No. 21-1267

In the Supreme Court of the United States

CISCO SYSTEMS, INC.,

Petitioner,

v.

SRI INTERNATIONAL, INC.,

Respondent.

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

BRIEF OF HIGH TECH INVENTORS ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

ANDREW J. PINCUS
Counsel of Record
CARMEN N. LONGORIA-GREEN
Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
apincus@mayerbrown.com

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INTEREST OF THE *AMICUS CURIAE*

High Tech Inventors Alliance (HTIA) is a consortium of some of the world's most innovative technology companies: Adobe, Amazon, Cisco, Dell, Google, Intel, Micron, Microsoft, Oracle, Salesforce, and Samsung. It supports fair and reasonable patent policy by publishing policy research, providing testimony and comments to Congress and government agencies, and sharing industry's perspective with courts considering issues important to technology companies.[1]

HTIA's members annually invest more than $140 billion in research and development and have received nearly 350,000 patents. Due to their products' complexity and success, HTIA's members also are frequently targets of patent-infringement claims, giving them a unique perspective as both plaintiffs and defendants in high-stakes patent litigation.

This Court's decision in *Halo Electronics, Inc.* v. *Pulse Electronics, Inc.*, 579 U.S. 93 (2016), significantly altered the standard governing awards of enhanced damages in patent-infringement actions.

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[1] Pursuant to Rules 37.2 and 37.6, HTIA affirms that no counsel for a party authored this brief in whole or in part and that no person other than HTIA, its members, or its counsel made a monetary contribution to its preparation or submission.

Cisco is a member of HTIA but was excluded from HTIA's decision whether to file this brief, from HTIA's decisions regarding the brief's contents, and from participation in the brief's preparation, and did not make any contributions directly intended to fund this brief.

Counsel of record for all parties received notice of HTIA's intention to file this brief at least 10 days prior to the due date, and all parties have consented to the filing of this brief.

But—as this case demonstrates—neither the district courts nor the Federal Circuit have properly integrated the *Halo Electronics* standard into the process for determining when enhanced damages are permissible.

Because HTIA's members recognize the importance of appropriate patent protection as well as appropriate limitations on enhanced damages, they submit this brief to urge the Court to grant review in this case to ensure that the standards governing awards of enhanced damages comport with this Court's precedents.

INTRODUCTION AND SUMMARY OF ARGUMENT

In *Halo Electronics, Inc.* v. *Pulse Electronics, Inc.*, 579 U.S. 93 (2016), this Court rejected the Federal Circuit's then-current standard for determining when enhanced damages may be awarded under 35 U.S.C. § 284. *Id*. at 108-10. The Court held that the threshold question in determining whether enhanced damages are available is whether the infringement was "willful" based on the subjective knowledge and intent of the infringer at the time of its culpable actions. *Id*. at 105-06.

Halo Electronics further recognized that proof of subjective willfulness is not sufficient. Rather, enhanced damages are reserved for particularly egregious willful misconduct equivalent to that of "the 'wanton and malicious pirate' who intentionally infringes 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." 579 U.S. at 104 (quoting *Seymour* v. *McCormick,* 16 How. 480, 488 (1853)).

The petition explains that the Federal Circuit erred by reinstating an enhanced-damages award that had already been vacated on a previous appeal. Instead the case should have been remanded to allow the district court to apply *Halo Electronics* in the first instance. Pet. 23-28.

But there is another, much more fundamental error in this case: The additional $23 million awarded as enhanced damages is not based on *Halo Electronics*' "wanton and malicious" standard.[2] The district court instead rested its enhanced-damages award on factors adopted by the Federal Circuit thirty years ago in *Read Corp.* v. *Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992)—factors that this Court has never embraced and that do not reflect the *Halo Electronics* test.

Read's factors were adopted based on the Federal Circuit's then-prevailing enhanced-damages standard, set forth in *Underwater Devices Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). The court of appeals subsequently rejected its *Underwater Devices* test, finding that it set a standard "more akin to negligence" than willfulness. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

Today, however, the Federal Circuit continues to use those same *Read* factors to assess enhanced-damages awards—as it did here—even though *Halo Electronics*' requirement of wanton and malicious conduct sets a standard far more demanding than mere negligence. It is not surprising that factors identified as sufficient to prove negligence are grossly unsuited to

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[2] All references in this brief to an amount awarded as enhanced damages mean the amount awarded *in addition to* reasonable royalties, lost profits, or other form of compensatory damages.

the task of distinguishing wanton and malicious conduct from less-egregious infringement.

