, and ask whether the

nonmoving party has presented sufficient evidence to support the jury's conclusion. *Id.*; *Escriba*, 743 F.3d at 1242-43. “[I]n entertaining a motion for judgment as a matter of law, the court . . . may not make credibility determinations or weigh the evidence.” *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000).

EDD moves for judgment as a matter of law, for a new trial, and relief from the judgment on (A) improper claim construction; (B) infringement and invalidity verdicts; (C) the jury’s finding of induced infringement; (D) the amount of damages; (E) inequitable conduct; and (F) a handful of additional issues.

A. Claim Construction

EDD moves for a new trial under Rule 59(a) because it argues that the Court did not construe claims that were in dispute. Dkt. No. 484 at 7-9. Specifically, EDD argues that the Court failed to construe the terms “illumination coupler,” “such that light rays which would otherwise pass out of said waveguide are captured for propagation between said top and bottom surfaces,” “leaky,” and “leakage,” for the ’554 patent; and “around the perimeter of the aperture” and “directing” for the ’209 patent.

Northern District of California Patent Local Rule 4-4 requires litigants to identify all disputed terms, then jointly identify the 10 most significant terms to be presented at the *Markman* hearing. The Federal Circuit requires a litigant to identify terms for claim construction before post-trial motions: “As we have

repeatedly explained, litigants waive their right to present new claim construction disputes if they are raised for the first time after trial.” *Lazare Kaplan Int’l, Inc. v. Photocrite Techs., Inc.*, 628 F.3d 1359, 1376 (Fed. Cir. 2010). In *SanDisk v. Memorex Products, Inc.*, 415 F.3d 1278, 1292 (Fed. Cir. 2005), the Federal Circuit affirmed the district court’s refusal to entertain claim construction arguments made “after relevant cut-off dates under [the Northern District of California's Patent Local Rules] and the trial court's scheduling order.”

EDD requested claim construction of the term “illumination coupler embedded in an interior region of said waveguide” during the *Markman* hearing, and the Court determined that construction was not necessary. Dkt. No. 81 at 14. Prior to the *Markman* hearing, EDD requested construction for the ’209 patent terms “around the perimeter of the aperture” and “directing light rays,” but did not identify these terms as significant. Dkt. No. 74. When the Court did not include them in its *Markman* order, EDD never renewed its request or clarified for the Court that these terms were significant. *Cf. Apple, Inc. v. Samsung Elecs. Co.*, 932 F. Supp. 2d 1076, 1079 (N.D. Cal. 2013) (finding that Samsung had not waived construction of a term, noting that “Samsung has continued to raise the issue, first in invalidity contentions and later in arguing for a jury instruction.”). Finally, EDD never identified the ’554 patent terms “such that light rays which would otherwise pass out of said waveguide are captured for propagation between said top and bottom

surfaces,” “leaky,” and “leakage,” for the Court or requested construction of them.

The Court finds that EDD’s request is too late and DENIES the motion for a new trial on the basis that the Court did not construe the above terms.

B. Infringement and Invalidity Verdict

The Court addresses the infringement and invalidity verdicts together, as both are based on expert testimony. Each side had one expert to discuss both infringement and invalidity. SSC’s expert was Dr. Duncan Moore, and EDD’s expert was Dr. Clifford Pollock. Both experts testified that they were persons of ordinary skill in the art relevant to the patents in suit. No party objected to the expert’s qualifications to testify as to those topics.

Each expert testified fully that it was his expert opinion that his side won on infringement and invalidity. Both SSC and EDD walked their own expert and the jury through each element of each claim and used demonstratives to emphasize that their expert opined on all relevant aspects of all claims at issue. As to invalidity, each expert testified about prior art and the theories of invalidity consistent with his party’s position. At times, opposing counsel was able to obfuscate an expert’s opinion by forcing the expert to admit to the possibility of a contradictory opinion. However, neither expert omitted information necessary to a prima facie case of infringement or invalidity.

