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Artificial Enhancement: Limiting Enhanced Damages Awards for Patent Infringement

ARTIFICIAL ENHANCEMENT: LIMITING ENHANCED DAMAGES AWARDS FOR PATENT INFRINGEMENT

ZACHERY D. OLAH*

When the Supreme Court decided Halo Electronics, Inc. v. Pulse Electronics, Inc., it completely changed the status of willfulness and enhanced damages in patent law. The Court overruled the United States Court of Appeals for the Federal Circuit's long-standing Seagate test in favor of the more flexible Read standard without providing any guidance to the lower courts. District courts were left with broad discretion to award enhanced damages based on the nine Read factors. This decision led to confusion among the lower courts and inconsistent application of the law on patent damages, as evidenced by the cases discussed in this Comment.

This Comment argues, based on trends in district court decisions post-Halo, that the Supreme Court should have provided more guidance to the district courts regarding how to properly and consistently apply the Read factors to enhanced damages analysis. This Comment proposes limitations to the Read factors aimed to guide district courts. It then reapplies these limitations to several district court cases to show that consistent application of the factors could still punish the "wanton and malicious pirate" that the Supreme Court was so

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worried about in *Halo*, while ensuring that enhanced damages are only used in rare cases. The proposed limitations also ensure that patent law does not discourage inventors from engaging in the innovative process for fear of awards of enhanced damages against them. In an area of the law where damages often reach into the hundreds of millions, it is important that damages statutes only apply to the more egregious cases.

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INTRODUCTION

Patent law is one of the few areas of law where damages regularly extend into the hundreds of millions of dollars. A study by the University of Houston Law Center analyzing large patent infringement damage awards reported twenty cases where the court granted over

130 million dollars in damages.¹ The study also reports four cases where the damages reached over one billion dollars.² This data is particularly troubling because it exists in an area of law thought to balance disclosure of information with promotion of innovation.³ One of the reasons patent infringement damages have the ability to reach such high sums is because the Patent Act includes a provision that gives district court judges the discretion to multiply the damage award by up to three times.⁴ Prior to the Supreme Court's holding in *Halo Electronics, Inc. v. Pulse Electronics, Inc. (Halo)*,⁵ it was nearly impossible to get a district court to award treble damages or enhanced damages.⁶

This Comment argues that, although the majority opinion in *Halo* set an important precedent, the Court failed to limit the discretion of district court judges to enhance damages in patent infringement cases. Further, the Court proposes limitations on a judge's discretion based on common district court trends aimed to reach a better balance between disclosure and promoting innovation. In its opinion, the Court could have created guidelines for the district courts to follow by simply placing a few limitations on the hearing of patent infringement cases.

Part I of this Comment presents some history about the development of enhanced damages in patent law by walking through the different versions of the Patent Act and discussing how the damages provision changed to more broadly or more narrowly incorporate enhanced damages. Part I then discusses recent cases that changed how courts interpret the damages provision of the latest Patent Act. It concludes by explaining the current state of enhanced damages and the factors considered by courts when presented with a question of whether to actually enhance damages.

1. See *Ranking of the Largest Adjudicated Patent Damages Awards in the United States Between 2005 and 2012 (in Million U.S. Dollars)*, STATISTA, <https://www.statista.com/statistics/257208/ranking-of-the-largest-patent-damages-awards-in-the-us> (last visited Oct. 17, 2018). This website visually represents the data compiled in a study by the University of Houston Law Center. It shows how often patent damages reach into the hundreds of millions, and sometimes billions, of dollars regardless of whether damages are trebled.

2. See *id.* (listing four different patent infringement cases where the damages reached over one billion dollars).

3. See FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, Executive Summary*, 19 BERKELEY TECH. L.J. 861, 862 (2004) (discussing the balance between promoting innovation and disclosing information sought through patent law).

4. Patent Act of 1952, 35 U.S.C. § 284 (2012).

5. 136 S. Ct. 1923, 1932–33 (2016).

6. See Samuel Chase Means, Note, *The Trouble with Treble Damages: Ditching Patent Law's Willful Infringement Doctrine and Enhanced Damages*, 2013 U. ILL. L. REV. 1999, 1999–2000 (2013) (stating that treble damages are “almost impossible to obtain”).

Part II analyzes several of the first district court cases, some of which have been subsequently vacated or reversed, addressing enhanced damages post-*Halo*.⁷ This Part looks to four of the most commonly analyzed factors that seem to sway decisions for or against enhancement. Further, it identifies some trends and facts that district courts look to when trying to determine whether a factor weighs for or against enhancement.

Part III offers four specific limitations that the Court could have enacted in its *Halo* opinion to provide guidelines to the district courts while limiting discretion in awarding enhanced damages. Part III also reapplies these limitations to some of the cases discussed in Part II in an attempt to show that the limitations effectively allow judges to punish the most willful infringers while preventing judges from enhancing damages in cases where the willfulness of the defendant is questionable. Part III concludes by discussing the policy implications of the *Halo* decision as it stands, and how the proposed limitations would help strike a more even balance between disclosing information and promoting scientific innovation.

