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February 26, 2021

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Introduction



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WILLFUL INFRINGEMENT POST HALO

(Slip Opinion)

OCTOBER TERM, 2015

1

Syllabus

NOTE. Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

HALO ELECTRONICS, INC. v. PULSE ELECTRONICS, INC., ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

No. 14-1513. Argued February 23, 2016—Decided June 13, 2016*

Section 284 of the Patent Act provides that, in a case of infringement, courts “may increase the damages up to three times the amount found or assessed.” 35 U. S. C. §284. The Federal Circuit has adopted a two-part test for determining whether damages may be increased pursuant to §284. First, a patent owner must “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *In re Seagate Technology, LLC*, 497 F. 3d 1360, 1371. Second, the patentee must demonstrate, also by clear and convincing evidence, that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.” *Ibid.* Under Federal Circuit precedent, an award of enhanced damages is subject to trifurcated appellate review. The first step of *Seagate*—objective recklessness—is reviewed *de novo*; the second—subjective knowledge—for substantial evidence; and the ultimate decision—whether to award enhanced damages—for abuse of discretion.

In each of these cases, petitioners were denied enhanced damages under the *Seagate* framework.

Held: The *Seagate* test is not consistent with §284. Pp. 7–15.

(a) The pertinent language of §284 contains no explicit limit or condition on when enhanced damages are appropriate, and this Court has emphasized that the word “may” clearly connotes discretion. *Martin v. Franklin Capital Corp.*, 546 U. S. 132, 136. At the same time, however, “[d]iscretion is not whim.” *Id.*, at 139. Although there

*Together with No. 14-1520, *Stryker Corp. et al. v. Zimmer, Inc., et al.*, also on certiorari to the same court.

Prior *Seagate* Standard

- *Underwater Devices* (Fed. Cir. 1983): **Affirmative duty** on a Defendant to secure non-infringement and/or invalidity opinions of counsel to avoid willful infringement and enhanced damages
- *Kloster Speedsteel* (Fed. Cir. 1986): Upon Defendant failing to produce a competent opinion of counsel that the patent was either not infringed or invalid or unenforceable, an **adverse inference** arose that any infringement subsequently found by the trier of fact was “willful.”

In re Seagate Tech. (Fed. Cir. 2007)

- Objective Recklessness Prong (must be conducted first):
 - Patentee must show by **clear and convincing** evidence that the infringer acted despite an **objectively high likelihood** that its action constituted infringement of a valid patent
- Subjective Recklessness Prong:
 - Patentee must demonstrate by **clear and convincing** evidence, that the objectively-defined risk was either **known or so obvious that it should have been known** to the accused infringer.

Halo Electronics v. Pulse Electronics (U.S. 2016)

Seagate test was “**unduly rigid**, and … **impermissibly encumbers the statutory grant of discretion to district courts.**”

Objective Recklessness Prong:

- The *Seagate* test further errs by making dispositive the ability of the infringer to muster a reasonable defense at trial, even if he did not act on the basis of that defense or was even aware of it. **Culpability is generally measured against the actor's knowledge at the time of the challenged conduct.**

Subjective Recklessness Prong:

- In sum, §284 allows district courts to punish the full range of culpable behavior. In so doing, they should take into account the particular circumstances of each case and reserve punishment for **egregious cases typified by willful misconduct.**

Egregious cases typified by willful misconduct

- Willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or -indeed- characteristic of a pirate (*Halo*)
- *Read* factors (Fed. Cir. 1992)
 - (1) deliberately copied the ideas or design
 - (2) with knowledge of the patent, investigate the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed
 - (3) infringer's behavior as a party to the litigation
 - (4) Defendant's size and financial condition
 - (5) closeness of the case
 - (6) duration of Defendant's misconduct
 - (7) remedial action by the Defendant
 - (8) Defendant's motivation for harm
 - (9) whether Defendant attempted to conceal its misconduct

Greatbatch v. AVX Corp. (D. Del. 2016)

Reasons for not finding willful infringement:

- A party's *pre-suit knowledge* of a patent is not sufficient, by itself, to find "willful misconduct" of the type that may warrant an award of enhanced damages
- Plaintiff has cited no evidence of Defendant "**copying**" or "**plundering**" Greatbatch's patented technology
- Defendant sought and obtained invalidity and non-infringement opinions of counsel **before** litigation and developed designs and processes to avoid infringement

Willful Blindness

A defendant can be found liable for induced infringement if it has actual knowledge of the infringement, or if it is willfully blind to the infringement.

The doctrine of willful blindness requires:

- (1)the defendant **must subjectively believe** that there is a **high probability** that a fact exists
- (2)the defendant **must take deliberate actions** to avoid learning of that fact.