Thus, the jury's assessment of infringement and invalidity required the jury to find one expert more credible than the other. "[I]n entertaining a motion for judgment as a matter of law, the court . . . may not make credibility determinations or weigh the evidence." *Reeves*, 530 U.S. at 150. The Court will not second-guess the jury's credibility determination. The jury's verdict that SSC proved by a preponderance of evidence that EDD infringed the patents-in-suit, and that EDD did not prove by clear and convincing evidence that the patents were invalid, is supported by substantial evidence. EDD's motion for judgment as a matter of law is DENIED.

C. Induced Infringement

EDD challenges the jury finding that it induced infringement, arguing that EDD did not know its downstream users. Prior to the start of trial, the Court ruled that SSC did not need to prove that EDD knew its downstream users with specificity. Dkt. No. 389 at 3.

The Court previously ruled that while SSC must demonstrate direct infringement, and in so doing, must identify a direct infringer, SSC does not need to demonstrate that EDD knew of that particular direct infringer. "Inducement can be found where there is evidence of active steps taken to encourage direct infringement, which can in turn be found in advertising an infringing use or instructing how to engage in an infringing use." *Takeda Pharm. v. West-Ward Pharm.*, 785 F.3d 625, 630-31 (Fed. Cir. 2015). The case law does not require proof that the induced infringer knows of the direct infringement,

or intends to induce a specific infringer. *See Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) (finding that “[l]iability for either active inducement of infringement or contributory infringement is dependent upon the existence of direct infringement.”)(emphasis added).

The case law provides that an individual can be liable for active inducement if they encourage direct infringement through an advertisement or instruction booklet. *Takeda*, 785 F.3d at 630-31. These activities are directed at a general audience of people—buyers, sellers, and users of the product. Thus, the inducer does not need to have the intent to induce a particular person or entity, but rather, can be liable for encouraging direct infringement to the wider public, or a class of people or entities. *Id.*

At trial, SSC demonstrated that EDD knew its products would be used in televisions, and EDD knew that some of those televisions would likely be sold in the United States. Tr. 937-939. The Court finds that the jury’s determination that EDD induced infringement in the United States is based on substantial evidence.

D. Damages

EDD moves for judgment as a matter of law under Rule 50(b), arguing that SSC presented no evidence supporting their damages request of \$4,000,000 for the ’554 patent. SSC’s expert, Julie Davis, testified about the hypothetical negotiation between the parties for a license to the two patents. EDD objected to Davis’ testimony in a *Daubert* motion, which the Court rejected at that time. Dkt.

No. 281. EDD then moved to exclude Davis' testimony based on infringement of "other Enplas lenses" that were not part of this case. The Court granted that request in part, but stated, "Consistent with this Court's prior rulings, Davis cannot assume that infringement can be proven for the lenses not in this case. However, Davis may present evidence that under a lump-sum royalty negotiation, EDD would seek to cover all of its potentially infringing products. As long as Davis' ultimate damages determination is adequately adjusted to only recover for those lenses in the case, her testimony is permitted." Dkt. No. 384 at 3.

Davis testified that "if the license is limited only to the accused lenses, I think the reasonable royalty for the '554 patent is \$500,000, and for the '209 patent \$70,000." Tr. 722: 3-5. However, Davis also testified that if EDD wanted a freedom-to-operate license, which would be the most pragmatic, "they would be willing to pay \$2 to 4 million in order to ensure that they'd never have to worry about testing these products and negotiating other licenses for those products in the future." Tr. 720: 22-25. EDD did not have a damages expert and did not present any evidence to rebut Davis' opinion. Thus, the Court finds that Davis' testimony complied with its prior orders and that substantial evidence supported the jury's award of \$4 million for the '554 lens.

E. Inequitable Conduct

EDD argues that the Court provided inadequate analysis in its ruling that EDD could not prove Dr. Pelka's inequitable conduct. The Court issued an

order describing its findings of fact and conclusions of law. Dkt. No. 478. There, the Court found that EDD failed to present sufficient evidence to demonstrate inequitable conduct on both the materiality and intent elements. Both elements must be met by clear and convincing evidence in order to prove inequitable conduct and for the Court to award the extraordinary remedy of the unenforceability of the '209 patent. The Court is not persuaded by EDD's arguments that EDD should be entitled to new findings or a new hearing.

