



Post-*Halo*: Defending Against Allegations of Willful Infringement

APLI Winter 2016--Hopkins Guy, Ashok Ramani, Harrison (Buzz) Frahn and Mike Hendershot



“I have no trouble judging what’s right and wrong. Just tell me the facts. Don’t sugarcoat it. And I’ll tell you what I think is just.”

Mock juror in patent case

Willfulness more interesting to jurors than infringement

“Willfulness and the associated issue of motive/intent are often more interesting to jurors than the highly technical issues. As a result, some jurors are going to find it easier to focus on, rely, and analyze the case based on the willfulness evidence.”

Chris Ritter, The Focal Point LLC

Seagate shielded the jury from most willfulness facts

Two prongs:

1. Objective prong–

clear and convincing evidence that the infringer acted despite an objectively high likelihood its actions constituted infringement of a valid patent

2. Subjective prong–

infringer knew or should have known about the risk of infringement

In re Seagate Tech., 497 F.3d 1360, 1371 (Fed. Cir. 2007)

Halo eliminated your best way to keep willfulness from the jury



“The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, **without regard to whether his infringement was objectively reckless.**”

Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S. Ct. 1923, 1933 (2016)
(emphasis added)

Halo relegated objective standard to the enhancement phase



"After *Halo*, the objective reasonableness of the accused infringer's positions can still be relevant for the district court to consider when exercising its discretion."

WesternGeco L.L.C. v. ION Geophysical Corp., 2016 WL 5112047, at *3
(Fed. Cir. Sept. 21, 2016)

And lowered the burden of proof



“[P]atent-infringement litigation has always been governed by a **preponderance of the evidence** standard....Enhanced damages are no exception.”

Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S. Ct. 1923, 1934 (2016)
(emphasis added)

And left us with vague fact issues



“The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.”

Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S. Ct. 1923, 1932 (2016)

bad-faith

deliberate

flagrant

consciously
wrongful

Why should we be concerned?

- Willfulness story can tip the scales on liability
 - Paints the accused infringer and the individual witnesses as unlikable
 - Causes the jury to doubt your witnesses' credibility
 - Leaves jury open to patent owner's trial theme and hostile to accused infringer's trial theme
- Willfulness finding increases likelihood of (1) enhanced damages and (2) attorney fees
 - 2x Compensator Damages
 - Increases incentive for plaintiff to craft a litigation-misconduct story
 - Supports a finding that a case "stands out from others"



How are Courts handling willful infringement post-*Halo*?



VirnetX v. Apple : Example of a New Plaintiff's Strategy

- Q. Did Apple do a patent search to make sure that it wasn't infringing any other person's patent rights?
- Q. Now, you, yourself, did you do anything to make sure you weren't infringing anyone's patent rights?

Plaintiff exploits common company practices



VirnetX v. Apple:

- Q. Do you know that the U.S. PTO makes patents available online?
- Q. And you can search the U.S. PTO's database of patents for free?
- Q. We're all here because there is a patent infringement lawsuit. Do you wish you had searched for patents in developing Apple's VPN on Demand when you were developing that product?
- Q. Is it anyone's job at Apple?

Plaintiff exploits the poorly prepared witness



VirnetX v. Apple:

- Q. When you were developing Apple's VPN on Demand product, if you had known about VirnetX's patent, would you have done anything differently?

- Q. Have you made any changes to how Apple's VPN on Demand works in response to learning about VirnetX's patents?

- Q. Are you planning on doing anything with the '135 patent after today's deposition?

Plaintiff exploits the poorly prepared witness



VirnetX v. Apple Video Deposition

- Q.** Have you formed any opinion as to whether Apple's VPN on Demand product infringes the claims of VirnetX's patents?

Plaintiff exploits a bad process



VirnetX v. Apple:

- Q. And, are you aware that it's been about a year and a half since this case has been filed?

- Q. Now, are you familiar with the claims of the '135 or the '151 patents at all?

- Q. Have you talked to any experts retained by Apple in this case?

- Q. Have you talked to anyone other than Apple's lawyers or Apple's experts about this case or VirnetX's patents?

New Focus of Willfulness Defense and Plaintiff's Trial Strategy

1. Be aware of what will happen at trial
2. Develop admissible facts to demonstrate serious investigation and reliance
3. Maintain sufficient facts at trial

Leaving yourself with insufficient admissible facts



“Despite knowing of Plaintiff’s patents since at least April 2011, Defendants never undertook any serious investigation to form a good-faith belief as to non-infringement or invalidity.”

