

No. 18-

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IN THE  
**Supreme Court of the United States**

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ZIMMER, INC., ET AL.,

*Petitioners,*

*v.*

STRYKER CORPORATION, ET AL.,

*Respondents.*

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

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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

In *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), this Court held that the two-part test for enhanced patent damages established in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc)—which required proof of both (1) an objectively high likelihood that the accused infringer’s actions constituted patent infringement, and (2) that the risk was either known or so obvious that it should have been known to the accused infringer—was “unduly rigid” because it did not allow plaintiffs to obtain enhanced damages based on “[t]he subjective willfulness of a patent infringer, intentional or knowing, ... without regard to whether his infringement was objectively reckless.”

On remand, the Federal Circuit affirmed the finding of willfulness based solely on the subjective prong of the *Seagate* test, equating the “knew or should have known” prong of the two-part *Seagate* test with the “intentional or knowing” misconduct described by this Court in *Halo*. The district court subsequently imposed treble damages.

The questions presented are:

1. Whether enhanced patent damages can be awarded without regard to whether there was an objectively high risk of infringement based on a finding of negligence, as opposed to a finding of intentional or knowing infringement.
2. Whether the Federal Circuit erred in affirming the enhanced damages award here in a summary order without providing any guidance to lower courts regarding the proper application of *Halo*.

## **PARTIES TO THE PROCEEDINGS BELOW**

Petitioners Zimmer Inc. and Zimmer Surgical, Inc. were defendants-appellants below.

Respondents Stryker Corporation, Stryker Puerto Rico, Ltd., and Stryker Sales Corporation were plaintiffs-appellees below.

## **CORPORATE DISCLOSURE STATEMENT**

Zimmer Surgical, Inc. is wholly owned directly or indirectly by Zimmer, Inc. Zimmer, Inc. is wholly owned directly or indirectly by Zimmer Biomet Holdings, Inc. Zimmer Biomet Holdings, Inc. has no corporate parent, and no publicly held company owns 10% or more of its stock.

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## INTRODUCTION

The last time this case came before the Court, it granted certiorari to relax a Federal Circuit rule that made it too difficult for district courts to award enhanced damages in cases of intentional or knowing patent infringement. Misinterpreting this Court's decision, the Federal Circuit has now swung the pendulum too far in the other direction, allowing enhanced damages to be awarded based on a mere "should have known" negligence standard. Because this overreaction creates a nationwide rule in patent cases out of step with well-established principles regarding how plaintiffs can prove willfulness in the context of civil liability, this Court should once again grant review to address the important issue of when enhanced patent damages may be awarded.

In *Stryker Corp. v. Zimmer Inc.*, No. 14-1520, Stryker sought certiorari from a decision of the Federal Circuit holding that Stryker was not entitled to enhanced patent infringement damages under the two-part test set out in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007). That standard required plaintiffs to show in every case both that the infringer's conduct posed an objectively high likelihood of infringement, and that the infringer "knew or should have known" that its conduct posed that objectively high risk. Stryker, the Federal Circuit held, could not show that Zimmer's conduct posed an objectively high likelihood of infringement because Zimmer presented objectively reasonable defenses to infringement, and therefore could not receive enhanced damages.

This Court granted certiorari and consolidated this case with *Halo Electronics v. Pulse Electronics*, No. 14-1513. In *Halo Electronics, Inc. v. Pulse Electronics*,

*Inc.*, 136 S. Ct. 1923 (2016), this Court held that the Federal Circuit’s two-part test for enhanced patent damages established in *Seagate* was unduly restrictive because it required plaintiffs to show in every case that infringement posed an objectively high likelihood of infringement. Reflecting established principles of the meaning of “willfulness” in the civil context, this Court held that enhanced damages should also be available in cases where the infringer acted with “subjective willfulness” even if the infringer can show after the fact that his actions were not objectively reckless. *Id.* at 1933. In so holding, this Court reaffirmed that enhanced damages are “a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior” that “are not to be meted out in a typical infringement case.” *Id.* at 1932. This Court expected that “review by appellate tribunals” would ensure that district courts exercised their discretion accordingly and remanded for the Federal Circuit to reconsider this case under the new standard. *Id.*

On remand, however, the Federal Circuit immediately garbled this Court’s directives. The Federal Circuit reaffirmed that Zimmer had presented objectively reasonable defenses to infringement, such that its conduct was not objectively unreasonable. Yet the court nevertheless held that Zimmer’s conduct was willful under *Halo*. In so doing, the Federal Circuit conflated the subjective component of its old *Seagate* standard—which was relaxed because it was paired with the requirement to prove an objectively high risk of infringement—with the more demanding standard this Court articulated in *Halo* for awarding enhanced damages based on subjective willfulness alone. The Federal Circuit thus found willfulness based on a mere “knew or should have known” standard.

On remand from the Federal Circuit, the district court again imposed the maximum possible treble damages—for a total award of over \$230 million in damages—applying a mechanical analysis that failed to give any weight to substantial mitigating factors. The Federal Circuit then affirmed that judgment in a single sentence order, disregarding this Court’s admonition that review and guidance from appellate tribunals is necessary to guide the discretion of district courts.