F. Other Issues

EDD argues that the verdict form is inconsistent with controlling law because it did not provide a claim-by-claim finding for direct infringement. Dkt. No. 447. The Court finds this argument unpersuasive because the jury instructions require the jury to find both direct and induced infringement on each claim for each product. Dkt. No. 441 at 10-12.

Additionally, EDD argues that it was unfairly blocked from rebutting "other lenses" evidence. The Court dealt with this issue extensively prior to the start of trial and made evidentiary rulings during trial to remain consistent with its rulings, while fairly giving each party an opportunity to present its narrative. Dkt. Nos. 280, 384, 388. The Court is not persuaded that its rulings deprived EDD of a fair trial.

G. Rule 60 and 59(e) motion to amend the judgment

EDD moves for the Court to amend the judgment to cover the non-infringement of the '554 patent claims 2, 31, 36, and 37 by the #9854D, #9854E, and #9879 lenses, and the non-infringement of any claim of the '554 patent by the #9853A lens. Fed. R. Civ. P. 60. The Court omitted this part of the parties' stipulation because the Court was not involved in adjudicating these claims. SSC chose not to pursue some claims before trial, and the Court did not make any determinations as to the infringement of these claims. Thus, it would be inappropriate to include them in the judgment.

EDD also requests that this Court amend its judgment as to claim 2 of the '554 patent but provides no reasons why. The Court ruled that claim 2 was not invalid and finds no reason to disturb that ruling. Dkt. No. 467.

Finally, EDD requests that the Court amend the judgment to remove the statement that damages "are to be enhanced by an amount which will be determined upon the anticipated post-trial motions." Dkt. No. 484 at 31. The Court addresses willful infringement and the significance of the jury finding in the following sections.

II. WILLFULNESS AND ENHANCED DAMAGES

SSC moves for a finding of willful infringement and enhanced damages. Section 284 of the Patent Act provides that, in a case of infringement, courts "may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284.

Under prior Federal Circuit law, *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007), the Court evaluated willful infringement under a two-part test: first, a jury decided whether the infringement was willful under a clear and convincing standard; second, the Court assessed the objective reasonableness of the infringement. Then, if the Court concluded that the infringement was willful, the Court weighed the *Read* factors to determine the amount of enhanced damages.

In *Halo Electronics v. Pulse Electronics*, 579 U.S. ____ (2016), the Supreme Court rejected Seagate’s two-part test, finding it overly rigid. Instead, the Supreme Court emphasized that “Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the Seagate test.” *Id.* at 11. Awards of enhanced damages are “designed as a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior,” such as behavior that is “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.” *Id.* at 8. Additionally, the Supreme Court held that the determination of enhanced damages should be made under a preponderance of evidence standard, not a clear and convincing one. *Id.* at 12.

This Court finds itself in the unique situation that a jury has already made a determination that SSC proved by clear and convincing evidence that EDD willfully infringed, or acted with reckless disregard to the likelihood of infringing SSC’s patents. EDD challenges this finding, arguing that

the change in law necessitates a new trial because the jury instructions were incorrect.

Thus, the Court addresses (1) the sufficiency of the jury instructions; (2) the Court's assessment of willful infringement; and (3) enhanced damages.

A. Jury Instructions

At trial, the Court gave the following jury instruction:

In this case, SSC argues that EDD willfully infringed SSC's patents.

To prove willful infringement, SSC must first persuade you that EDD induced infringement of a valid and enforceable claim of SSC's patent. The requirements for proving such infringement were discussed in my prior instructions.

In addition, to prove willful infringement, SSC must persuade you that it is highly probable that EDD acted with reckless disregard of the claims of SSC's patents.

To demonstrate such "reckless disregard," SSC must persuade you that EDD actually knew, or it was so obvious that EDD should have known, that its actions would result in the direct infringement of a valid patent.

In deciding whether EDD acted with reckless disregard for SSC's patents, you should consider all of the facts surrounding the alleged infringement including, but not limited to, the following factors.

Factors that may be considered as evidence that EDD was not willful include whether EDD acted in a manner consistent with the standards of commerce for its industry.”

Dkt. No. 441 at 12-13; Tr. 1287.