Finally, this Comment briefly concludes by arguing that the Court failed to properly limit the district courts' discretion to enhance damages for patent infringement, and that the proposed limitations effectively accomplish that goal.

I. DAMAGES IN PATENT LAW

A. *Development of the Damages Provisions*

Each iteration of the Patent Act contained at least one section dedicated solely to addressing how courts should deal with damages in infringement suits. These sections included provisions addressing two types of damages: compensatory damages⁸ and enhanced damages. Enhanced damages first appeared in the Patent Act of 1793.⁹ In a case

7. It is important to recognize that some of the district court cases discussed in this Comment have been vacated or overturned, and this Comment does not attempt to use them as precedent. This trend on appeal further highlights the district courts' immediate need for guidance on how to apply the *Read* factors. *See generally* Dominion Res. Inc. v. Alstom Grid, Inc., No. 15-224, 2016 WL 5674713 (E.D. Pa. Oct. 3, 2016), *vacated sub nom.* Dominion Energy, Inc. v. Alstom Grid LLC, 725 F. App'x 980 (Fed. Cir. 2018); Presidio Components, Inc. v. Am. Tech. Ceramics Corp., No. 14-CV-02061-H-BGS, 2016 WL 4377096 (S.D. Cal. Aug. 17, 2016), *aff'd in part, vacated in part*, 875 F.3d 1369 (Fed. Cir. 2017).

8. Although a discussion of compensatory damages follows, an in-depth analysis of the development of compensatory damage models is beyond the scope of this Comment.

9. Patent Act of 1793, ch. 11 § 5, 2 Stat. 318, 322 (repealed 1836).

where the court found infringement, the Patent Act called for damages “at least equal to three times the price, for which the patentee ha[d] usually sold or licensed to other persons, the use of the said invention.”¹⁰ By 1836, the language changed to limit damage awards to treble damages and made such an enhanced award discretionary.¹¹ Congress changed the language of the Patent Act’s damages provisions a number of times before adopting the current language in 1952.¹² The current Patent Act calls for “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.”¹³ The Patent Act of 1952 also bestows upon the courts the ability to “increase the damages up to three times the amount” awarded.¹⁴ Noticeably, no version of the Patent Act has provided guidance on how to actually calculate these damages. Thus, the development of calculation models for damages has been left to the discretion of the courts.

1. *Compensatory Damages*

Under 35 U.S.C. § 284, when a court reaches a conclusion of infringement, the damages awarded must be adequate to compensate the patentee for the defendant’s infringement.¹⁵ Therefore, to adequately compensate the patentee for the infringement, a court can award what are known as lost profit damages,¹⁶ or, at the very least, a reasonable royalty.¹⁷

a. *Lost Profits*

When a court grants damages based on lost profits, it bases its evaluation on how much the patentee would have made “but for” the

10. *Id.*

11. Patent Act of 1836, ch. 357 § 14, 5 Stat. 117, 123 (“[I]t shall be in the power of the court to render judgment for any sum above the amount found by such verdict as the actual damages sustained by the plaintiff, not exceeding three times the amount thereof . . .”).

12. Patent Act of 1952, 35 U.S.C. § 284 (2012).

13. *Id.*

14. *Id.*

15. *Id.*

16. Courts determine lost profit damages by attempting to calculate how much money the patent owner lost because of the infringement. It does not take into account the profits made by the infringing party. See CRAIG A. NARD, *THE LAW OF PATENTS* 890 (4th ed. 2017).

17. 35 U.S.C. § 284. To determine what a “reasonable royalty” might be, courts often look to established royalties with similar technologies; however, when one does not exist, the court will analyze what a hypothetical negotiation would result in between a willing buyer and willing seller. See NARD, *supra* note 16, at 913.

infringement.¹⁸ This calculation does not account for how much money the infringer actually made, and it is not automatically granted.

The legal framework for analyzing lost profit calculations is defined by the decision in *Panduit Corp. v. Stahl Bros. Fibre Works (Panduit)*.¹⁹ The *Panduit* court created the following conjunctive four-factor test, which must be satisfied by the patentee to recover lost profit damages in an infringement case:

To obtain as damages the profits on sales he would have made absent the infringement, i.e., the sales made by the infringer, a patent owner must prove: (1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of the profit he would have made.²⁰

Courts have also applied notions of “foreseeability” in deciding when to award compensatory damages to ensure that a potential infringer is only liable when the consequences of its actions are not too attenuated.²¹ Although foreseeability is often analyzed under a flexible framework, it is easier to prove when an infringing product is an obvious competitor to the patented good or service.²² When the patentee cannot prove “but for” causation, and subsequently the patentee cannot recover lost profits, the patentee is entitled to a reasonable royalty.

b. Reasonable Royalty

Section 284 states that in every finding of infringement, the patentee shall be entitled to at least a reasonable royalty.²³ This creates a damages floor that no award may fall below. Studies show that reasonable royalty damages are the most frequent damages awarded in patent infringement cases.²⁴ When analyzing what a reasonable royalty might be, courts will look to the exhaustive list of factors found in

18. See NARD, *supra* note 16, at 890, 892 (indicating that *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538 (Fed. Cir. 1995), reiterates the “but for” test needed to establish the amount of the profits lost by the patentee).

