



# Patents Post-Grant



## S.515 Infringement Damages

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Topics: Patent Law Reform

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“If I had more time, I would have written less.” There is some question about who authored this famous quote, but one thing is sure: the folks drafting S515 didn’t do it. Five years in the making, the pending patent legislation is getting longer and more complex with each iteration. Last week, the Senate Judiciary committee released its latest version, which adds a number of new twists. In particular, the damages provision, which takes up 15 lines under current law (35 USC 284), would now be governed by over 100 lines of statute!

Given that any single word of a statute can give rise to decades of interpreting jurisprudence (e.g., “process,” “printed publication,” “on sale” “obvious,” “reasonable royalty”), the entire 21<sup>st</sup> century might be dedicated to interpreting the new statute, unless another reform is enacted before that.

So, what does the new version of S515 provide with respect to damages? It maintains from the earlier version the so-called “gatekeeper compromise” previously struck between opposite sides of this controversial issue. Under this compromise, the court “shall identify the methodologies and factors that are relevant to the determination of damages.”

Prior to trial, unless otherwise ordered by the court, the parties shall state, in writing and with particularity, the methodologies and factors proposed for instructions to the jury in determining damages. Only those methodologies and factors for which “there is a legally sufficient evidentiary basis” shall be considered by the court or jury in making the determination of damages. This provision follows the requirement of showing substantial evidence set forth by the CAFC in recent series of cases, including *Lucent Technologies Inc. v. Gateway et al.*, 580 F.3d 1301 (Fed. Cir. 2009).

The new version adds a new “sequencing” provision, wherein “any party may request that a patent-infringement trial be sequenced so that the trier of fact decides questions of the patent’s infringement and validity before the issues of damages and willful infringement are tried to the court or the jury.” “The court shall grant such a request absent good cause to reject the request.” The sequencing provision “does not authorize a party to request that the issues of damages and

willful infringement be tried to a jury different than the one that will decide questions of the patent's infringement and validity.”

With respect to increased damages, the new version continues to tie this measure only to willful infringement, whereas current law is broader since 35 USC 284 does not mention willful infringement. Further, the new version essentially codifies the “objective recklessness” standard set forth by the Federal Circuit in *In re Seagate Technology*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). As such, a claimant must prove “by clear and convincing evidence that the accused infringer’s conduct was objectively reckless. An accused infringer’s conduct was objectively reckless if the infringer was acting despite an objectively high likelihood that his actions constituted infringement of a valid patent, and this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer.”

The new statute would also specify that the court shall not increase damages if it determines there is “a close case” as to (1) infringement; (2) validity; or (3) enforceability. “Once the court determines that such a close case exists, the issue of willful infringement shall not thereafter be tried to the jury.”

S515 is also amended to codify that “[i]nfringement of a patent may not be found to be willful solely on basis that infringer had knowledge of the infringed patent.” The new version further states that a claimant seeking to establish willful infringement cannot use pre-suit notification of infringement *unless* notification identifies “with particularity” the asserted patent, the product or process accused, and explains “with particularity” how the product or process infringes one or more claims of the patent.

Continuing on its “particularity” theme, the new version of S515 adds the pleading requirements “set forth under Federal Rule of Civil Procedure 9(b).” Under this rule, willful infringement must be pled “with particularity.” Here, the drafters of S515 take another page out of the CAFC, which held last year that inequitable conduct must be pled according to Rule 9(b). See *Exergen Corp. v. Wal-Mart Stores Inc.*, 575 F.3d 1312 (Fed. Cir., 2009). Under this rule, “the who, what, where, and when” of the alleged willful infringement would have to be made explicit in the pleadings.

Finally, the new version of S515 specifies that if a court or jury finds willful infringement, “the court may increase only those damages that accrued after infringement became willful.”

The possibility for a court to award increased damages in cases of willful infringement is a unique feature of U.S. patent law. The underlying policy, i.e. to dissuade parties from willfully infringing others’ patents, is logical and equitable. Overall, the proponents of a reform weakening this policy seem to have won the battle in the Senate Judiciary Committee since the deck would be stacked against patent owners under the new law. Over the next few weeks, we shall see if the opponents of such a reform have better luck with the House judiciary committee.

The above comments capture the main points relating to damages from the new version of S515. With patent reform, one often struggles in deciding how much efforts to spend studying any new version, since it is likely to be amended. The above comments may be too lengthy in that respect. If the author had more time, he would have written less.