Indeed, many of the *Read* factors—such as the defendant's litigation behavior, the defendant's size and financial condition, the closeness of the case, and the duration of the infringement—either have no bearing on the inquiry that *Halo Electronics* mandates or must be refocused in order to comport with that standard. Still another factor—the defendant's investigation of the alleged infringement—appears to contravene a statutory provision enacted since *Read* was decided. See 35 U.S.C. § 298 (failure to obtain the advice of counsel "may not be used to prove that the accused infringer willfully infringed the patent").

More fundamentally, the mere recitation of even potentially relevant factors cannot relieve the district court of its obligation to apply *Halo Electronics*' "egregious misconduct" standard to the entire record. The district court here merely walked through the *Read* factors and said nothing about whether, or why, Cisco's conduct satisfied this Court's "wanton and malicious" test.

The Federal Circuit did nothing to correct the district court's errors. It upheld the enhanced-damages award, stating simply that the district court "appropriately" considered the *Read* factors. Pet. App. 12a.

The mechanical reliance on irrelevant *Read* factors here is typical of the lower courts' treatment of enhanced damages in patent litigation. In the six years since *Halo Electronics* was decided, district courts across the country have routinely applied the *Read* factors as a check-list for determining whether to award enhanced damages, without updating their

analyses to reflect this Court's ruling. The Federal Circuit, in turn, has rubber-stamped that approach.

Application by courts of an enhanced-damages analysis based on the *Read* checklist harms innovative companies because it allows courts to impose enhanced damages in cases of ordinary infringement. As Justice Breyer recognized in *Halo Electronics*, inappropriately expanding the availability of enhanced damages will "discourage lawful activity" and "frustrate, rather than 'promote,' the 'Progress of Science and useful Arts.'" 579 U.S. at 113 (Breyer, J., concurring) (quoting U.S. Const., Art. I, § 8, cl. 8).

This Court's intervention is urgently needed to correct the lower courts' application of an enhanced-damages standard that does not comport with *Halo Electronics*. Without a course correction, courts across the country will continue to award enhanced damages without adequate or appropriate justification, potentially subjecting innovative companies to hundreds of millions, if not billions, of dollars in unjustified awards. These added costs, in turn, either will be passed along to consumers or will result in fewer technological innovations in the market, a result contrary to the goals of our patent laws. This Court's review is therefore urgently needed.

ARGUMENT

I. The Lower Courts' Reliance On The *Read* Factors Violates *Halo Electronics*.

Congress granted district courts the authority to award enhanced damages "up to three times the amount" that is "adequate to compensate" a plaintiff for a patent infringer's actions. 35 U.S.C. § 284. The exercise of this discretion was formerly governed by

the Federal Circuit's decision in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), but this Court rejected that standard in *Halo Electronics, Inc.* v. *Pulse Electronics, Inc.*, 579 U.S. 93, 108-09 (2016).

In so ruling, the Court made no mention of *Read Corp.* v. *Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992), a nearly thirty-year-old Federal Circuit opinion that outlined nine factors for district courts to use when determining whether to award enhanced damages.

This Court made no mention of *Read* for good reason: many of its factors contravene, or are irrelevant to, the key principles set forth in *Halo Electronics*.

Nevertheless, the district court here justified its award of $23 million in enhanced damages based on a subset of the *Read* factors, and the Federal Circuit upheld that approach. Therefore, neither court ever determined whether Cisco's conduct merited enhanced damages under *Halo Electronics*.

A. *Halo Electronics* Made Clear That Enhanced Damages Are Reserved For Egregious Cases Of Willful Misconduct.

This Court in *Halo Electronics* clarified the limits on a district court's discretion to award enhanced damages. It held that, because "'[d]iscretion is not whim,'" a district court's decision whether and in what amount to award such damages must "'be guided by sound legal principles.'" 579 U.S. at 103-04 (quoting *Martin* v. *Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

Those governing legal principles, the Court held, have been defined through "nearly two centuries" of patent litigation, which establish that enhanced damages "are not to be meted out in a typical

infringement case." *Halo Electronics*, 579 U.S. at 103-04. Rather, they are "designed as a 'punitive' or 'vindictive' sanction for egregious infringement behavior." *Id*. at 103. In particular, "[t]he sort of conduct warranting enhanced damages has been variously described * * * as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate." *Id*. at 103-04.