19. 575 F.2d 1152 (6th Cir. 1978).

20. *Id.* at 1156.

21. *Rite-Hite Corp.*, 56 F.3d at 1546 (stating that foreseeability tests “have been judicial tools used to limit legal responsibility for the consequences of one’s conduct that are too remote to justify compensation”).

22. *Id.*

23. 35 U.S.C. § 284 (2012).

24. PriceWaterhouseCoopers, *Patent Litigation Study 6* (2018), <https://www.pwc.com/us/en/forensic-services/publications/assets/2018-pwc-patent-litigation-study.pdf>.

*Georgia-Pacific Corp. v. U.S. Plywood Corp.*²⁵ Although none of the fifteen factors are dispositive, some are used more often than others to

25. 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970). The exhaustive list of fifteen factors used to analyze what constitutes a reasonable royalty follows:

- (1) The royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty.
- (2) The rates paid by the licensee for the use of other patents comparable to the patent in suit.
- (3) The nature and scope of the license, as exclusive or non-exclusive; or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold.
- (4) The licensor's established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.
- (5) The commercial relationship between the licensor and licensee, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor and promoter.
- (6) The effect of selling the patented specialty in promoting sales of other products of the licensee; that existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales.
- (7) The duration of the patent and the term of the license.
- (8) The established profitability of the product made under the patent; its commercial success; and its current popularity.
- (9) The utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results.
- (10) The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention.
- (11) The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.
- (12) The portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions.
- (13) The portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.
- (14) The opinion testimony of qualified experts.
- (15) The amount that a licensor (such as the patentee) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license.

Id.

establish a reasonable royalty; specifically, the established royalty of the patented invention and the royalty rates paid by the infringer for similar products.²⁶ Using these two factors raises two questions: (1) what is an “established” royalty?; and (2) how else can a party prove what a reasonable royalty is between two parties that have not negotiated?²⁷

Effectively analyzing and answering the questions above is beyond the scope of this Comment, but it is important to note that in the absence of evidence of negotiations between two parties to a suit, courts will consider what a hypothetical negotiation would look like between the two parties.²⁸ Such a hypothetical negotiation is created between two hypothetical parties, often referred to as a “willing licensor” and a “willing licensee.”²⁹ Such analysis is not performed in a vacuum; in fact, it attempts to compensate for a variety of market factors like bargaining strength between the parties and demand for the product.³⁰

Reasonable royalty damages have proven to be an effective floor on infringement damages. Despite sometimes being difficult to calculate, reasonable royalties are useful in achieving the ultimate goal of damages—making the patentee whole.³¹

2. *Enhanced (Treble) Damages*

As the Patent Act currently stands, § 284 grants discretion to district court judges to enhance any damages award made by the jury.³² While such a provision seems likely to lead to massive damage awards, “[i]t is well-settled that enhancement of damages must be premised on willful infringement or bad faith.”³³ Although there is some debate as to

26. See *Trio Process Corp. v. L. Goldstein’s Sons, Inc.*, 612 F.2d 1353, 1358 (3d Cir. 1980) (analyzing reasonable royalty damages, paying particularly close attention to the first and second *Georgia-Pacific Corp.* factors).

27. NARD, *supra* note 16, at 913.

28. See *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009) (“The second, more common approach, called the hypothetical negotiation or the ‘willing licensor-willing licensee’ approach, attempts to ascertain the royalty upon which the parties would have agreed had they successfully negotiated an agreement just before infringement began.”).

29. *Id.*

30. *Georgia-Pacific Corp.*, 318 F. Supp. at 1121.

31. For an in-depth look at each factor used to analyze lost profits and reasonable royalty damages, see Nancy J. Linck & Barry P. Golob, *Patent Damages: The Basics*, 34 IDEA 13, 21–25 (1994) (discussing the different steps of analysis for compensatory damages).

32. 35 U.S.C. § 284 (2012).

33. *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985).

whether enhanced damages effectively deter willful infringers, it has long been used by district court judges to increase damage awards in cases where the defendant acted maliciously.³⁴

a. The Federal Circuit's Seagate Test

In 1992, the United States Court of Appeals for the Federal Circuit issued its decision in *Read Corp. v. Portec, Inc. (Read)*,³⁵ laying the foundation for enhanced damages analysis. This decision created a nine-factor test³⁶ for district courts to rely on when analyzing enhanced damages.³⁷ This nine-factor test served as a prominent analytical tool in enhanced damages jurisprudence for over a decade, until its temporary demise.