EDD argues that this instruction was improper and warrants a new trial for three main reasons. First, EDD argues that this instruction was improper because “the jury should be instructed to view EDD’s subjective intent and knowledge at the time of the alleged infringement.” Dkt. No. 529 at 7. Second, EDD argues that the Supreme Court rejected “reckless disregard” as a basis for willful conduct. *Id.* at 8. Third, EDD argues that it was prejudiced by the jury instruction because at trial, EDD emphasized the evidence about its state of mind, but it could have presented other relevant evidence that SSC reversed its position on whether the EDD lenses infringe. *Id.* The Court finds these arguments unpersuasive for three reasons.

First, *Halo* does not limit the Court to considering only willful infringement. Rather, “Section 284 allows district courts to punish the full range of culpable behavior.” *Halo*, 579 U.S. ____ at 11.

Second, in *Safeco Ins. Co. of America v. Burr*, 551 U.S. 47 (2007), the Supreme Court considered whether “willful” liability includes “reckless disregard.” There, the Court stated, “This construction reflects common law usage, which treated actions in ‘reckless disregard’ of the law as ‘willful’ violations.” *Id.* at 57. Further, in *Halo*, the

Supreme Court cited *Safeco* and noted that “a person is reckless if he acts ‘*knowing* or *having reason to know*’ of facts which would lead a reasonable man to realize’ his actions are unreasonably risky.” *Halo*, 579 U.S. ____ at 11 (quoting *Safeco*, 551 U.S. at 69).

Third, the jury made a finding of willful infringement by the higher clear and convincing standard. *Halo* reduced the burden of proof in determining enhanced damages to preponderance of the evidence. *Halo*, 579 U.S. ____ at 12-13. Thus, the jury in this case determined that SSC demonstrated that it was highly probable that EDD actually knew, or it was so obvious that EDD should have known, that its actions would result in the direct infringement of a valid patent.

In conclusion, the Court finds that the instruction given at trial is in line with the law as it stands today, post-*Halo*, so a new trial is not warranted. Fed. R. Civ. P. 59(a).

B. Willful Infringement

The Court approaches the jury finding as an advisory finding. See Fed. R. Civ. P. 39(c) (“In an action not triable of right by a jury, the court, on motion or on its own: may try any issue with an advisory jury”). When a jury makes an advisory finding, the Court is free to accept or reject that finding. *Huser v. Santa Fe Pomeroy, Inc.*, 513 F.2d 1298, 1299 (9th Cir. 1975).

The following facts are relevant:

1. EDD is a lens manufacturer and creates highly precise and technical design

specifications for each lens that it manufactures.

2. EDD manufactures lenses for customers based on the customer's requests and needs. Tr. 859.
3. EDD's design specifications and business model of testing and re-designing are intended to perfect the coupling of mass produced lenses with their intended purpose. Tr. 977; 1192.
4. In order to create a lens for a particular customer, EDD needs to know the composition of various surfaces and the ultimate use of the product. PX 126.
5. EDD's lenses are used for backlighting display devices, including LCD televisions. Tr. 798-799; 932.
6. In September 2010, SSC and Enplas Corporation met about creating a lens to use with SSC's light bars for use in an LCD television. DTX 1016.
7. In the course of that relationship, SSC informed Enplas Corporation of the '554 patent. Tr. 429.
8. EDD did not present any evidence that it tested its lenses for TIR or seek the opinion of counsel on the patents. Tr. 432-433.
9. Mr. Yamaguchi testified that he intended to create diffusion lenses and does not believe that his lenses exhibit TIR. Tr. 823.

10. TIR was found in the lenses by both experts, in varying degrees. DTX 1045; DTX 1055; DTX 1078; Tr. 1159.
11. The patents-in-suit aim to solve the problem of uniform LCD backlighting for large screens.
12. EDD supplied SSC with lenses for LCD screens. Tr. 391.
13. EDD supplied SSC's competitors and others in the same market with lenses.
14. In October 2013, SSC sent a cease and desist letter to EDD, notifying EDD of the patents and SSC's belief that EDD was infringing the patents. PX 142.
15. EDD did not discuss licensing or a royalty with SSC. Tr. 417.
16. EDD did not seek the opinion of counsel. Tr. 432-433.
17. EDD did not stop producing the accused products. Tr. 391-393.
18. EDD filed suit in district court.
19. One week after receiving the cease and desist letter, EDD stopped supplying lenses to SSC. Tr. 391-392.
20. A few months later, EDD began re-supplying SSC at twice the price. Tr. 393.