This Court explained that to determine whether infringing conduct meets this exacting standard, district courts should focus on "[t]he subjective willfulness of a patent infringer," by evaluating the infringer's knowledge and intent. *Halo Electronics*, 579 U.S. at 105. The infringer's "culpability" must be assessed based on the facts "at the time of the challenged conduct"—it is improper to "look to facts that the defendant neither knew nor had reason to know at the time he acted." *Ibid*.

That contrasts with the Federal Circuit's *Seagate* test, which *Halo Electronics* rejected because it required a "finding of objective recklessness" as a prerequisite to any award of enhanced damages. 579 U.S. at 104. Such a requirement, the Court explained, was inconsistent with the purpose of enhanced-damages awards, which is to target defendants like the "'wanton and malicious pirate[s]' who intentionally infringe[] 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." *Ibid*. (quoting *Seymour* v. *McCormick,* 16 How. 480, 488 (1853)).

Moreover, knowing infringement, standing alone, is insufficient to satisfy the *Halo Electronics* standard. The touchstone identified by this Court—"subjective willfulness" that is sufficiently egregious—makes

clear that intentional wrongdoing is required. That conclusion is confirmed by the Court's explanation that the standard is satisfied by conduct that is "willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate." *Halo Electronics*, 579 U.S. at 103-04.

Justice Breyer further explained, in his concurring opinion joined by Justices Kennedy and Alito, that "the Court's references to 'willful misconduct' do not mean that a court may award enhanced damages simply because the evidence shows that the infringer knew about the patent *and nothing more*." *Halo Electronics*, 579 U.S. at 110 (Breyer, J., concurring). Rather, what is required are "'circumstanc[es]' that transform[] simple knowledge into * * * egregious behavior." *Id.* at 111. It is the egregiousness that "makes all the difference" because it is the essential prerequisite needed to justify enhanced damages. *Ibid.*

Further, even after a finding of "egregious misconduct," an enhanced-damages award is *not* automatic. *Halo Electronics*, 579 U.S. at 106. The Court rejected such an "unduly rigid" approach. *Id.* at 104; see also *id.* at 107 ("we eschew any rigid formula for awarding enhanced damages under § 284"). Instead, district courts must "take into account the particular circumstances of each case," looking at the case as a whole to determine whether the heavy sanction of enhanced damages is warranted. *Id.* at 106.

B. Mechanical Application Of The *Read* Factors Is Inconsistent With The *Halo Electronics* Standard.

The Federal Circuit's 1992 decision in *Read Corp.* v. *Portec, Inc.*, 970 F.2d at 827, identified nine factors for district courts to consider when deciding whether to make an enhanced-damages award. The factors, which became and remain the touchstone for lower courts deciding whether to award enhanced damages, are:

1. whether the infringer engaged in deliberate copying;
2. whether the infringer, when it knew of the patent, investigated the scope of the patent and formed a good faith belief that the patent was invalid or that it was not infringed;
3. the infringer's behavior during litigation;
4. the infringer's size and financial condition;
5. the "[c]loseness of the case";
6. the duration of the infringer's misconduct;
7. any remedial action taken by the infringer;
8. the infringer's motivation for harm; and
9. whether the infringer "attempted to conceal its misconduct."

Id. at 826-27.

At the time *Read* was decided, the Federal Circuit's decision in *Underwater Devices, Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380 (1983), set the standard for awards of enhanced damages. *Underwater Devices* purported to require proof of willfulness, but it stated that "[w]here * * * a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not

he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity." *Id*. at 1389-90 (citation omitted).

The Federal Circuit subsequently overturned this standard, recognizing its complete incompatibility with the requirement of willful infringement: "*Underwater Devices* sets a * * * threshold for willful infringement that is more akin to negligence." *In re Seagate*, 497 F.3d at 1371. *Seagate* required proof of objective and subjective recklessness as prerequisites to awards of enhanced damages and then assessment of the propriety of an enhanced damages award under an abuse-of-discretion standard. *Halo Electronics*, 579 U.S. at 97, 100-01 (explaining *Seagate*).