This Court should grant certiorari to overturn the Federal Circuit’s confused, patent-specific willfulness standard, which is inconsistent with *Halo* and general principles of civil willfulness because it allows mere negligence to support a finding of willful infringement. In the alternative, this Court should vacate and remand this case to allow the Federal Circuit to perform the role set out for it in *Halo*—to provide guidance and appellate review of the district court’s award of enhanced damages.

### **OPINIONS BELOW**

The Federal Circuit’s decision on remand from this Court (App. 3a) is reported at 837 F.3d 1268. The Federal Circuit’s summary affirmance of the district court’s decision on remand (App. 1a) is unreported. The Federal Circuit’s order denying rehearing en banc (App. 111a) is unreported.

### **JURISDICTION**

The Federal Circuit entered judgment on December 10, 2018, App. 1a, and denied rehearing en banc on March 19, 2019, App. 111a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

**STATUTORY PROVISION INVOLVED**

Section 284 of the Patent Act, 35 U.S.C. § 284, provides in relevant part:

Upon finding for the claimant 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.

When the damages are not found by a jury, the court shall assess them. In either event, the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

**STATEMENT**

1. Zimmer and Stryker manufacture pulsed lavage devices that squirt fluid and apply suction during medical operations. App. 5a. The basic concept for these kinds of devices existed long before the patents-in-suit, and the patents Stryker asserted here are directed to particular combinations of elements used in pulsed lavage devices that are portable and battery powered. *See id.*

Zimmer began manufacturing portable, battery powered pulsed lavage devices years before the first of Stryker's asserted patents issued. In 1996, Zimmer released the Var-A-Pulse. App. 6a. In 1998, Zimmer began working on an updated design, known as the Pulsavac Plus. *Id.* At the time, none of the patents-in-suit had issued. It is undisputed that Zimmer did not become aware of the patents-in-suit until after the Pulsavac Plus hit the market. *See id.* 5a.

The first of Stryker’s three asserted patents (U.S. Patent No. 6,022,329) did not issue until 2000. App. 5a. Although Stryker inspected Zimmer’s devices that year, it did not file suit against Zimmer at that time. *See id.* 83a. In 2001, a second Stryker patent issued (U.S. Patent No. 6,179,807), based on an application that was not filed until after Zimmer’s Var-A-Pulse launched. *Id.* 5a. A third Stryker patent (U.S. Patent No. 7,144,383) issued in 2006. *Id.*

It is undisputed that Stryker never notified Zimmer of potential infringement prior to filing suit in 2010—a decade after its first patent issued, and over a decade after the first of Zimmer’s infringing products entered the market. *See* C.A.J.A. 136, 1277-1278.

2. At trial, Zimmer presented robust non-infringement and invalidity defenses that would have allowed it to avoid all liability. Stryker responded with its own evidence regarding infringement and validity of the patents-in-suit. Stryker also put on evidence attempting to show that Zimmer’s infringement was “willful” as required for enhanced damages under Section 284. Consistent with the then-controlling standard articulated by the Federal Circuit in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), Stryker did not present evidence showing that Zimmer intentionally or maliciously infringed its patents, but instead put on evidence tending to show that Zimmer “should have known” that its products infringed the patents-in-suit. *See* App. 66a (discussing Stryker’s expert testimony that Zimmer “should have known” because competitors “should be looking at each other’s patents”).

After the close of evidence, Stryker moved for judgment as a matter of law on multiple issues, includ-

ing, as relevant here, on willfulness. In moving for judgment as a matter of law on willfulness, Stryker again made clear that its theory of willfulness was that Zimmer either “knew” or “at least should have known” of the patents it infringed, and that Zimmer did not do enough to determine whether its products infringed those patents. Trial Tr. 1653-1654. The district court ultimately refused to grant that motion, instead leaving the question of willfulness to the jury. *Id.* 1800.

The jury ultimately held that Zimmer infringed Stryker’s patents and awarded Stryker \$70 million in lost profits. *See* App. 6a. The jury also found that Zimmer’s infringement was willful under the then-controlling test articulated by the Federal Circuit in *Seagate*. *Id.* Under that standard, the jury was not asked to, and did not, make any finding of subjective bad faith, wanton or intentional infringement, or vexatious conduct by Zimmer. *See id.* 28a. Instead, the jury was instructed that “[w]illfulness focuses on whether Zimmer acted recklessly.” C.A.J.A. 2878. To find that Zimmer acted with the requisite recklessness, the jury was instructed that it had to find both that Zimmer acted despite “an objectively high likelihood ... that its actions constituted ... infringement of a valid patent,” and that Zimmer “knew or should have known” of that objectively high risk of infringement. *Id.* 2879. The instructions made clear that, even if Zimmer did not have actual knowledge, the second, subjective showing could be met if the evidence showed that Zimmer “should have known that its actions constituted an unjustifiably high risk of infringement of a valid patent.” *Id.* The jury held that Zimmer acted “willfully” under that standard. *See* App. 28a.