EDD argues that it had a good faith belief of its non-infringement of the patents and in the invalidity of the patents. However, EDD did not present any

evidence at trial to demonstrate that it designed around the patents or that it believed the patents were invalid.

It is rare for a witness to testify to his intentional misconduct, as EDD itself recognized in its own inequitable conduct argument. Instead, the Court and the fact finder must infer intent from the evidence presented. Here, the Court infers from the facts presented that it is more likely than not that EDD knew of the patents, used the technology disclosed in the patents, and acted with reckless disregard to the likelihood that EDD was infringing the patents.

In conclusion, the Court finds that the jury instruction on willful infringement was not improper and DENIES EDD's request for a new trial on that basis. The Court adopts the advisory jury opinion and concludes that SSC has demonstrated by a preponderance of evidence that EDD willfully infringed the patents. Next, the Court addresses whether and by how much to enhance the damages in this case.

C. Enhanced Damages

"[A] finding of willful infringement does not mandate that damages be enhanced, much less mandate treble damages." *Read Corp. v. Portec, Inc.*, 970 F.3d 816, 826 (Fed. Cir. 1992). In assessing whether and by how much to enhance damages, the Court has discretion to consider a variety of factors. While doing away with the *Seagate* test in *Halo*, the Supreme Court did not clearly articulate the appropriate standard to follow, except for advocating

a trial judge’s discretion. However, “in a system of laws discretion is rarely without limits.” *Flight Attendants v. Zipes*, 491 U.S. 754, 758 (1989). The parties advocate for various sources of guidance for the Court to follow in considering whether enhanced damages are appropriate.⁹

Both parties agree that *Read* factors should still be used by the Court to assess the amount of enhanced damages. “Although a finding of willfulness is a prerequisite for enhancing damages under § 284, the standard for deciding whether—and by how much—to enhance damages is set forth in *Read*, not *Seagate*.” *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010). The Court agrees that the *Read* factors offer a guidepost for enhanced damages.

The *Read* factors are: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; (3) the infringer’s behavior as a party to 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. *Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1225 (Fed. Cir. 2006); *Read Corp. v. Portec, Inc.*, 970 F.3d

⁹ The Court has considered supplemental authority submitted by both parties. Dkt. Nos. 538, 541, 544, 545, 546.

816, 826-27 (Fed. Cir. 1992). The Court agrees with Judge Saris that, “[w]hile the *Read* factors remain helpful to this Court’s analysis, the touchstone for awarding enhanced damages after *Halo* is egregiousness.” *Trustees of Boston University v. Everlight Electronics Co., Ltd.*, Case No. 12-cv-12326 PBS, 2016 WL 3976617, at * 2 (D. Mass. July 22, 2016).

Under SSC’s version of the facts, SSC and EDD worked together to form an improved lens that would give the companies together a competitive advantage, by combining SSC’s patents with EDD’s technical capabilities. EDD then took the competitive advantage offered by the protection of SSC’s patents, used it to its own advantage, refused to license with SSC or abide by any exclusive agreement, and then charged SSC more for products infringing on SSC’s own patents. SSC made EDD aware of its patents several times and offered to license the patents, or enter into an exclusive supplier agreement, on multiple occasions. Following this interpretation, EDD’s actions are egregious and in great disregard for the legal protections that a patent offers. This interpretation of the facts would lead the Court to enhance damages to the full extent, finding that such conduct is akin to a “pirate.”

Under EDD’s version of the facts, EDD filled SSC’s orders and requests for lenses as it would any other customer. EDD intended to and believed it had produced lenses that were based on the principle of refraction and were thus distinctly different from the TIR lenses in SSC’s patents. EDD considered the

value of SSC's patents, but assessed that those patents were not relevant to EDD's lenses, or that the patents may be invalid. When SSC threatened EDD's business with a lawsuit, EDD followed common business sense by filing suit and discontinuing supply to its adversary. This interpretation of the facts would lead the Court to find that even though the infringement was done with reckless disregard, EDD's subsequent actions are no different than any business might react.