But the Federal Circuit, notwithstanding its recognition that *Underwater Devices* had endorsed a negligence standard, continued to rely on the *Read* factors in determining whether a district court had abused its discretion in awarding enhanced damages. See*, e.g.*, *WCM Indus., Inc.* v. *IPS Corp.*, 809 F. App'x 957, 959-60 (Fed. Cir. 2020); *Georgetown Rail Equip. Co.* v. *Holland L.P.*, 867 F.3d 1229, 1245-46 (Fed. Cir. 2017); *i4i Ltd. P'ship* v. *Microsoft Corp.*, 598 F.3d 831, 858-59 (Fed. Cir. 2010).

Today, even though *Halo Electronics* overturned *Seagate*, and specified that enhanced damages are permissible only when the infringer's actions are "willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate," 579 U.S. at 103-04, the Federal Circuit still uses the *Read* factors to assess enhanced damages awards—as it did in this case. Pet. App. 10a-12a.

And it applies *Read* while recognizing that *Halo Electronics* "did not require the *Read* factors as part of the analysis." *Presidio Components, Inc.* v. *Am. Tech. Ceramics Corp.*, 875 F.3d 1369, 1382 (Fed. Cir. 2017).

District courts across the country, following the Federal Circuit's lead, also continue to rely on the nine *Read* factors. See Veena Tripathi, Halo *From The Other Side: An Empirical Study Of District Court Findings Of Willful Infringement And Enhanced Damages Post*-Halo, 103 Minn. L. Rev. 2617, 2632-34 (2019) (analyzing post-*Halo Electronics* district court decisions regarding enhanced damages and concluding that "the most common way courts assess enhanced damages is by turning to the *Read* factors").

But there is a wide gulf between the *Underwater Devices*' "akin to negligence" standard on which the *Read* factors were based, and this Court's *Halo Electronics* test requiring willful, wanton acts "characteristic of a pirate." It accordingly is not surprising that the *Read* approach is starkly inconsistent with *Halo Electronics*—and that, therefore, use of those factors inevitably leads to enhanced-damages awards impermissible under *Halo*.

1. Multiple *Read* factors are incompatible with *Halo Electronics*.

At least five out of the nine *Read* factors are wholly irrelevant to whether an infringer's alleged conduct rose to the level of "wanton, malicious, and bad-faith" behavior that *Halo Electronics* requires for awards of enhanced damages. 579 U.S. at 103-04. *Halo Electronics* therefore requires that lower courts' use of these factors should be prohibited or realigned to focus on the inquiry mandated by that decision.

Factor Two. The second *Read* factor instructs district courts to evaluate "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." *Read*, 970 F.2d at 827. Some district courts have interpreted this factor to mean that defendants may be penalized for failing to obtain the advice of counsel once becoming aware of the patent at issue. See, *e.g.*, *Milwaukee Elec. Tool Corp.* v. *Snap–On Inc.*, 288 F. Supp. 3d 872, 901 (E.D. Wis. 2017) ("Snap–On's failure to obtain the opinion of counsel * * * can be relevant to enhancement.").

This factor is plainly a relic of the rejected *Underwater Devices* negligence standard. Indeed, it parallels virtually precisely the "affirmative duty to exercise due care" test that sounds in negligence. A failure to investigate based merely on knowledge of a patent certainly does not in any way demonstrate that an infringer engaged in wanton and malicious conscious wrongdoing.

Moreover, decades after *Read* was decided, Congress adopted 35 U.S.C. § 298, which provides that "[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent * * * may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent." Leahy-Smith America Invents Act, Pub. L. 112-29, § 17(a), 125 Stat. 284, 329 (2011). Because *Halo Electronics* makes clear that district courts may not award enhanced damages without first determining that the infringer's conduct was not only willful, but egregiously so, it necessarily follows that § 298 bars

district courts from in any way considering—in connection with the decision whether to award enhanced damages—an infringer's failure to obtain the advice of counsel.