In 2007, the Federal Circuit decided *In re Seagate Tech., LLC (Seagate)*,³⁸ in which it implemented a two-part test.³⁹ The court wanted to use this new test to analyze whether to award enhanced damages based on the level of willfulness present in the infringement by the infringing party.⁴⁰ The two prongs were based on an “objective willfulness analysis” and a “subjective analysis” of the alleged infringer’s knowledge of his or her infringement.⁴¹ This decision came in the wake of years of criticism of how the courts handled willful infringers.⁴²

i. First Prong: Objective Willfulness

Under *Seagate*, for a judge or jury to award enhanced damages, the patentee had to prove by clear and convincing evidence that “the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”⁴³ Specifically, the Federal Circuit used this prong to abandon the “affirmative duty of care” requirement, which

34. See Means, *supra* note 6, at 2035–39.

35. 970 F.2d 816 (Fed. Cir. 1992) (developing a nine-factor test for determining when to enhance damages in infringement suits).

36. See *infra* Section II.A.2.b.

37. *Read Corp.*, 970 F.2d at 826–27.

38. 497 F.3d 1360 (Fed. Cir. 2007).

39. *Id.* at 1370–71.

40. *Id.*

41. *Id.* at 1371.

42. Many proponents of enhanced damages found that the standard was too flexible and rarely led to enhancement in cases which deserved it. Dmitry Karshedt, *Enhancing Patent Damages*, 51 U.C. DAVIS L. REV. 1427, 1461 (2018).

43. *In re Seagate*, 497 F.3d at 1371.

required an alleged infringer to search for the existence of a patent and often seek legal advice on the validity of that patent.⁴⁴

Arguments for willful infringement, and thus, enhancement of damages, often failed on this prong. An empirical study of willfulness litigation post-*Seagate* revealed that cases where the alleged infringer raised “legitimate” or “substantial” defenses to infringement often resulted in decisions of “no willfulness.”⁴⁵ As later stated by the Supreme Court in *Halo*,⁴⁶ this prong made “dispositive the ability of the infringer to muster a reasonable . . . defense at the infringement trial. . . . [E]ven if he did not act on the basis of the defense or was even aware of it.”⁴⁷

ii. Second Prong: Subjective Willfulness

The second prong of analysis under *Seagate* required subjective analysis of the alleged infringers knowledge or state of mind as a question of fact; specifically, whether the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.”⁴⁸ This prong aimed to help the court focus on the actual behavior of the alleged infringer.⁴⁹ Here, the patentee could argue factual matters as to how the infringer acted, or failed to act, with respect to the existence of the patent.

This factual analysis would never be reached, however, if the infringer successfully defended against the objective willfulness prong as discussed above. Successful legal defenses essentially mooted any factual evidence showing the egregious misconduct of the infringer offered by the patentee.⁵⁰

Academics and practitioners were interested in the *Seagate* decision because they anticipated that it would lead to fewer willfulness

44. Paul J. Heald, *Optimal Remedies for Patent Infringement: A Transactional Model*, 45 HOUS. L. REV. 1165, 1197 (2008) (“[*Seagate*] made clear that there is no affirmative duty on the part of an exploiting firm to search for a patent, nor any duty to search for advice from counsel on the validity of a patent that is uncovered if a search is done.”).

45. Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In Re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 452 (2012).

46. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933 (2016).

47. *Id.*

48. *In re Seagate*, 497 F.3d at 1371.

49. See Brett Williamson, *Is the Seagate Test for Willful Infringement Here to Stay?*, LAW360 (Apr. 7, 2015, 10:23 AM), <https://www.law360.com/articles/634564> (stating how the second prong of the *Seagate* test is used to analyze the infringer’s own motivations for infringing).

50. J. Gregory Sidak, *Enhanced Damages for Infringement of Standard-Essential Patents*, 1 CRITERION J. ON INNOVATION 1101, 1103 (2016).

determinations.⁵¹ However, the empirical study discussed above found the opposite result.⁵² The author of the study, Professor Christopher Seaman, stated that the result of his study “calls into question some of the conventional wisdom regarding *Seagate*’s impact on willful patent infringement.”⁵³

In conclusion, it is clear that the two-prong test established by the Federal Circuit in the *Seagate* decision highlighted the issues that were present in enhanced damages jurisprudence. The test did not survive because it was difficult to apply and led to unpredictable and infrequent willfulness decisions, often letting even the “wanton and malicious pirate”⁵⁴ off of the hook for enhanced damages.⁵⁵

A study of willfulness decisions immediately after the *Seagate* decision further proves this point.⁵⁶ In fact, only seven of the twenty-nine cases studied resulted in a finding of willfulness under the *Seagate* standard.⁵⁷ The study further highlights the ways that alleged infringers can avoid a finding of willfulness, such as obtaining a competent legal opinion, performing an independent review of patents, or simply offering evidence of attempts to design around the patented technology.⁵⁸

51. See Laura P. Masurovsky, *A Radical Change in Willful Infringement Litigation*, LAW360 (Jan. 3, 2013, 1:10 PM), <https://www.finnegan.com/en/insights/a-radical-change-in-willful-infringement-litigation.html> (discussing how the first prong of the *Seagate* test leads practitioners to believe that questions of willful infringement will be more easily disposed of at the summary judgement stage).

52. Seaman, *supra* note 45, at 443.

53. *Id.* at 471.