The Court finds that the egregiousness of EDD's conduct falls somewhere in between these two versions. There is no doubt that EDD knew that SSC had these patents and that SSC intended to use the technology in the patents to optimize the pairing of EDD's lenses with SSC's LEDs for LCD screens. There is also no doubt that SSC was willing to license the patents or enter into an exclusive distribution agreement with EDD. Instead of following either approach, EDD filed suit. To be clear, the Court will not penalize EDD for asserting its legal rights to declaratory judgment of non-infringement and a determination of the validity of the patents. However, there is little evidence in the record that EDD made any good faith efforts to license the product, to investigate the likelihood of its own infringement, or to discontinue production of the offending lenses.

On the other hand, the case was hard fought and a close call. Significantly, EDD survived a motion to dismiss and a motion for summary judgment on inequitable conduct, which would have rendered the

'209 patent unenforceable. As to the '554 patent, EDD advanced several theories of invalidity, all of which appeared to be reasonable at trial. In addition, SSC dropped a number of claims and products from the case along the way, concluding either that there was no TIR in those products, or that the arguments were not strong enough to pursue at trial.

Finally, “[i]n the totality of facts and circumstances, the Court may consider the size of the damages award upon ruling of enhancement.” *Informatica Corp. v. Business Objects Data Integration, Inc.*, 489 F. Supp. 2d 1075, 1085 (N.D. Cal. 2007) (citing *Riles v. Shell Exploration and Production Co.*, 298 F.3d 1302, 1314 (Fed. Cir. 2002)).

The Court finds that on balance, enhanced damages are not warranted because this case does not present clear evidence of EDD’s egregious conduct and because in totality, SSC recovered for the full range of EDD’s culpable conduct. SSC’s expert, Julie Davis, testified that a license limited only to the accused lenses would be \$500,000 for the '554 patent and \$70,000 for the '209 patent. Tr. 722: 3-5. However, Davis also testified that if EDD wanted a freedom-to-operate license, which would be the most pragmatic, “they would be willing to pay \$2-4 million in order to ensure that they’d never have to worry about testing these products and negotiating other licenses for those products in the future.” Tr. 720: 22-25. The jury awarded the maximum amount that Davis testified to and that

SSC sought. SSC has recovered the full value of its requested relief.

D. Conclusion

The Court finds that, considering the totality of the circumstances, although EDD willfully infringed the patents, this case does not merit enhanced damages. *See Informatica Corporation v. Business Objects Data Integration, Inc.*, 527 F. Supp. 2d 1076, 1083 (N.D. Cal. 2007); *Funai Elec. Co. Ltd. v. Daewoo Electronics Corp.*, 593 F. Supp. 2d 1088 (2009) (finding willful infringement but declining to enhance damages).

III. ATTORNEYS' FEES

SSC moves for \$6,838,985.56 in attorneys' fees, arguing that this is an exceptional case. Title 35 U.S.C. § 285 provides that "the court in exceptional cases may award reasonable attorneys' fees to the prevailing party." The Supreme Court has defined exceptional as "uncommon, rare, or not ordinary." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). An exceptional case "is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* In addition, the Court can consider factors such as frivolousness, motivation, objective unreasonableness, and the need to advance considerations of compensation and deterrence. *Id.* at 1756 n.6.

For the same reasons as stated above in the enhanced damages conclusion, the Court finds that this is not an exceptional case. EDD did not adopt an objectively unreasonable litigation position. SSC dropped a number of claims throughout the litigation, some of which resulted in judgment of non-infringement in favor of EDD. EDD advanced reasonable claims of invalidity and presented them at trial.