Importantly, however, § 298 does not prohibit courts from considering evidence that the defendant *did* obtain the advice of counsel, and that counsel advised that the defendant's conduct did not infringe a valid patent, to show that the defendant lacked the requisite state of mind for an enhanced-damages award. See *Omega Patents, LLC* v. *CalAmp Corp.*, 920 F.3d 1337, 1353 (Fed. Cir. 2019) ("[A]n accused infringer's reliance on an opinion of counsel regarding noninfringement or invalidity of the asserted patent remains relevant to the infringer's state of mind post-*Halo*."); *Acantha LLC* v. *DePuy Synthes Sales, Inc.*, 406 F. Supp. 3d 742, 758-59 (E.D. Wis. 2019).

Read's second factor therefore must be reformulated to (1) reflect the restrictions of § 298 by prohibiting district courts from drawing any negative inference about an infringer's state of mind based upon its failure to obtain the advice of counsel; and (2) focus district courts on whether at the time of the alleged infringement the infringer had the subjective intent of a pirate, as *Halo Electronics* requires.

Factor Three. This factor directs district courts to evaluate an infringer's litigation conduct. *Read*, 970 F.2d at 827. Any consideration of litigation conduct is squarely precluded by *Halo Electronics*.

By instructing district courts that they must justify any enhanced-damages award based on an infringer's state of mind *at the time of the infringement*, *Halo Electronics* places litigation conduct outside the permissible inquiry—because litigation has nothing

to do with the egregiousness of the alleged infringement. 579 U.S. at 103 (enhanced damages are reserved for "egregious *infringement* behavior") (emphasis added).

Moreover, consideration of litigation misconduct is impermissible for another, independent reason.

The Federal Circuit stated in a pre-*Halo Electronics* decision that *Read*'s third factor is meant to reward patentees when infringers engage in litigation-related misconduct. See *i4i Ltd. P'ship*, 598 F.3d at 859 (defining "litigation misconduct" as "bringing vexatious or unjustified suits, discovery abuses, failure to obey orders of the court, or acts that unnecessarily prolong litigation").

But Justice Breyer explained in his concurring opinion in *Halo Electronics* for himself and two other Members of the Court that awards of attorneys' fees under 35 U.S.C. § 285 are specifically designed to address such behavior. 579 U.S. at 112 (Breyer, J., concurring) ("enhanced damages may not serve to compensate patentees for * * * litigation expenses" (quotation marks omitted)); see *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014) (attorneys' fees may be awarded under § 285 because of "the unreasonable manner in which the case was litigated"). *Read*'s third factor therefore introduces into the enhanced-damages inquiry a consideration that Congress specifically addressed in a separate section of the statute and improperly permits double recovery for such conduct. District courts therefore may not consider litigation conduct in the enhanced-damages inquiry.

Factor Four. *Read*'s fourth factor evaluates the infringer's size and financial condition. 970 F.2d at

827. Consideration of this factor is also impermissible under *Halo Electronics*. An infringer's size and financial condition has nothing to do with its subjective knowledge and intent or with the egregiousness of its behavior—which are the issues relevant to determining whether the defendant engaged in conduct that was "characteristic of a pirate." *Halo Electronics*, 579 U.S. at 104.

To the extent that a trial judge may consider this factor at all, therefore, it could only be to justify the amount of enhanced damages, and not whether such damages are proper. A defendant's conduct does not become more egregious depending upon its ability to pay. *Cf. State Farm Mut. Auto. Ins.* v. *Campbell*, 538 U.S. 408, 427 (2003) ("referenc[ing] [the defendant's] assets * * * ha[s] little to do with the actual harm sustained by the [plaintiffs]"). Therefore this factor, too, is off-limits from the initial determination of whether enhanced damages are warranted. And if it may be considered in determining the amount of enhanced damages, its relevance there is quite limited, because "[t]he amount of enhancement must bear some relationship to the level of culpability of the [infringer's] conduct." *Graco, Inc.* v. *Binks Mfg. Co.*, 60 F.3d 785, 794 n.4 (Fed. Cir. 1995).

Factor Five. The fifth *Read* factor requires district courts to evaluate the "[c]loseness of the case." 970 F.2d at 827. But the closeness of the arguments made in litigating the infringement action is not necessarily probative of the defendant's state of mind at the time of the infringement. Indeed, this Court—in rejecting *Seagate*'s "objective reasonableness" requirement—specifically determined that the "ability of the infringer to muster a reasonable (even though unsuc-

cessful) defense at the infringement trial" was not necessarily relevant to the enhanced-damages inquiry. *Halo Electronics*, 579 U.S. at 105.