54. The phrase “wanton and malicious pirate” is often used to describe parties who purposely infringe patents without offering compensation to the patent owner. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1932 (2016) (describing the “wanton and malicious pirate” as an actor who “intentionally infringes another’s patent”); see also Brian Barnes, Note, *Creating a More Certain Standard for Enhanced Patent Damages by Requiring Egregiousness as an Element in the Section 284 Analysis*, 67 DUKE L.J. 615, 636 (2017) (indicating the difficulty in discerning the egregiousness standard in certain cases).

55. *Halo Elecs., Inc.*, 136 S. Ct. at 1932.

56. Kurt M. Rogers et al., *Seagate: Trends over the Last 18 Months*, LAW360 (Jan. 23, 2009, 12:00 AM), <https://www.law360.com/articles/84435/seagate-trends-over-the-last-18-months> (discussing the statistics and trends of willfulness determinations following the Federal Circuit’s decision in *Seagate*).

57. See *id.* (including twenty-four decisions from seventeen district courts and five decisions from the Federal Circuit).

58. *Id.*

b. Enhanced Damages Under the Supreme Court's Halo Decision

On February 23, 2016, the Supreme Court heard oral arguments in *Halo*. The petitioner in this case, Halo Electronics, Inc. (Halo), claimed that Pulse Electronics, Inc. (Pulse) willfully infringed on its patents for electronic transformers uniquely designed to be mounted to circuit boards.⁵⁹ After Pulse received two offers to license Halo's patents, Pulse refused the offers and continued selling its allegedly infringing devices.⁶⁰

After the Federal Circuit affirmed the district court's finding of no willfulness, the Supreme Court granted Halo's petition for a writ of certiorari and subsequently vacated the decision and remanded the case.⁶¹ The Court, along with other practitioners in the field of patent law, wanted to use this case to revise the enhanced damages analysis in a way that promotes innovation while punishing the "wanton and malicious pirate."⁶² In its opinion, the Court quickly noted the major issue it took with the first prong of the Federal Circuit's *Seagate* test: "The principal problem with *Seagate's* two-part test is that it requires a finding of objective recklessness in every case before district courts may award enhanced damages."⁶³ The Court further expressed its concern with the most malicious infringers by pointing out that "[u]nder *Seagate*, a district court may not even consider enhanced damages for such a pirate, unless the court first determines that his infringement was 'objectively' reckless."⁶⁴ Overall, it appeared to the Court that the *Seagate* test "constrained a district court's statutory discretion to award enhanced damages."⁶⁵

The Court continued to analyze the *Seagate* test, expressing its concerns with the heightened evidentiary burden placed on the defendant.⁶⁶ The Court concluded that since "Congress expressly erected a higher standard of proof elsewhere in the Patent Act, . . . but not in § 284," it did not intend for a heightened standard of proof with respect to enhanced damages.⁶⁷

The Court concluded that the *Seagate* decision, and its accompanying two-part test, needed to be overruled and replaced with the "egregious

59. *Halo Elecs., Inc.*, 136 S. Ct. at 1930.

60. *Id.* at 1931.

61. *Id.*

62. *Id.* at 1928, 1935.

63. *Id.* at 1932.

64. *Id.* at 1926.

65. Sidak, *supra* note 50, at 1104.

66. *Halo Elecs., Inc.*, 136 S. Ct. at 1934.

67. *Id.* The Court used its decision in *Octane Fitness, LLC v. ICON Health & Fitness Inc.*, 134 S. Ct. 1749, 1758 (2014), to further support this notion.

infringement” standard.⁶⁸ This decision left the door open as to what lower courts should do when analyzing whether to award enhanced damages. In general, district courts began looking back to the nine-factor *Read* test.⁶⁹ The *Read* test asked the lower courts to analyze the following nine-factors as a whole, so that none were dispositive:

- (1) [W]hether the infringer deliberately copied the ideas or design of another[;]
- (2) [W]hether 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[;]
- (3) [T]he 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.⁷⁰

Approaching enhancement under this standard left district courts with plenty of discretion to apply specific factors as they pleased.⁷¹ In his concurring opinion, Justice Breyer pointed out the need for the Court to address limitations on the analysis as prescribed by the statute.⁷² Justice Breyer recognized that enhanced damages should be applied carefully,⁷³ but the standard appeared to be unconstrained after

68. *Halo Elecs., Inc.*, 136 S. Ct. at 1935. The Court also noted that, on appeal, the award of enhanced damages is reviewable only for abuse of discretion, tying the hands of the Federal Circuit in most instances. *Id.*

69. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992) (developing a nine-factor test for determining when to enhance damages in infringement suits).

70. *Id.* (citations omitted).

71. *See infra* Part II (explaining that while some factors have been consistently applied, the failure to evaluate other factors has led to inconsistent and negligent applications of the egregious misconduct standard).