The district court denied Zimmer’s post-trial motions and awarded an additional \$6.1 million in supple-

mental damages, \$12.2 million in prejudgment interest, and \$8 million in attorney’s fees. *See* App. 6a; Dkt. 537, 546. The court also enjoined the Pulsavac Plus products found to infringe the ’807 patent. *See* App. 95a; Dist. Dkt. 546. The court then trebled the entire lost profits and supplemental damages amounts and awarded over \$152 million in enhanced damages under 35 U.S.C. § 284—one of the largest such awards in history—for a total judgment of approximately \$248 million. *See* App. 107a-109a.

On appeal, the Federal Circuit affirmed the liability judgment, but reversed the jury’s willfulness finding and the award of treble damages, based on the objective strength of Zimmer’s defenses to infringement. *Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649, 661 (Fed. Cir. 2015) (per curiam). The Federal Circuit explained that “Zimmer presented reasonable defenses to all of the asserted claims of Stryker’s patents.” *Id.* at 661. In particular, it noted that whether the ’807 patent was infringed at all was “a close case.” *Id.* at 658. The Federal Circuit therefore held that Stryker did not establish that there was “an objectively high likelihood that [Zimmer’s] actions constituted infringement of a valid patent” in light of those objectively reasonable defenses to infringement. *Id.* at 660.

3. This Court subsequently granted Stryker’s certiorari petition and consolidated the case with *Halo Electronics v. Pulse Electronics*, No. 14-1513, for oral argument. The Court issued its opinion in the consolidated cases on June 13, 2016. The decision announced a new standard for enhanced damages under Section 284. *Halo*, 136 S. Ct. at 1935. The Court overruled the willfulness test from *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), to the extent “it requires a finding of objective recklessness in every case,” *Halo*,



136 S. Ct. at 1932; “requires clear and convincing evidence to prove recklessness,” *id.* at 1934; and creates a “tripartite framework for appellate review,” *id.* The Court simultaneously held that, despite imposing a less rigid framework, enhancement is “reserved for egregious cases of culpable behavior.” *Id.* at 1932. The Court vacated and remanded to the Federal Circuit for proceedings consistent with its opinion. *Id.* at 1935-1936.

On remand, the Federal Circuit entered an opinion affirming the jury’s findings that Stryker’s patents were valid and infringed. App. 3a. Despite upholding the finding of infringement, the court again analyzed Zimmer’s defenses at length and concluded that each of the “various defenses of noninfringement and invalidity that Zimmer raise[d] across the three asserted patents” was “not unreasonable.” *Id.* 8a. It also again stressed that the infringement ruling on the ’807 patent was a “close case.” *Id.* 15a.

The Federal Circuit also vacated both the jury’s award of attorney’s fees and the district court’s treble damages award, urging the district court to decide whether enhancement was warranted based on “the longstanding considerations” that have “guided both Congress and the courts.” App. 21a (quoting *Halo*, 136 S. Ct. at 1934).

Finally, unprompted by either party, the panel affirmed the jury’s finding of willful infringement. Specifically, the panel noted that under the old *Seagate* standard, the jury had concluded that the risk of infringement was “either known or so obvious that it should have been known” to Zimmer. App. 20a-21a. The panel then pointed to language in *Halo* explaining that “the subjective willfulness of a patent infringer,

intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.” *Id.* 21a. The panel did not address the difference between the “should have known” standard applied in the district court and the “deliberate” or “intentional or knowing” standard articulated in *Halo*.

On remand, the district court again awarded Stryker treble damages and attorney’s fees. It entered an amended final judgment, including over \$152 million in enhanced damages and \$8 million in attorney’s fees. App. 23a-26a. In awarding treble damages, the district court applied the factors from *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992). *See* App. 32a-33a. But in doing so, the district court deployed a check-the-box approach: making a binary decision on whether each *Read* factor favored enhancement without discussing the *degree* of overall enhancement that it favored, meaning that, even where the court acknowledged mitigating circumstances, it failed to give those circumstances any weight or consider whether a smaller sanction than the maximum might adequately serve the interests underlying Section 284. For example, in assessing the “closeness of the case” factor, the district court acknowledged that the Federal Circuit had found that several of Zimmer’s defenses were objectively reasonable and presented a close call, yet nevertheless held that the case was not close because those reasonable defenses were outnumbered by the victories Stryker garnered on other issues. *Id.* 37a.

Zimmer appealed the amended final judgment to the Federal Circuit. Despite full briefing and an extended oral argument, the panel affirmed that decision without analysis. *See* App. 1a. Zimmer petitioned for en banc review of the panel’s ruling, urging the court to rehear the case in order to clarify the subjective show-

ing required to justify imposition of enhanced damages under Section 284. The Federal Circuit denied review without explanation. *Id.* 111a-112a.