To be sure, the availability of reasonable defenses *could* be relevant. See *WesternGeco L.L.C.* v. *ION Geophysical Corp.*, 837 F.3d 1358, 1363 (Fed. Cir. 2016), rev'd on other grounds, 138 S. Ct. 2129 (2018) ("[a]fter *Halo*, the objective reasonableness of the accused infringer's positions can still be relevant for the district court to consider when exercising its discretion" to award enhanced damages). But that is so only to the extent that the objective reasonableness of an accused infringer's positions bears on either the infringer's state of mind at the time of the infringement or the egregiousness of its conduct. The reasonableness of defenses by itself is not automatically a permissible consideration in every case.

Factor Six. The sixth *Read* factor addresses the "[d]uration of [the] defendant's misconduct." 970 F.2d at 827. But, again, this factor shifts the district court's inquiry away from the defendant's subjective intent at the time of the infringement. The duration of infringing conduct, standing alone, does not demonstrate a defendant's subjective intent to infringe, let alone the egregiousness of the defendant's conduct. *Halo Electronics* permits a district court to consider only the time period for which the defendant engaged in infringing conduct *with the egregious state of mind* that merits enhanced damages. To the extent some or all of the infringement occurred when the defendant lacked that state of mind, the duration of infringement is wholly irrelevant to determining the egregiousness of the defendant's conduct.

Indeed, even *Read*'s first factor—"whether the infringer deliberately copied the ideas or design of another," 970 F.2d at 827—must be reformulated in light of *Halo Electronics*. Mere copying cannot demonstrate wanton and willful misconduct in the absence of facts demonstrating, at minimum, knowledge of the patent and intent to engage in infringement.

2. Mechanical application of the *Read* factors contravenes *Halo Electronics*.

Not only is reliance on the majority of the *Read* factors inconsistent with *Halo Electronics*, so is resting an enhanced-damages award on a mechanical recitation of those—or any other—factors.

Halo Electronics instructs that "there is 'no precise rule or formula'" and that district courts should "eschew any rigid formula for awarding enhanced damages." 579 U.S. at 103, 107 (citation omitted). Rather than relying on mechanical or mathematical approaches, district courts should broadly "take into account the particular circumstances of each case." *Id*. at 106. This is because it is the "circumstance[es]" of a case that transform "intentional or knowing" infringement into "egregious," sanctionable behavior. *Id*. at 111 (Breyer, J., concurring).

District courts should not, and may not, award enhanced damages simply because a majority or supermajority of the *Read* factors—or of the subset of those factors permissible under *Halo Electronics*—are satisfied.

Indeed, enhanced damages do not have to "follow a finding of egregious misconduct." *Halo Electronics*, 579 U.S. at 106. Even if many or all of the permissible factors point to egregiousness, the district court still

must evaluate the case as a whole, including any relevant considerations not encompassed by the permissible *Read* factors, to determine whether the case before it is one of the rare actions in which the defendant acted like "a pirate" and therefore should pay enhanced damages. *Id*. at 104.

C. The Lower Courts Here Relied Principally On *Read* Factors Inconsistent With *Halo Electronics*.

Here, the district court justified its decision regarding enhanced damages solely by pointing to several of the factors identified in *Read*, and the court of appeals approved that rationale without question. Pet. App. 4a, 11a-12a, 138a-143a. Neither court applied *Halo Electronics*' egregious-misconduct standard.

The district court justified its enhanced-damages award by pointing to "Cisco's litigation conduct, its status as the world's largest networking company, its apparent disdain for SRI and its business model, and the fact that Cisco lost on all issues during summary judgment and trial, despite its formidable efforts to the contrary." Pet. App. 3a. The court of appeals, in turn, held that "the district court appropriately considered the factors laid out in *Read Corp*. v. *Portec, Inc*." Pet. App. 11a. But none of the *Read* factors that the district court relied on supports an enhanced-damages award under *Halo Electronics*.