72. *Halo Elecs., Inc.*, 136 S. Ct. at 1936–38 (Breyer, J., concurring) (laying out three specific limitations on enhanced damages analysis). Justice Breyer wanted to limit the egregious misconduct analysis in three ways. First, he wanted to clarify that “willful misconduct” does not mean that enhanced damages may be awarded only by a showing that the infringer knew of the patent. *Id.* at 1936. Second, he felt that relying on whether the infringer sought legal counsel before infringing was an unfair requirement due to its policy implications, specifically, stifling innovation at an early stage. *Id.* Third, he wanted to ensure that enhancement never be used to compensate because § 284 already does that. *Id.* at 1937.

73. *Id.* at 1938.

the Court's opinion. In sum, the district courts were left to use the nine-factor *Read* test to analyze questions of enhancement in cases of patent infringement with no limitations on the courts' discretion to use the test.

II. INCONSISTENT ENHANCED DAMAGES ANALYSIS AT THE DISTRICT COURTS POST-*HALO*

Soon after *Halo*, district courts across the country began applying the *Read* test in varying and unrestrained fashion. Although, as expected, none of the factors alone seem to be dispositive, the courts generally rely on many of the same factors to grant enhancement. Specifically, lower courts focus on the following factors: evidence of copying; whether the infringer investigated the scope of the patent and formed a good faith belief of invalidity or non-infringement; closeness of the case; and attempts to conceal the misconduct.⁷⁴ Although some factors have seen consistent application, other factors have not received similarly consistent analysis.⁷⁵ This void has led to exactly what Justice Breyer feared—inconsistent and negligent applications of the egregious misconduct standard.⁷⁶ The cases analyzed in the following sections show that, although enhanced damages are still infrequently awarded, the standard for enhancement and the level of enhancement is a result of inconsistent analysis by the district courts.⁷⁷

74. See generally *Dominion Res. Inc. v. Alstom Grid, Inc.*, No. 15-224, 2016 WL 5674713, at *21–23 (E.D. Pa. Oct. 3, 2016) (analyzing factors one, two, and nine to award enhancement), *vacated sub nom.* *Dominion Energy, Inc. v. Alstom Grid LLC*, 725 F. App'x 980 (Fed. Cir. 2018); *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 203 F. Supp. 3d 755, 763–64 (E.D. Tex. 2016) (analyzing factors one and two to establish a finding of enhancement); *Trs. of Bos. Univ. v. Everlight Elecs. Co., Ltd.*, 212 F. Supp. 3d 254, 257–58 (D. Mass. 2016) (analyzing factors two and nine to reject an enhancement argument); *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-02024-RMW, 2016 WL 4427490, at *7 (N.D. Cal. Aug. 22, 2016) (analyzing factor five to deny an enhancement argument).

75. See *infra* Section III.A (discussing inconsistencies in the application of the first *Read* factor); see also *infra* Section III.B (analyzing inconsistencies in the application of the second *Read* factor).

76. *Halo Elecs., Inc.*, 136 S. Ct. at 1937.

77. Only four of the nine *Read* factors are analyzed in this Comment. These are four of the most commonly discussed factors in court opinions. Although other factors may be more heavily relied on in specific cases, an analysis of the Supreme Court's failure to limit them is beyond the scope of this Comment.

A. *Factor One: Evidence of Copying*

One frequently considered factor is the first factor of the *Read* test: evidence of copying. District courts have inconsistently used this factor to reach both decisions of enhancement and no enhancement in cases with similar facts. For example, the court in *Dominion Res. Inc. v. Alstom Grid, Inc. (Dominion)*⁷⁸ found that the evidence of copying factor weighed in favor of the plaintiff. In an infringement case about “an aspect of computer software which helps manage and conserve voltage for electric utilities delivering power to our homes, hospitals and businesses,” the parties asked the court in the Eastern District of Pennsylvania to consider enhanced damages.⁷⁹ Here, the accused infringer saw the patentee’s invention at a trade show.⁸⁰ Nine months later, the defendant first unveiled the infringing product.⁸¹ The court did not find any evidence that the defendant actually obtained the patented device, copied the device, or other “smoking gun” activities.⁸² With the limited evidence of willful infringement, the court held that it “[did] not require evidence of blatant copying.”⁸³ The court stated that, since the defendant “had the means and opportunity to copy” the patented invention, the court could “infer” that the defendant copied.⁸⁴ Without any substantive evidence of copying, the court speculatively relied on trite facts to conclude that the defendant was “reckless.”⁸⁵ For a factor specifically described as “evidence of copying,” the court questionably concluded that this factor had been satisfied through speculation without sound evidence.⁸⁶

In *Imperium IP Holdings (Cayman), Ltd. v. Samsung Electronics Co. (Imperium IP)*,⁸⁷ a case about infringement of digital image sensors, the District Court for the Eastern District of Texas analyzed the evidence of copying factor. In *Imperium IP*, the plaintiff provided evidence, through testimony, that the defendant specifically sought information about the

78. *Dominion Res. Inc.*, 2016 WL 5674713, at *18.

79. *Id.* at *1.

80. *Id.* at *21.

81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.*

85. *Id.*

86. *See id.* (inferring that the defendant copied the patented invention because it was “at least reckless” in its handling of the situation).