Imperium IP Holdings v. Samsung Electronics Co.,
No. 4:14-CV-371 (E.D. Tex. Aug. 24, 2016)

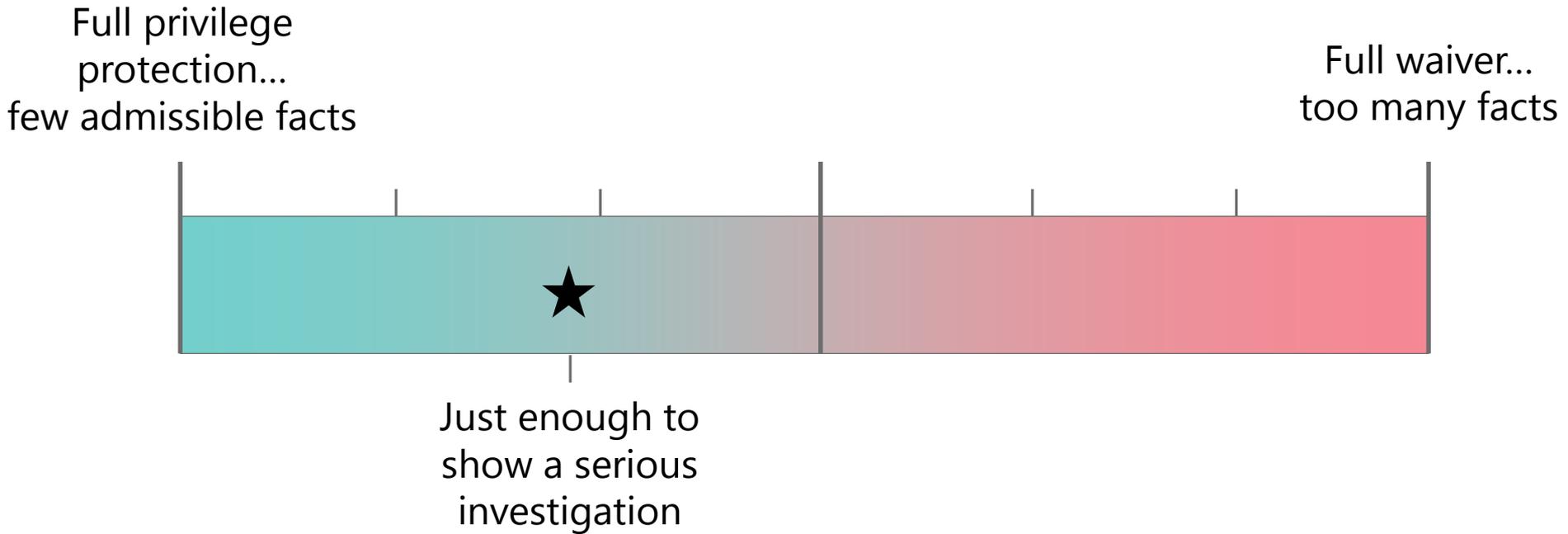
The new reality is about admissible evidence at the jury phase



“Despite knowing of Plaintiff’s patents since at least April 2011, Defendants **never undertook any serious investigation** to form a good-faith belief as to non-infringement or invalidity.”

Imperium IP Holdings v. Samsung Electronics Co.,
No. 4:14-CV-371 (E.D. Tex. Aug. 24, 2016)
(emphasis added)

Balance risk of waiver against willfulness



How will a juror expect
the company to act?

Witness selection and story can offset the bias

Frustration and distrust of corporations is palpable, no matter what the case themes are and no matter what the venue—across the country people have learned you cannot trust corporations to do the right thing. Position your client as being distinct from that untrustworthy norm. **Sometimes, all it takes is a single witness who is seen by the jurors as ethically solid, credible, knowledgeable and honest for them to find for that party.**

Keene Trial Consulting

After Halo, what can you do to mitigate your willful infringement risk?--Recommendations

1. Triage for possibly trial-bound cases
2. Respond to demands
 - a. Dealing with different types of letters
 - b. Responding to indemnification demands
3. Establish an evaluation process that will impress
 - a. Selecting the witnesses
 - b. Preparing the witnesses to testify
4. Monitor privilege-waiver risks
5. Special cases: opinions of counsel

Triage—facts to consider when evaluating a threat

- Vet the patent owner
 - Competitor claims?
 - Serial filer and settler?
 - History of taking cases to jury?
 - Sufficiently funded to try a case?
- Vet the patent
 - Any litigation history?
 - Any AIA actions?
 - Established royalty rate?
 - Continuation practice that suggests investment in litigation preparation?