For instance, the district court asserted that "Cisco pursued litigation about as aggressively as the court has seen in its judicial experience." Pet. App. 139a. Based on that, it awarded attorney's fees under 35 U.S.C. § 285. But then, based on *Read*, the court again relied on Cisco's litigation conduct to justify an

award of enhanced damages. As explained above, see pages 13-14, *supra*, reliance on this *Read* factor was inappropriate for two reasons. First, by focusing on litigation conduct, this *Read* factor does not focus, as it should, on the infringer's subjective intent *at the time of* infringement. See *Halo Electronics*, 579 U.S. at 105 ("culpability is generally measured against the knowledge of the actor at the time of the challenged conduct."). Second, this *Read* factor allows for double recovery for the same conduct. See *id*. at 112 (Breyer, J., concurring) ("enhanced damages may not 'serve to compensate patentees' for infringement-related * * * litigation expenses" because of § 285).

The other *Read* factors relied upon by the district court similarly ignore *Halo*'s focus on the subjective intent of the infringer at the time of the infringement and the egregiousness of the infringement itself. The district court pointed to Cisco's "status as the world's largest networking company," Pet. App. 142a, but a defendant's size has nothing to do with its subjective knowledge, its intent, or the egregiousness of its behavior.

The district court also relied on Cisco's "apparent disdain for SRI and its business model" to justify enhanced damages, Pet. App. 142a, but did not point to anything in the record suggesting that Cisco willfully infringed *because* of its presumed disdain for its opponent. Without such evidence, any opinion that Cisco may hold regarding SRI is irrelevant under *Halo Electronics*.

Next, the district court pointed to "the fact that Cisco lost on all issues during summary judgment and trial." Pet. App. 142a. But merely losing a defense does not demonstrate conduct that was "characteristic of a pirate." *Halo*, 579 U.S. at 104. As a proxy for

egregiousness, it falls far short, especially here, where Judge Lourie dissented from the panel decision during the first appeal, because he found one of those defenses meritorious. Pet. App. 56a-59a.

Finally, and most importantly, at no point did either the district court that awarded enhanced damages or the Federal Circuit panel apply *Halo Electronics*' egregious-misconduct standard to the case as a whole and determine that Cisco's conduct merited the sanction of enhanced damages. 579 U.S. at 103-04. Ticking off the *Read* factors does not permit courts to avoid their obligation to ascertain whether the defendant's conduct met that high standard.[3]

II. Correcting Lower Courts' Routine Invocation Of The *Read* Factors To Justify Billions Of Dollars In Enhanced Damages Is An Exceptionally Important Issue.

The reliance on *Read* by the lower courts here is not at all unusual. Six years after *Halo Electronics*, district courts and the Federal Circuit routinely invoke the *Read* factors to determine whether to award enhanced damages. But, as just explained, that approach plainly contravenes *Halo Electronics* because it allows courts to impose enhanced damages in cases of ordinary infringement. That unjustified imposition

[3] In addition to these errors, the court of appeals ignored the fact that when a different district court judge received the same case on remand from the first appeal, that judge determined that several *Read* factors—that, moreover, do relate to the *Halo Electronics* egregiousness standard—weighed against an award of enhanced damages. The district court found that there was "no evidence" that Cisco "intentionally copied" SRI's product, and SRI "conceded" that Cisco did not attempt to "cover up" its infringement. Pet. App. 22a; see also Pet. App. 25a. That determination alone should have precluded an award of enhanced damages.

of billions of dollars in costs on innovators requires this Court's intervention.

A. District Courts Are Awarding Billions Of Dollars In Enhanced Damages Using The *Read* Factors.

The "most common way courts assess enhanced damages is by turning to the *Read* factors." See Tripathi, Halo *From The Other Side*, 103 Minn. L. Rev. at 2632; see also *id*. at 2646 ("Out of the cases surveyed, only one case cited a non-*Read* factor when determining whether to award enhanced damages.").