87. *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 203 F. Supp. 3d 755 (E.D. Tex. 2016).

patented product.⁸⁸ The testimony uncovered evidence that the defendant asked for details about how the plaintiff made its cameras in addition to specific information “about anti-flicker and flash technology, requested source code, and, in regard to higher megapixel cameras, control registers, signals, and the circuitry for the interface.”⁸⁹ Similar to *Dominion*, the court decided that this evidence weighed in favor of the plaintiff’s argument supporting a finding of copying.⁹⁰ The court did not have to speculate whether the defendant actually copied the product because it was provided with sound evidence of such copying.⁹¹ Unlike the plaintiff in *Dominion*, the plaintiff here could actually point to the defendant’s actions to prove blatant copying.⁹²

Conversely, in *WBIP, LLC v. Kohler Co.*,⁹³ the analysis with respect to evidence of copying low emission generator patents is questionable. The District Court of Massachusetts found that the evidence of copying factor supported a fifty percent enhancement; and this decision was affirmed by the Federal Circuit, post-*Halo*.⁹⁴ The defendant here allegedly infringed the patent after being exposed to the novel technology at a trade show.⁹⁵ Like *Dominion*, where the alleged infringer saw the patented technology at a trade show, the facts of this case fail to provide any evidence of blatant copying, allowing the court to base its decision simply on the fact that the defendant attended a trade show where the patent owner displayed the patented technology.⁹⁶ Again, the court speculated as to whether the defendant copied anything from the patented product instead of relying on actual evidence of copying.⁹⁷ This case further highlights post-*Halo* issues because the Federal Circuit could not “abuse its discretion” and was thus forced to affirm the district court’s decision.⁹⁸ This is a problem because the Federal Circuit must often affirm factual findings of the lower courts, and it can hardly do any factually corrective work

88. *Id.* at 763.

89. *Id.*

90. *Id.*

91. *Id.*

92. *See id.* (highlighting the multiple examples of the defendant’s actions to prove actual exposure to the patents at issue).

93. *WBIP, LLC v. Kohler Co.*, No. 11-10374-NMG, 2014 WL 585854 (D. Mass. Feb. 12, 2014), *aff’d*, 829 F.3d 1317 (Fed. Cir. 2016).

94. *Id.* at *8.

95. *Id.* at *7.

96. *Id.*

97. *Id.*

98. *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1342 (Fed. Cir. 2016).

if the district court misapplies the *Read* factors.⁹⁹ The inconsistency in the analysis of this factor at the district courts, for example, shows that the lower courts could benefit from review by the Federal Circuit guiding how to apply each factor.¹⁰⁰

Overall, the district courts' analyses of factor one, evidence of copying, is inconsistent and questionable. The analyses made by the courts in the cases above show that vastly different facts can lead to similar decisions, even without hard evidence of actual copying. Had the Supreme Court placed a limitation on the evidence of copying factor, the district courts may have been able to come to more consistent and reasonable decisions when weighing the factor.¹⁰¹ It is troubling that district courts are inclined to find evidence of copying while failing to require the plaintiff to find evidence proving that the defendants willfully copied.

B. Factor Two: Investigating the Scope of the Patent

Another often analyzed *Read* factor is whether the infringer investigated the scope of the patent, leading to "a good-faith belief that the patent was invalid or that it was not infringed."¹⁰² Although the cases discussed below have different outcomes with respect to enhanced damages, the courts in each case comment on a similar issue: whether the infringer sought professional legal help.¹⁰³

99. See Kevin Casey et al., *Standards of Appellate Review in the Federal Circuit: Substance and Semantics*, 11 FED. CIR. B.J. 279, 298–99 (2002) (explaining the impact of the "clearly erroneous" standard on the Federal Circuit's ability to overturn the district court's finding of fact).

100. See *WBIP, LLC*, 829 F.3d at 1325 (acknowledging the district court's use of the *Read* factors, as a whole, for damage enhancement analysis without discussing the lower court's analysis of each factor on its own).

101. See *infra* Section III.A.

102. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

103. See *Dominion Res. Inc. v. Alstom Grid, Inc.*, No. 15-224, 2016 WL 5674713, at *22 (E.D. Pa. Oct. 3, 2016) (enhancing damages after recognizing the infringer's failure to seek professionals to review patents), *vacated sub nom.* *Dominion Energy, Inc. v. Alstom Grid LLC*, 725 F. App'x 980 (Fed. Cir. 2018); *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 203 F. Supp. 3d 755, 764 (E.D. Tex. 2016) (granting enhancement when the infringer failed to investigate the scope of the patents after a failed negotiation between the parties); *Finjan, Inc. v. Blue Coat Sys.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016) (denying enhancement when the plaintiff could not prove that the infringer had actual knowledge of the patent), *aff'd in part, rev'd in part*, 879 F.3d 1299 (Fed. Cir. 2018); *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, No. 14-CV-02061-H-BGS, 2016 WL 4377096, at *21 (S.D. Cal. Aug. 17, 2016) (denying enhancement when the