Triage—facts to consider when evaluating a threat

- Vet the letter or complaint
 - Setting up a trial-quality story?
 - Serious investigation of infringement?
- Vet the threat
 - Competitor?
 - Injunction risk?
 - Significant sales implicated?
 - Are you a primary target?
 - Any obvious outs?
- Vet the counsel
 - Trial-capable counsel?

Demand letters–vague letters

- What makes a letter vague?
 - No accused products identified
 - No explicit accusations of infringement
 - No specific patents identified
 - No patents identified
 - Entire portfolio listed
- Response to vague letters
 - Respond to each letter (ideal)
 - Press for details sufficient to form a defense
 - Ask for product information
 - Ask for claim charts
 - Work towards ability to make a reasonable decision on infringement and/or validity



Demand letters—detailed letters

- What makes a letter detailed?
 - Identifies specific patents, claims, and accused products
 - Includes clear infringement allegations
 - Includes detailed claim charts
- Response to detailed letter
 - Apply triage sorting process
 - If troublesome:
 - Develop defenses
 - Select and prepare witness to testify
 - Close out communications based on detail
 - Anticipate jury will see written response
 - Broadly identify defenses in response

Getting yourself in trouble with NDAs

- Typical NDA: Rule 408 + no use for any reason

"The Parties agree that all communications and shared material are protected by FRE 408. The Parties further agree that all communications and shared material will be used solely for the purpose of evaluating the patents in relation to a potential business transaction between the Parties and that that communications and shared material will not be used for any purpose in a subsequent litigation if such litigation occurs."

What can your witness say about pre-suit diligence?

Give yourself a way out--408 + NDA

"Notwithstanding the foregoing, [Accused Infringer] can use the communications and shared materials in any way to defend itself from any willful infringement allegation, any enhanced fee request, or any motion for attorney fees made by [Patent Owner]."

Now your witness can tell the story

Recommendations

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Responding to indemnification demands

- Indemnification correspondence typically produced and may be jury evidence
- Apply same process as for direct cases
 - Triage for yourself
 - Respond to demands
 - Vague demand?
 - Press for more detail
 - Detailed demand?
 - Close out with written response providing some basis for position
 - Select and prepare witnesses early
 - Ready to provide “loaner” witness to customers



Selecting the right level– apex-level witnesses

- Testifying themes–“the buck stops here”
 - I managed the process in this case
 - My team was doing the right kind of work
 - I didn’t have do all of the decision-making, but I was involved or aware of it
 - I did periodic check-ins with my team
 - I doubled checked my team’s work by looking at important documents with my own eyes
 - I relied on the conclusions for business decisions (e.g., product changes)
 - I reviewed opinions of counsel (if conducted and produced)
 - I have my own product-development story
- Risks
 - May lack personal knowledge of technical defenses
 - Unable to fully address technical details

But make sure the person makes sense to your story



73. Alstom did not review Dominion's patent claims with the specific skill in the art of reading patent claims.

74. Instead, the patent search did not trigger inquiry and **Alstom's business people did not appreciate the '883 Patent's art** as applied to Alstom's e-terradistribution.

Dominion Resources Inc. v. Alstom Grid Inc.,
No. 15-224 (E.D. Pa. Oct. 3, 2016) (emphasis added)

Selecting the right level-technical witness

- Testifying themes—"I have the skills to do a serious investigation"
 - I was assigned the task of ...
 - I reviewed the patents
 - I reviewed patent owner's infringement allegations
 - I reviewed expert reports on infringement
 - I reported to apex-level witness, counsel, and experts

- Risks
 - Insufficient seniority
 - Appearance of bias towards his/her own engineering team
 - Testimony may overlap with technical experts
 - Room for contradiction

Best choice– both apex and technical witnesses

- Multiple witnesses with different levels an advantage
 - Validates the seriousness of the process
 - Corroborates conclusions and reliance on the conclusions
 - Lessens burden on the apex-level witness to be charismatic
 - Shields apex-level witness from needed to recall too much detail

Gives a juror more witnesses to
evaluate

Best choice— both apex and technical witnesses

- Testifying themes—“the buck stops here”
 - **I managed the process** in this case
 - **My team** was doing the right kind of work
 - I didn’t have do all of the decision-making, but **I was involved or aware** of it
 - I did **periodic check-ins with my team**
 - I doubled checked my team’s work by looking at important documents with my own eyes
 - I relied on the conclusions for business decisions (e.g., product changes)
 - I **reviewed opinions of counsel** (if conducted and produced)
 - I have my own product-development story