And these courts are awarding large sums of money. A report by Lex Machina found that in 2020 alone courts awarded $1.6 billion in enhanced damages, out of a total of nearly $4.7 billion in damages of all types. See Geneva Clark, Patent Litigation Report 2, 20, Lex Machina (Mar. 2021); see also, *e.g.*, *EagleView Techs., Inc.* v. *Xactware Sols., Inc.*, 522 F. Supp. 3d 40, 55-56 (D.N.J. 2021) (trebling a $125 million verdict with scant explanation other than a reference to the *Read* factors); *Centripetal Networks, Inc*. v. *Cisco Systems, Inc.*, 492 F. Supp. 3d 495, 604 (E.D. Va. 2020) (awarding $1.1 billion in enhanced damages based on the *Read* factors); *Alfred E. Mann Found. for Sci. Rsch.* v. *Cochlear Corp.*, 2018 WL 6190604, at *37 (C.D. Cal. Nov. 4, 2018) (doubling more than $130 million verdict based on the *Read* factors); *Crane Sec. Techs., Inc.* v. *Rolling Optics AB*, 337 F. Supp. 3d 48, 57-60 (D. Mass. 2018) (awarding treble damages based on the *Read* factors); *Stryker Corp.* v. *Zimmer, Inc.*, 2017 WL 4286412, at *6 (W.D. Mich. July 12, 2017) (trebling $76 million award based on *Read* factors); *Arctic Cat Inc.* v. *Bombardier Recreational Prods., Inc.*, 198 F. Supp. 3d 1343, 1354 (S.D. Fla.

2016) (awarding treble damages based on the *Read* factors for a total of $46.6 million).

B. Justifying Enhanced Damages Based On Factors Untethered To *Halo Electronics* Harms Innovation.

Imposition of enhanced damages barred by a *Halo Electronics*-compliant standard produces significant adverse consequences to innovation and the economy as a whole.

Justice Breyer explained in *Halo Electronics* that the "limitations" on enhanced-damages awards exist "for a reason." 579 U.S. at 112 (Breyer, J., concurring). An increased risk of enhanced damages will inexorably force companies receiving a notice of claimed infringement to "settle, or even abandon any challenged activity" because of the risk of being required to pay gigantic sums—even if the company has a reasonable defense on the merits. *Id*. at 113. And "[t]he more that businesses, laboratories, hospitals, and individuals adopt this approach, the more often a patent will reach beyond its lawful scope to discourage lawful activity, and the more often patent-related demands will frustrate, rather than 'promote,' the 'Progress of Science and useful Arts.'" *Ibid*. (quoting U.S. Const., Art. I, § 8, cl. 8).

This means, as Justice Breyer explained, that "in the context of enhanced damages, there are patent-related risks on both sides of the equation"—which "argues, not for abandonment of enhanced damages, but for their careful application, to ensure that they only target cases of egregious misconduct." 579 U.S. at 114 (Breyer, J., concurring); see also *id.* at 112 ("Enhanced damages have a role to play" in stopping patent infringement—but the "role is limited.").

Innovative companies that experience success as a result of developing cutting-edge products are frequent targets of patent litigation. The *Read* factors, as applied today by lower courts, increase the likelihood of enhanced-damages awards against these innovators in cases in which they simply are aware of the plaintiff's patent, or are made aware of it by a demand letter—in other words, in cases of ordinary infringement. That is because—as this case demonstrates—courts may view mere knowledge of a patent, combined with continued production of the challenged product, to open the door to an enhanced-damages award, even when the defendant acted on a good-faith belief that the patent did not reach the challenged product (and therefore defended itself vigorously in court). Further, the imposition of enhanced damages in that situation becomes even more likely when courts rely on *Read* to cite a defendant company's size in justifying an enhanced-damages award, see 970 F.2d at 826-27, even though size is irrelevant to the *Halo Electronics* standard, see pages 14-15, *supra*.

Halo Electronics significantly altered the standard for enhanced-damages awards. Six years after that sea change, district courts are still relying on factors from a decision resting on a different, much less demanding enhanced-damages test that pre-dated *Halo Electronics* by nearly twenty-five years. The adverse effects upon innovation from erroneous awards of enhanced damages are too great, and the amounts of money at issue far too large, for district courts to continue assessing enhanced-damages claims under a standard wholly disconnected from *Halo Electronics*. This Court should grant review and make clear that these determinations must rest on considerations tied to the *Halo Electronics* standard.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

ANDREW J. PINCUS
Counsel of Record
CARMEN N. LONGORIA-GREEN
Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
apincus@mayerbrown.com

Counsel for Amicus Curiae
High Tech Inventors Alliance

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