Suprema v. ITC (Fed. Cir. 2015)

Takeaways

- Situation very similar to pre-Seagate era. **Opinion of counsel** is an important factor in determining willful infringement after *Halo*
- Without an opinion of counsel, negotiation position would be weaker since you would need to **incorporate the risk** of treble damages
- Willfulness argument is **convincing to a jury** and would influence their decision on infringement and damages
- Be mindful about the **timing and coverage of Attorney-Client Privilege** in obtaining opinion of counsel due to **partial waiver**
- Be mindful of the risks associated with **Willful Blindness**

WILLFUL INFRINGEMENT IN ACTUAL CASES

Third Party Patent Search

Country	Patent Number	Relation Type	Application Number	Application Date	Priority Date	Expiration Date	Title
USA	1234567	Original Filing	20/000001	2020/01/01	2020/01/01	2040/12/31	Medical Treatment Device
USA	2021-345678A	Continuation	20/000002	2020/09/30	2020/01/01	2040/12/31	Medical Treatment Device
JAPAN	3456789	Original Filing	2020-000003	2020/09/30	2020/01/01	2040/12/31	Medical Treatment Device
EPC	4567890	Original Filing	10000004.1	2020/09/30	2020/01/01	2040/12/31	Medical Treatment Device
KORS	10-567890	Original Filing	10-2020-00000005	2020/09/30	2020/01/01	2040/12/31	Medical Treatment Device
CHIN	ZL20000000000.5	Original Filing	10000006.5	2020/09/30	2020/01/01	2040/12/31	Medical Treatment Device

Establishes **actual knowledge** and date of acknowledgement of the asserted patent

- ✓ Prerequisite for **Willful Infringement**
- ✓ Evidence usually is found during keyword search within the **collected Edata**
- ✓ **US publication no.** and issued patent no. of **foreign counterpart** does **not** automatically establish actual knowledge

Third Party Patent Search

Country	Patent Number	Priority Date	Title	Evaluation
USA	1234567	2020/01/01	Medical Treatment Device	○
USA	2345678	2020/01/01	Medical Treatment Device	△
JAPAN	3456789	2020/01/01	Medical Treatment Device	✗
EPC	4567890	2020/01/01	Medical Treatment Device	TBD
KORS	10-567890	2020/01/01	Medical Treatment Device	Need further review
CHIN	ZL2000000000.5	2020/01/01	Medical Treatment Device	Attorney Opinion requested

Company's past perception of the asserted patent would be examined

- ✓ **Strong negative impression** on the Defendant in case damaging statements are found
- ✓ Drafter would likely be questioned through **deposition** and asked about the terminology of the evaluation terms
- ✓ Document and deposition clips likely shown to the **jury**

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DESIGNING FTO POLICIES

Designing FTO Policies (Prior Art Search)

- a) Perform prior art search on **products close to launch** (i.e. 3 months prior to launch)
 - Do not allocate resources and **risk creation of bad evidence** for products without confirmed plan for commercial launch
- b) Limit prior art search for patents owned by **identified competitors**
 - Identify competitors on annual or semi-annual bases.
- c) Do not receive **the full list** of potential prior arts from search companies
 - Request the search companies to **trim down the list**

Designing FTO Policies (Evaluation)

- a) Perform detailed non-infringement and invalidity analysis on the relevant claims **involving US attorneys**
 - ✓ Schedule **annual or semi-annual meeting** with US attorneys where the non-infringement and invalidity analysis are reported
 - ✓ The analysis and reports **may be covered** by A-C Privilege
 - ✓ Inputs from attorneys would serve to **improve the analysis**
- b) Obtain **attorney opinions** of non-infringement and invalidity on the relevant claims
 - ✓ Timing is important for avoiding willful infringement)
 - ✓ Be mindful of invalidity opinions aimed to avoid induced infringement

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Jitsuro Morishita devotes his practice to resolving complex global disputes in the areas of intellectual property, antitrust, governmental investigations, environmental issues, and labor.

Early in his career, he worked in-house for two global technology companies, Pioneer Corporation and Fujifilm Corporation, bringing unique expertise to advocate using profound understanding of Japanese company cultures.

Jitsuro is devoted to bringing his clients (i) easy communication using excellent communication skills, (ii) pleasant surprises from creative and out-of-the-box ways of thinking, and (iii) deep satisfaction through great results and client-friendly experiences.



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毎月!?

独演会

連続やつちやいます!

3月

チケット取扱 2月7日(日)10時~

料金 前売り 1,500円 全席自由席

日時 2021年3月3日(水)

当日 (1,800円)

19:00 開演(開場 18:30) ~ 20:00頃 終演

●お越学況は入場不可●変更・払戻不可。

●ビデオ・カメラ、または携帯電話での録音・映画・撮影・配信禁止●落書きの方は購入前にチケットよしもと不許諾セザイアル [TEL]0570(550)100[10時~19時・年中無休]まで要問合せ。

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