### **REASONS FOR GRANTING THE PETITION**

#### **I. THE FEDERAL CIRCUIT’S DECISION CONFLICTS BOTH WITH THIS COURT’S DECISION IN *HALO* AND WITH WELL-SETTLED RULES ON PROVING A CULPABLE MENTAL STATE**

##### **A. This Court’s Decision In *Halo* Reflects Well-Established Understandings About Proving A Willful Mental State**

In *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), this Court held that the Federal Circuit’s standard for permitting an award of enhanced damages improperly prevented plaintiffs from establishing that a defendant’s infringement was willful via evidence that the defendant intentionally infringed the patent. Although *Halo* mandated more flexible implementation of the enhanced damages standard, it also reaffirmed that enhanced damages are appropriate under Section 284 “only in egregious cases.” *Id.* at 1932. *Seagate*’s recklessness standard was and remains one way to try to prove willful infringement. *See id.* (holding that the “problem with *Seagate*’s two-part test is that it requires a finding of objective recklessness *in every case*” (emphasis added)). But this Court’s decision mandated that *in addition* to *Seagate*’s recklessness standard, courts must allow patent holders to establish willfulness through direct evidence of the infringer’s subjective intent.

That holding reflects established principles regarding how plaintiffs can prove willfulness in the context of civil liability. Willfulness can generally be proved in

either of two distinct ways: through evidence of the defendant’s actual, subjective intent, or through a combination of objective and subjective evidence that establishes the defendant acted recklessly.

That understanding of willfulness is a familiar one that is common to many areas of law. *See, e.g., Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 555 (2014) (“[A] case presenting *either* subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award. (emphasis added)); *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 57 (2007) (“[W]here willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well.”); *Mager v. Wisconsin Central Ltd.*, 924 F.3d 831, 837 (2019) (“To show that a party’s failure to comply was motivated by bad faith, willfulness, or fault, the conduct must display either an intent to thwart judicial proceedings or a reckless disregard for the effect of [his] conduct on those proceedings.” (quotation marks omitted) (alteration in original)); *Robare Group, Ltd. v. SEC*, 922 F.3d 468, 479-480 (D.C. Cir. 2019) (recognizing that “[e]xtreme recklessness may constitute a lesser form of intent” (quotation marks omitted)).

While both a showing of subjective willfulness and a showing of objective recklessness are means of proving the same ultimate statutory condition of civil liability, the two approaches differ in significant ways. A showing of actual intent or willfulness is a purely subjective showing, requiring the plaintiff to show that the defendant intended or willed the violation at the time the violation took place. That evidence of willfulness is what this Court was talking about in *Halo*: evidence that would establish that the defendant was a “wanton

and malicious pirate’ who intentionally infring[ed] another’s patent—with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee’s business.” 136 S. Ct. at 1932.

But that kind of direct evidence of intent or willfulness will not be available in every case. Thus, courts allow a plaintiff to establish the defendant’s culpable mental state through an alternative route—a showing of recklessness. That showing of recklessness allows a plaintiff to construct a sufficiently intentional mental state from a combination of objective and subjective showings. First, the plaintiff must show that the defendant’s conduct was objectively reckless—i.e., that, viewed by a reasonable observer, the facts established at trial created an objectively high likelihood that his actions constitute infringement of a valid patent. Second, the plaintiff must make a subjective showing—i.e., that the facts giving rise to the objectively high risk of infringement were either known or so obvious that they should have been known to the infringer. If *both* the objective and subjective showings are made, the defendant will be deemed to have acted willfully even absent direct evidence that it intended to violate the plaintiff’s rights.

Thus, while both the “actual” and “constructive” means of showing intent incorporate subjective elements, those elements are distinct. Actual intent requires that the defendant acted willfully or intentionally, with no need to resort to objective factors. Constructive intent, on the other hand, requires a showing that the defendant acted knowingly or negligently (“knew or should have known”) in the face of facts that created an *objectively* high risk of infringement. Under that alternative approach, both the objective and subjective components are necessary to establish that the

defendant acted willfully. The subjective negligence showing, standing alone, is insufficient to support a finding of willfulness, as “[i]ntent and negligence are regarded as mutually exclusive grounds for liability.” *Robare Group*, 922 F.3d at 479 (quoting *Harris v. U.S. Dep’t of Veteran Affairs*, 776 F.3d 907, 916 (D.C. Cir. 2015)).

**B. The Federal Circuit’s Ruling Fundamentally Misunderstands Those Principles**

The Federal Circuit’s decision garbles this Court’s decision in *Halo*—and the well-established understanding of willfulness it reflects—in two related ways.

First, the decision below inexplicably severs the objective and subjective components of *Seagate*’s recklessness inquiry. The jury’s recklessness finding required it to make two, closely related findings: (1) that Zimmer’s conduct was objectively reckless because it created an objectively high risk of infringement, and (2) that Zimmer knew or should have known *of that objectively high risk of infringement*. See App. 20a-21a; C.A.J.A. 2878-2879. In other words, the subjective prong measures the defendant’s mental state *regarding an objectively-defined risk of infringement* (e.g., whether Zimmer should have known of an objective risk of infringement). See *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007). In this case, the Federal Circuit determined that there was *no* objectively-defined risk of infringement, 782 F.3d at 660-662, and *Halo* did not disturb that holding. Given that holding, Zimmer cannot now be found to be a willful infringer based on knowing or failing to know *something that does not exist*.