Best choice–witness who can also tell your own invention story

- Show plaintiffs' jurors that you were invested in developing technology
 - Spent money and time to develop the technology–not knowledge of the patents
- Rebut willful infringement claims
 - Use key developers on accused product to tell the development story
- Show invalidity
 - Use inventors on your own prior art to tell the story that your company invented the relevant technology first (if possible)

Don't leave blanks for the fact-finder to fill in



“The Court finds that enhancement of damages is appropriate in this case. In weighing potentially egregious behavior, the Court **notes testimony regarding allegations of Defendants’ copying....Samsung also failed to offer any evidence at trial that it had independently developed and/or acquired the camera technologies at issue in this case.**”

Imperium IP Holdings v. Samsung Electronics Co.,
No. 4:14-CV-371 (E.D. Tex. Aug. 24, 2016)
(emphasis added)

Don't leave blanks for the fact-finder to fill in



"Alstom argues it developed the 'accused functionality' no later than July 2007, nearly three years before the '883 patent was filed.' While Alstom may have conceptualized using AMI functionality within the LVM module in 2007, it was merely a concept. Alstom did not publically present its AMI-based CVR solution until after Alstom saw Dominion's EDGE product. **If Alstom already could do the same AMI-based CVR for five years before Dominion presented in 2011, we find it incredible why it would wait until June 24, 2013 to describe the plan"**

Dominion Resources Inc. v. Alstom Grid Inc.,
No. 15-224 (E.D. Pa. Oct. 3, 2016) (emphasis added)

Don't promise something you don't deliver



“We heard over and over again of Samsung boasting of its patents. We heard in the opening of thousands of patents. We heard by Samsung's witnesses that they have thousands of patents. We just heard again that they have thousands of patents. **How many patents from Samsung did you see in this entire case, ladies and gentlemen? None. No patents.”**

*Imperium IP Holdings v. Samsung Electronics Co.,
No. 4:14-CV-371 (E.D. Tex.)
Imperium Closing Statement (emphasis added)*

Don't promise something you don't deliver



“Now, **I didn't need to see the 5,000 patents.** I didn't need to see the 1,000 patents. **What I would have enjoyed seeing were just three patents,** ladies and gentlemen. I would have enjoyed seeing their interface patent. I would have enjoyed seeing their preflash patent. I would have enjoyed seeing their anti-flicker patent. **But the only three of those types of patents we saw in this entire case, those belong to Imperium** and those are being infringed by Samsung.”

*Imperium IP Holdings v. Samsung Electronics Co.,
No. 4:14-CV-371 (E.D. Tex.)
Imperium Closing Statement (emphasis added)*

Recommendations

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4. Monitor privilege-waiver risks
5. Special cases: opinions of counsel

Mechanics of apex-level witness preparation—overseeing the process

- Witness' role
 - I instructed counsel to give me regular updates and major filings
 - I reviewed major filings
 - I instructed engineers to provide relevant technical information
 - I helped identify relevant documents
 - I spent a reasonable amount of time managing and assisting with the process
 - I saw and verified defenses
 - I was involved with discovery responses
 - I considered whether design changes were needed
 - *Special cases*: I ordered and saw the second opinion from independent counsel

Preparing apex-level witnesses to testify about reliance on process and conclusions

- Track “the buck stops here” trial theme
 - My team was doing the right kind of work
 - I don’t think that we infringe, or I don’t think that the claims are valid
 - I agree with the experts’ conclusions
 - I relied on conclusions for business decisions
 - I passed recommendations and opinions up the chain
 - I made decisions to change or not change products
 - *Special cases*: I agree with opinions of independent counsel