Attorneys' fees are not awarded simply because one party wins at trial. The only misconduct that SSC points to is EDD's alleged misrepresentation that it would be burdensome to produce information on its other similar lenses. However, the Court excluded those lenses on the basis that SSC's request for the information came too late. Dkt. No. 90. The Court concludes that this case is not exceptional, so attorneys' fees are not appropriate. *See Aylus Networks, Inc. v. Apple Inc.*, Case No. 13-cv-04700 EMC, 2016 WL 1243454, at *7 (N.D. Cal. Mar. 30, 2016) (finding the case is not exceptional and denying attorneys' fees); *Site Update Solutions, LLC v. Accor North America, Inc.*, Case No. 11-cv-3306 PSG, 2015 WL 581175 (N.D. Cal. Feb. 11, 2015) (finding the case not exceptional) *aff'd*, *Site Update Sols., LLC v. CBS Corp.*, 639 F. App'x 634, 636 (Fed. Cir. 2016).

IV. CONCLUSION

In conclusion, the Court finds that no further relief is appropriate. The court DENIES EDD's post-trial motions. The Court also DENIES SSC's motions to enhance damages or award attorneys' fees. The

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Court will amend the judgment to reflect that the Court has found willfulness but that no further damages or fees will be awarded.

IT IS SO ORDERED.

Dated: August 10, 2016

/s/ Nathanael M. Cousins
NATHANAEL M. COUSINS
United States Magistrate Judge

APPENDIX C

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ENPLAS DISPLAY
DEVICE

CORPORATION, et al., Case No. 13-cv-05038 NC

Plaintiffs,

VERDICT FORM

v.

SEOUL
SEMICONDUCTOR
COMPANY, LTD.,

Defendant.

[March 24, 2016]

When answering the following questions and filling out this Verdict Form, please follow the directions provided throughout the form. Your answer to each question must be unanimous. Some of the questions contain legal terms that are explained in the Jury Instructions. Please refer to the Jury Instructions if you are unsure about the meaning of any legal term that appears in the questions below.

We, the jury, unanimously agree to the answers to the following questions:

'554 PATENT

1. **Has SSC proven that it is more likely than not that any of claims 1, 6, 33, 34, or 35 of the '554 patent was directly infringed by a person or company other than EDD in the United States?**

Please answer in each box with a "Yes" (for SSC) or with a "No" (for EDD)

#9854D	#9854E	#9879
<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

Answer Question 2 if you answered "Yes" for one or more products. If you answered "No" for all products, proceed to Question 3.

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2. Has SSC proven that it is more likely than not that EDD induced the direct infringement of any of the following claims of the '554 Patent?

For each product that you answered "Yes" in response to Question 1, please answer with "Yes" (for SSC) or "No" (for EDD) for each claim.

	#9854D	#9854E	#9879
Claim 1	<i>yes</i>	<i>yes</i>	<i>yes</i>
Claim 6	<i>yes</i>	<i>yes</i>	<i>yes</i>
Claim 33	<i>yes</i>	<i>yes</i>	<i>yes</i>
Claim 34	<i>yes</i>	<i>yes</i>	<i>yes</i>
Claim 35	<i>yes</i>	<i>yes</i>	<i>yes</i>

Proceed to Question 3

75a

3. Has EDD proven that it is highly probable that any claims of the '554 Patent are invalid as “anticipated”?

Please answer in each box with a “Yes” (for EDD) or with a “No” (for SSC)

Claim 1	NO
Claim 6	NO
Claim 30	NO
Claim 31	NO
Claim 33	NO
Claim 34	NO
Claim 35	NO
Claim 36	NO
Claim 37	NO
Claim 38	NO
Claim 39	NO
Claim 41	NO
Claim 42	NO
Claim 43	NO
Claim 45	NO
Claim 46	NO
Claim 47	NO
Claim 48	NO

Proceed to Question 4

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4. Has EDD proven that it is highly probable that any claims of the '554 Patent are invalid as "obvious"?

Please answer in each box with a "Yes" (for EDD) or with a "No" (for SSC)

Claim 33	NO
Claim 34	NO
Claim 35	NO

Answer Questions 5 and 6 if you have found at least one claim of the '554 Patent infringed in response to Question 2 and that the infringed claim(s) not invalid in Questions 3 and 4. Otherwise, proceed to Question 7.