Second, even assuming it were appropriate to consider the subjective component of the jury's finding in isolation, the decision below inexplicably transforms the jury's finding that Zimmer "knew or should have known" of facts that gave rise to some risk of infringement into a finding that Zimmer subjectively intended to violate Stryker's patents. That makes no sense, and it reflects the Federal Circuit's failure to recognize that objective recklessness and actual intent are *alternative* means of establishing willfulness in the context of civil liability. As explained above, while both of those alternatives have a subjective component, those subjective inquiries are unrelated. *See supra* pp.12-13.

The jury here was not instructed to consider whether Zimmer engaged in "willful, wanton, malicious, bad-faith, deliberate, [or] consciously wrongful" conduct. *Halo*, 136 S. Ct. at 1932. Instead, it was expressly instructed to focus on whether "Zimmer acted recklessly." C.A.J.A. 2878. That recklessness inquiry, the jury was told, required it to consider only whether Zimmer "knew or should have known" of "an objectively high likelihood ... that its actions constituted infringement of a valid patent." *Id.* 2879. The instructions made clear to the jury that it did not even need to conclude that Zimmer had actual knowledge that its conduct was likely to infringe a valid patent; it was enough if Zimmer "should have known that its actions constituted an unjustifiably high risk of infringement of a valid patent." *Id.*

It was not just the jury instructions that focused the jury's attention on a negligence-type "should have known" standard: Stryker's theory throughout this case, including at trial, was that Zimmer should have known of an objectively high risk that its products infringed Stryker's patents, and that Zimmer failed to do

enough to recognize that fact. *See* App. 66a (district court summarizing evidence “from which jury could have concluded that Zimmer knew or should have known about the asserted patents”); C.A.J.A. 1621-1622 (Stryker’s expert testifying that his conclusions were based on finding that Zimmer “should have known” of a high risk of infringement of Stryker’s patents). There was in fact no evidence of actual knowledge of infringement in the record. Stryker did not give Zimmer any notice of infringement—not one letter, not one phone call—in the ten years between when its patents issued and when it filed suit. *See* App. 6a.

Thus, the only finding the jury made with respect to Zimmer’s subjective intent is tantamount to a finding of *negligence*, not intent or willfulness. Yet the Federal Circuit nevertheless equated that finding—on its own and separated from any inquiry into whether there was an objectively high likelihood of infringement—with the kind of subjective intent this Court described in *Halo*. That is incoherent and indefensible. *See Robare Group*, 922 F.3d at 479 (“Intent and negligence are regarded as mutually exclusive grounds for liability.” (internal quotation marks omitted)).

Because the Federal Circuit fundamentally misunderstood the two distinct, alternative means of establishing willfulness in the civil context, it endorsed exactly what this Court warned against in *Halo*—an award of enhanced damages in a “typical infringement case” where the defendant’s conduct was not “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or ... characteristic of a pirate.” 136 S. Ct. at 1932.



**C. The Decision Below Cleanly Presents An Important Question That Warrants This Court’s Review**

The Federal Circuit’s departure from this Court’s decision in *Halo*—and from well-established understandings of willfulness in the context of civil liability—warrants this Court’s attention for multiple reasons.

First, as this Court recognized in granting the petitions for certiorari in both this case, *Stryker Corp. v. Zimmer, Inc.*, No. 14-1520, and *Halo Electronics v. Pulse Electronics*, No. 14-1513, the proper interpretation of Section 284 is an important question that warrants this Court’s attention. Just as this Court granted certiorari to evaluate whether the Federal Circuit’s *Seagate* standard was too rigid, the Court should grant certiorari here to consider whether the decision below creates an unduly permissive standard for reviewing enhanced damages. Indeed, in *Halo* this Court observed that, despite its impermissible rigidity, *Seagate* served as a “sound recognition that enhanced damages are generally appropriate under § 284 only in egregious cases.” 136 S. Ct. at 1932. This high bar follows from 180 years of practice. This Court has long reserved enhanced damages for cases of “wanton and malicious” conduct, *Id.* at 1928 (quoting *Seymour v. McCormick*, 57 U.S. (16 How.) 480, 488 (1854)), where “vindictive or punitive” damages are required, *id.* at 1929 (quoting *Tilghman v. Proctor*, 125 U.S. 136, 143-144 (1888)). Such damages are not to be awarded where a defendant acted “in ignorance,” *id.* at 1928 (quoting *Seymour*, 57 U.S. (16 How.) at 488), or “where infringers were not ‘wanton,’” *id.* at 1929 (quoting *Livingston v. Woodworth*, 56 U.S. (15 How.) 546, 560 (1853)). The decision below ignores those principles, allowing punitive dam-

ages in exactly the circumstances this Court cautioned against.