Recommendations

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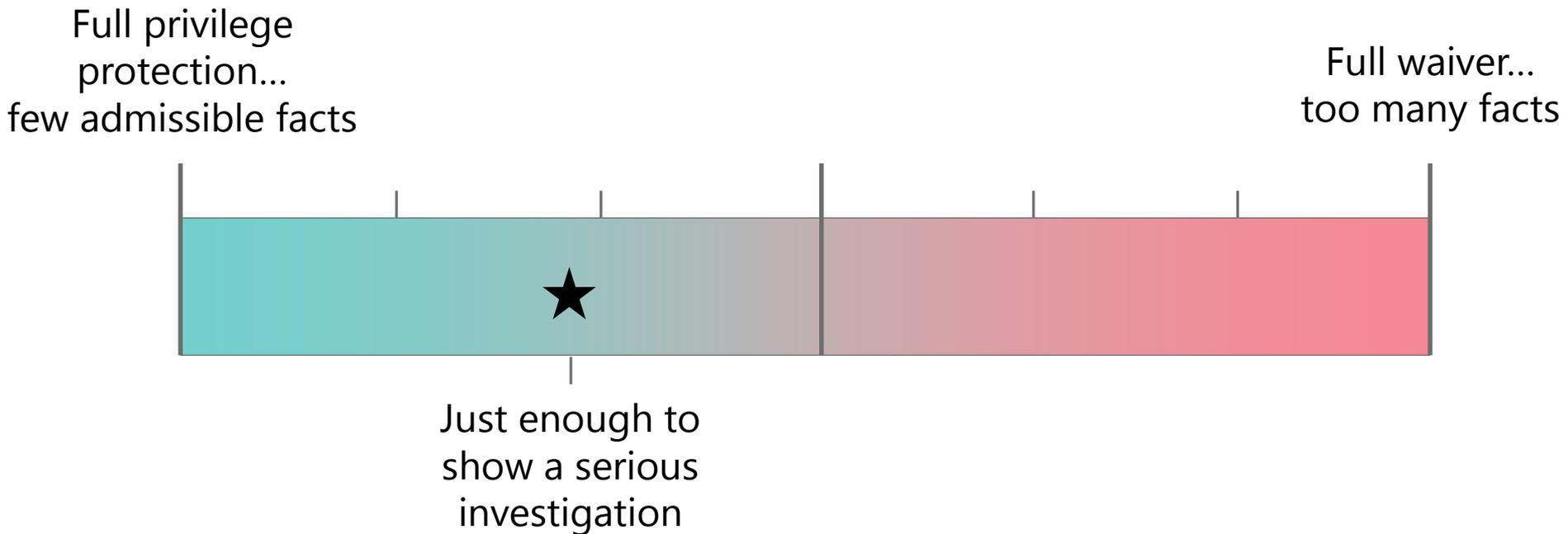
Truth or inability to prove the truth?



“Despite knowing of Plaintiff’s patents since at least April 2011, Defendants **never undertook any serious investigation** to form a good-faith belief as to non-infringement or invalidity.”

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(emphasis added)

Balance risk of waiver against willfulness



Where is the line for
waiver?

Accounting for waiver in implementing the recommended process

1. Mechanics of the process that demonstrate real concern
2. Witness' personal conclusions

Is a post-complaint opinion of counsel worth it?--Recommendations

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Opinions of counsel—not required



Opinions are not required:

“The failure of an infringer to obtain the advice of counsel” or “the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed.”

35 U.S.C. § 298

Opinions of counsel—useful?



But, opinions of counsel may bolster analysis:

“I do not say that a lawyer’s informed opinion would be unhelpful. To the contrary, consulting counsel may help draw the line between infringing and noninfringing uses.”

Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S. Ct. 1923, 1937 (2016)
(Breyer, J., concurring)

Opinions of counsel not one-size-fits-all solution

- Limits
 - Not acceptable as a stand-alone defense
 - Potential for inconsistent defenses due to additional detail
 - Jury sees another talking lawyer
 - Does little to tell the company's story
- But, for the highest-risk cases, consider using
 - Adds reasonableness to process
 - Makes apex-level witness look more involved
 - One more chance to present defense
 - Opinion counsel may not need to testify; apex-level witness can testify about reliance

Reliance on opinion of counsel– waiver certain

- Broad subject matter waiver attaches when opinion of counsel is relied on
 - Opinion letter
 - Any factual/technical material relied on by opinion counsel (e.g., product documentation, communications with SMEs, etc.)
 - Any other opinions of counsel (including in-house opinions), whether relied on or not
 - Communications between opinion counsel and anyone relying on the opinion

In re EchoStar Communications Corp., 448 F.3d 1294 (Fed. Cir. 2006)

Express reliance on opinion not required to trigger waiver



“Even if the party does not expressly disclose the advice received, but only alludes to it, the privilege can be deemed waived by implication.”

Wi-LAN, Inc. v. Kilpatrick Townsend & Stockton LLP,
684 F.3d 1364 (Fed. Cir. 2012)

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