5. What reasonable royalty, if any, has SSC provided its entitlement to for infringement of the '554 patent (choose ONE of the following):

a) A one-time freedom to operate payment for all EDD products of

\$ 4,000,000 for the life of the '554 patent.

- OR -

b) A one-time freedom to operate payment for just the accused products

found to infringe of \$ _____ for the life of the '554 patent.

6. If SSC has proven infringement of the '554 patent, has SSC proven that it is highly probable that EDD's infringement was willful?

Yes (for SSC) No (for EDD)

Continue on to the next page

'209 PATENT

7. Has SSC proven that it is more likely than not that claim 20 of the '209 patent was directly infringed by a person or company other than EDD in the United States?

Please answer in each box with a "Yes" (for SSC) or with a "No" (for EDD)

#9854D	#9854E	#9879	#4922	#9853A
<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

Answer Question 8 if you answered "Yes" for one or more products. If you answered "No" for all products, proceed to Question 9.

8. **Has SSC proven that it is more likely than not that EDD induced the direct infringement of claim 20 of the '209 Patent?**

For each product that you answered "Yes" in response to Question 7, please answer "Yes" (for SSC) or "No" (for EDD).

#9854D	#9854E	#9879	#4922	#9853A
<i>yes</i>	<i>yes</i>	<i>yes</i>	<i>yes</i>	<i>yes</i>

Proceed to Question 9

9. **Has EDD proven that it is highly probable that any claims of the '209 Patent are invalid as obvious?**

Please answer in each box with a "Yes" (for EDD) or with a "No" (for SSC)

Claim 20	<i>NO</i>
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Answer Questions 10 and 11 if you have found claim 20 of the '209 Patent infringed in Question 8 and not invalid in Question 9. Otherwise, stop and proceed to last page.

10. What reasonable royalty, if any, has SSC proved its entitlement to for infringement of the '209 patent (choose ONE of the following):

a) A one-time freedom to operate payment for all EDD's products of \$ 70,000 for the life of the '209 patent.

- OR -

b) A one-time freedom to operate payment for just the accused products found to infringe of \$ _____ for the life of the '209 patent.

11. If SSC has proven infringement of the '209 patent, has SSC proven that it is highly probable that EDD's infringement was willful?

Yes (for SSC) No (for EDD)

You have now reached the end of the verdict form and should review it to ensure it accurately reflects your unanimous determinations. The Presiding Juror should then sign and date the verdict form in the spaces below and notify the Courtroom Deputy that you have reached a verdict.

Date: March 24, 2016

Signature: 
Presiding Juror

APPENDIX D

NOTE: This order is nonprecedential.

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

Enplas Display Device Corporation,
Plaintiff-Appellant

**Enplas Tech Solutions, Inc., Enplas (U.S.A.),
Inc.,**
Plaintiffs

v.

Seoul Semiconductor Company, Ltd.,
Defendant-Appellee

2016-2599

Appeal from the United States District Court for the
Northern District of California in No. 3:13-cv-05038-
NC, Magistrate Judge Nathanael M. Cousins.

**ON PETITIONS FOR PANEL REHEARING
AND REHEARING EN BANC**

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,
O'MALLEY, REYNA, WALLACH, TARANTO, CHEN,
HUGHES, and STOLL, *Circuit Judges**.

NEWMAN, *Circuit Judge*, dissents without opinion from the denial of the petition for rehearing en banc filed by the appellee.

PER CURIAM.

O R D E R

Appellee Seoul Semiconductor Company, Ltd. filed a petition for rehearing en banc. Appellant Enplas Display Device Corporation separately filed a combined petition for panel rehearing and rehearing en banc. A response to appellee's petition was invited by the court and filed by appellant Enplas Display Device Corporation. The petitions and response were first referred to the panel that heard the appeal, and thereafter were referred to the circuit judges who are in regular active service. A poll on appellee's petition for rehearing en banc was requested, taken, and failed.

Upon consideration thereof,

IT IS ORDERED THAT:

The petitions for panel rehearing are denied.

The petitions for rehearing en banc are denied.

The mandate of the court will issue on March 20, 2019.

FOR THE COURT

March 13, 2019
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

* Circuit Judge Moore did not participate.