Second, the Federal Circuit’s decision effectively creates a patent-specific rule for establishing willfulness that is out of step with general principles applied by other courts. Many civil liability schemes incorporate a requirement that the defendant have acted willfully or with a high degree of culpability. The standard discussed above—whereby willfulness can be shown through *either* proof of actual subjective intent/knowledge *or* proof of objective recklessness—“is a familiar willfulness standard that is common to many areas of law.” *Krakauer v. Dish Network, L.L.C.*, -- F.3d --, 2019 WL 2292196, at \*12 (4th Cir. 2019).

That “standard civil usage” of the word “willfully” has been recognized broadly, including by this Court. *Safeco*, 551 U.S. at 57; *see also, e.g., Krakauer*, 2019 WL 2292196, at \*12 (describing that “familiar willfulness standard”); *Fryer v. A.S.A.P. Fire & Safety Corp.*, 658 F.3d 85, 91-92 (1st Cir. 2011) (holding that the term “willful” “refers to a knowing violation or action taken in reckless disregard of the obligations imposed by [the statute]”); *Bateman v. Am. Multi-Cinema, Inc.*, 623 F.3d 708, 711 n.1 (9th Cir. 2010) (describing standard for establishing willfulness and contrasting it against a merely negligent violation); *Armalite, Inc. v. Lambert*, 544 F.3d 644, 647-648 (6th Cir. 2008) (allowing willfulness to be established based on mere negligence would “announce a new standard of willfulness, one that breaks from customary usage, that deviates from all relevant decisions by our sister circuits and that is inconsistent with the Supreme Court’s most recent guidance on the point in *Safeco*”); *Muransky v. Godiva Chocolatier, Inc.*, 922 F.3d 1175, 1181 (11th Cir. 2019) (“A merchant willfully violates [the statute] by acting

in knowing violation of its statutory duties or by acting in reckless disregard of those duties.”).

The Federal Circuit’s decision departs from that “familiar” standard and creates a patent-specific rule that both ignores the distinction between the two means of proving a willful violation and authorizes courts to impose punitive damages upon a finding of mere negligence. This Court should clarify that merely showing an infringer “should have known” that its actions would likely infringe a patent cannot serve as a sufficient basis on its own for punitive damages under Section 284.

Third, and relatedly, the Federal Circuit’s decision significantly lowers the bar for obtaining punitive damages in patent cases. The consequences of that lowered bar for patent litigation and for society more broadly are troubling. This Court has recognized that “the public ... has a paramount interest in seeing that patent monopolies are kept within their legitimate scope.” *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 203 (2014) (quotation marks omitted). But many companies and individuals that might have otherwise stood their ground and raised good faith challenges to the validity or scope of patents will have little choice but to yield in the face of the overwhelming pressure created by the possibility of treble damages awarded under what amounts to a negligence standard.

Fourth, the Federal Circuit’s decision creates significant uncertainty for all entities that operate in highly-patented fields. By blurring the line between the subjective prong of the recklessness standard articulated in *Seagate* and the actual willfulness standard articulated by this Court in *Halo*, the Federal Circuit has created significant confusion regarding what will be re-

quired to establish that infringement of a patent is sufficiently “egregious” to merit enhanced damages. In light of that uncertainty, entities will be unable to anticipate whether their conduct might risk punitive damages if they choose to challenge a questionable patent. This unpredictability will chill competition, drive companies to settle even marginal claims, and increase the incentives to file questionable patent suits, which already drain massive resources.

Finally, the Federal Circuit’s holding will impact a large category of cases. This Court’s decision in *Halo* did not do away with the *Seagate* standard; it merely held that there is an additional, alternative means of establishing willfulness through direct evidence of the infringer’s subjective intent. Even after this Court’s decision, district courts thus continue to instruct juries using the *Seagate* recklessness standard. Those jury instructions use language materially similar to the jury instructions given in this case—explaining that willful infringement can be established by proof that the defendant “knew or should have known” of an objectively high risk of infringement. *See, e.g.*, Jury Instruction 5.3, *Nanology Alpha LLC v. WITec Wissenschaftliche Instrumente und Technologie GmbH*, No. 6:16-CV-00445-RWS, 2018 WL5077316 (E.D. Tex. July 26, 2018) (“Willfulness requires you to find, by a preponderance of the evidence, that WITec’s infringement was intentional or knowing, i.e., that WITec undertook its infringing actions despite a risk of infringement that was either known to WITec or so obvious that it should have been known to WITec.”); Final Jury Instructions, *Kahr v. Cole*, No. 13-C-1005, 2016 WL 5122111, (E.D. Wisc. Aug. 10, 2016) (“To succeed on its contention that the Iron Works Companies infringed the patent willfully, Plaintiff must prove ... Defendants knew of the high

likelihood that it was infringing a valid patent, or this likelihood was so apparent that Defendant should have known of it.”).

The Federal Circuit has nationwide jurisdiction over patent cases. Unless and until this Court clarifies that mere negligence is insufficient to award enhanced damages, every court in the country will be bound to apply the Federal Circuit’s unduly permissive standard. This question warrants this Court’s review.

This case is an ideal vehicle to address the question presented. The jury’s verdict in this case is clearly based on the recklessness standard articulated in *Seagate*, as the jury verdict here came down before this Court’s decision in *Halo* articulated the alternative means of establishing willfulness through direct evidence of subjective intent. There is thus no question that the only subjective finding the jury here made was that Zimmer “knew or should have known” of an objectively high risk of infringement.

This case also presents a uniquely clean vehicle to address this issue because of the Federal Circuit’s holding that Zimmer presented objectively reasonable defenses at trial, and that Stryker therefore failed to establish “an objectively high likelihood that [Zimmer’s] actions constituted infringement of a valid patent.” *See* 782 F.3d at 660-662 (quoting *Seagate*, 497 F.3d at 1371). This case thus clearly presents the question whether the subjective component of a recklessness verdict can, standing alone, establish that an infringer acted willfully for purposes of Section 284.

This Court should not allow its *Halo* decision to be so profoundly misinterpreted. The petition for a writ of certiorari should be granted to provide clarity on this vitally important issue.

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

In *Halo*, this Court rejected *Seagate*’s “unduly rigid” test for awarding enhanced damages. 136 S. Ct. at 1932 (quoting *Octane Fitness*, 572 U.S. at 553). In doing so, this Court made clear that the purpose of that change was not to usher in unfettered discretion. Rather, *Halo* reiterated that enhanced damages should be imposed only in exceptional cases where the defendant’s infringement was willful. This Court expressed concern that “district courts may award enhanced damages too readily” but assumed the Federal Circuit would “review such exercises of discretion” to ensure they are “reserved for egregious cases.” *Id.* at 1934.

The Federal Circuit failed to follow that directive on remand. Instead of reviewing the district court’s exercise of discretion, it issued a one sentence summary affirmance—sidestepping entirely the crucial oversight role this Court prescribed for it in *Halo*. The Federal Circuit’s abdication of its role has enabled district courts to enhance damages in “garden-variety cases,” exactly what this Court cautioned against. 136 S. Ct. at 1935. It has also created pervasive inconsistency and confusion in the district courts.

This confusion is evident in the way district courts “apply the non-exclusive factors articulated [by the Federal Circuit] in *Read Corp. v. Portec*.” *Georgetown Rail Equip. Co. v. Holland L.P.*, 867 F.3d 1229, 1244-1245 (Fed. Cir. 2017). Consistent with this Court’s rejection of an “unduly rigid” standard in *Halo*, *Read*’s nine factors are not a mechanical, check-the-box exercise. Rather, they guide district courts’ determination

of “the egregiousness of the defendant’s conduct based on all the facts and circumstances.” *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992).

The Federal Circuit’s abdication of the role prescribed to it by *Halo* has allowed district courts to apply a rigid “scorecard” approach to those *Read* factors that fails to address the relevant inquiry—whether the infringement in question is “egregious” and, if so, what degree of enhancement is appropriate. *Halo*, 136 S. Ct. at 1934. The instant litigation is a case-in-point: Because it found that all nine *Read* factors “favored enhancement,” the district court concluded that Zimmer was an “egregious infringer.” See App. 34a-40a. But the district court ignored the closeness of *each* factor, erroneously treating narrow favorability on each as wide disparity in the aggregate. For example, it gave no weight to the fact that this was not a case of a company that intentionally infringed known patents, concealed its sales, ignored repeated infringement letters, or was unable to present reasonable defenses when sued. Nor did it give any weight to the fact that Zimmer launched its purportedly infringing product before the patents-in-suit issued, openly sold its product with Stryker’s knowledge for a decade without one word about infringement, did not intentionally infringe, and presented reasonable defenses when sued.

The district court’s decision to award the maximum possible amount of enhanced damages in the face of these substantial mitigating factors resulted directly from its abandonment of a holistic assessment in favor of binary inquiries unmoored from the core issue of egregiousness. That is exactly the sort of blinkered approach this Court disclaimed in *Halo*.

The devolution of *Read* into a formalistic test threatens to vitiate the central aim of *Halo*: to refocus the decision whether to impose enhanced damages on whether infringement is egregious. Lower courts have failed to follow this guidance, instead continuing to enhance damages in close cases, and the Federal Circuit has failed to correct those abuses.

The absence of meaningful appellate review has also permitted district courts to adopt conflicting applications of individual *Read* factors. In particular, district courts—including the district court here—have interpreted the “closeness of the case” and the “litigation behavior” factors in ways completely divorced from the central question of egregiousness.

District courts have split over whether *Read*’s “closeness of the case” factor applies to the closeness of the litigation as a whole or whether the failure of individual arguments along the way tips the balance toward enhancement. Compare *Ericsson Inc. v. TCL Commc’n Tech. Holdings, Ltd.*, No. 2:15-CV-00011-RSP, 2018 WL 2149736, at \*11 (E.D. Tex. May 10, 2018) (concluding that “[a]lthough the case as a whole may have been close,” one issue that was not close favors enhancement), *appeal filed*, No. 18-2003 (Fed. Cir. May 24, 2018), with *Kowalski v. Mommy Gina Tuna Resources*, No. CIV. 05-00679-BMK, 2009 WL 855976, at \*2 (D. Haw. Mar. 30, 2009) (concluding that even though the plaintiff had “point[ed] to numerous victories during the course of litigation,” “this case was a close one, [and] this factor tips against awarding enhanced damages” because “success for Defendants at any of these junctures would have resulted in a complete victory for Defendants”).



Here, for example, Zimmer’s reasonable defenses offered a path to complete victory, making the case a close one. Yet the district court assessed the closeness factor using a simplistic, rigid approach that treated each claim or motion lost as an element of egregiousness. App. 37a. In essence, the court penalized Zimmer for making additional arguments beyond its strongest defenses. Vigorous advocacy alone is far from the kind of “wanton, malicious, [or] bad-faith” conduct this Court referenced in *Halo*. 136 S. Ct. at 1932. The closeness of the case factor should therefore have militated *against* awarding enhanced damages.

That approach to the “closeness of the case” factor threatens to upset the “careful balance between the need to promote innovation” and the need for “invention [that is] the very lifeblood of a competitive economy.” 136 S. Ct. at 1935 (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989)). Where defendants have “defenses to the infringement of each patent claim” that are “not objectively unreasonable,” the public’s strong interest in innovation requires that defendants be able to assert them without fear of a treble damages award that will not be subject to meaningful appellate review. *Stryker*, 782 F. 3d at 662.

District courts have also disagreed over the proper application of the “litigation behavior” factor. Compare *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 288 F. Supp. 3d 872, 902 (E.D. Wis. 2017) (concluding that “delaying whenever possible the day when [parties] must finally stake their legal positions” is not “egregious misconduct” meriting enhancement), *appeal filed*, No. 18-1516 (Fed. Cir. Feb. 5, 2018), *with* App. 36a (concluding that “needless delays” caused by a party favor enhancement). For example, the district court in this case

held that a single, garden-variety discovery dispute—one that it did not even learn about until the enhancement stage—favored enhancing damages under *Read*’s litigation conduct prong. *See* App. 36a.

*Halo* casts serious doubt on whether litigation conduct is even relevant to enhancement under Section 284. This Court made clear in *Halo* that Section 284’s enhanced damages provision should be deployed only to “punish infringers” for “willful or bad-faith infringement.” 136 S. Ct. at 1929-1930. The Court further noted that the need to use enhanced damages to compensate for litigation conduct “dissipated with the enactment in 1952 of 35 U.S.C. § 285,” the provision governing attorney’s fees in patent cases. *Id.* at 1929. It is thus inappropriate to use conduct in litigation to characterize the egregiousness of the underlying infringement—as opposed to, at most, a basis for awarding attorney’s fees.

In any event, even assuming litigation conduct remains a proper consideration in assessing enhanced damages, permitting defendants to be penalized—at the maximum allowable level—for run-of-the-mill litigation tactics undermines the public’s “paramount interest in seeing that patent monopolies ... are kept within their legitimate scope.” *Medtronic*, 571 U.S. at 203 (alteration in original) (quoting *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)). If defendants cannot vigorously assert reasonable defenses without risk of substantial penalties, would-be inventors will be deterred from pursuing “the ‘imitation and refinement through imitation’ that are ‘necessary to invention itself.’” *Halo*, 136 S. Ct. at 1935 (quoting *Bonito Boats*, 489 U.S. at 146). This Court should not permit lower courts to apply a standard that will regularly result in the imposition of

enhanced, punitive damages on those who reasonably challenge allegations of infringement.

In order to remedy this confusion, the Court need not enter the thicket of parsing the meaning of each *Read* factor. *Halo* already establishes the proper court to undertake such review: the Federal Circuit. Where, as here, “a particular issue ... does not appear to have [been] fully considered” by a lower court, granting certiorari in order to vacate and remand the decision below “assists this Court by procuring the benefit of the lower court’s insight.” *Lawrence on Behalf of Lawrence v. Chater*, 516 U.S. 163, 167 (1996) (per curiam); see also *Carter v. Stanton*, 405 U.S. 669, 671-672 (1972) (per curiam) (vacating and remanding because the district court’s “order is opaque and unilluminating”); *Danley v. Allen*, 480 F.3d 1090, 1091 (11th Cir. 2007) (per curiam) (noting that “[m]any times, and in many contexts, this Court has admonished district courts that their orders should contain sufficient explanations of their rulings” and vacating and remanding a “one-sentence summary denial[] [that] wholly fail[ed] to provide this Court with an opportunity to conduct meaningful appellate review”). The Federal Circuit’s summary affirmance here was similarly threadbare and requires clarification to enable appellate review.

If it does not grant review on the first question presented, this Court should vacate and remand this case so that the Federal Circuit can provide guidance in a written and reasoned opinion on the appropriate application of the *Read* factors in light of this Court’s decision in *Halo*.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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