The court in *Dominion* addresses the issue of investigating the scope of the patents.¹⁰⁴ In a short, one paragraph discussion, the court concluded that the infringer did not prove it had a good faith belief that it did not infringe.¹⁰⁵ Without performing much legal analysis, it is clear that one statement stands out to explain how the court reached this conclusion: “Alstom admits not having someone with the specific skill in the art of reading patent claims reviewing Dominion’s patent.”¹⁰⁶ The court glanced over some of the arguments made by the infringer; for instance, the argument that the infringer believed it did not infringe because the patent was directed to “a specific measurement way to do [conservation voltage reduction], and [the infringer used] a model-based system, not direct measurement system.”¹⁰⁷ However, based on the court’s language, the failure of the infringer to seek legal help to investigate the patents weighed in favor of the plaintiff.¹⁰⁸

Similarly, the court granted enhanced damages in *Imperium IP*.¹⁰⁹ Although the court in this case never expressly discussed the infringers failure to seek legal counsel, it makes a blanket statement that the infringer “never undertook any serious investigation to form a good-faith belief as to non-infringement or invalidity.”¹¹⁰ The infringer in *Imperium IP* had previously made attempts to purchase the patents that it allegedly infringed upon.¹¹¹ The court noted that because of this fact, the deep knowledge of the patents should have been enough to make the infringer perform some sort of scope investigation.¹¹² Although the court failed to explicitly state what the infringer could have actually done to tip this element in its favor, it is safe to assume, based on similar analysis by other district courts, that this court would have seriously

scope of the claims was unclear), *aff’d in part, vacated in part*, 875 F.3d 1369 (Fed. Cir. 2017); *Trs. of Bos. Univ. v. Everlight Elecs. Co.*, 212 F. Supp. 3d 254, 257–58 (D. Mass. 2016) (denying enhancement when the infringer offered proof that it sought legal advice from two separate law firms).

104. *Dominion Res. Inc.*, 2016 WL 5674713, at *22.

105. *Id.*

106. *Id.*

107. *Id.*

108. *See id.* (“Alstom’s belief it did not infringe because the AMI functionality within the LVM module is housed in the ‘model-based system’ DMS is based entirely on the opinion of people without expertise in reading patent claims.”).

109. *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 203 F. Supp. 3d 755, 764 (E.D. Tex. 2016).

110. *Id.*

111. *Id.*

112. *Id.*

considered the opinions of legal counsel as a sound investigation of the scope of the patents, had the infringer offered that evidence.¹¹³

Conversely, courts have denied enhancement in cases that have similar facts to cases in which enhancement was awarded. For example, in *Finjan, Inc. v. Blue Coat Systems (Finjan)*,¹¹⁴ the District Court for the Northern District of California addressed a case involving infringement of patents directed toward internet security systems. The court made it clear that one fact was outcome determinative in *Finjan* with respect to the second *Read* factor: whether the infringer had knowledge of the patent.¹¹⁵ Here the court noted that “Finjan has not provided sufficient evidence to show Blue Coat knew of the specific patents-in-suit prior to this lawsuit.”¹¹⁶ Thus, in addition to looking at whether the infringer sought legal advice, it is now clear that district courts also consider the infringer’s knowledge of the patents.¹¹⁷ The court in *Finjan* did not address the issue of whether the infringer sought legal help; however, this appears to be the case because it did not want to put the burden on an infringer that never actually knew of a patent’s existence.¹¹⁸

The District Court for the Southern District of California also reached a decision of no enhancement after analyzing the knowledge of the infringer in *Presidio Components, Inc. v. American Technical Ceramics Corp. (Presidio)*.¹¹⁹ The court here also discussed the issue of knowledge, concluding that the infringer had enough knowledge of the patents to move forward with its analysis.¹²⁰ The court ultimately concluded that the infringer formed a good faith belief of non-infringement or invalidity based on the result of the reexamination proceedings on the patent.¹²¹ In the reexamination proceedings filed

113. See *Trs. of Bos. Univ. v. Everlight Elecs. Co.*, 212 F. Supp. 3d 254, 257–58 (D. Mass. 2016).

114. No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016), *aff’d in part, rev’d in part*, 879 F.3d 1299 (Fed. Cir. 2018).

115. *Id.*

116. *Id.*

117. *Id.*

118. *Id.*

119. *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, No. 14-CV-02061-H-BGS, 2016 WL 4377096, at *21 (S.D. Cal. Aug. 17, 2016), *aff’d in part, vacated in part*, 875 F.3d 1369 (Fed. Cir. 2017).

120. *Id.*

121. *Presidio*, 2016 WL 4377096, at *22. In *Presidio*, the United States Patent and Trademark Office (USPTO) engaged in an ex parte reexamination of the patent at issue. In general, reexamination proceedings attempt to give the USPTO a chance to correct any mistakes made in granting the patent in the first place. Chris Rourk &

by the infringer, the plaintiff was forced to drastically narrow the claims of the patent in question.¹²² This fact led the court to categorize this case as one that presented “unique circumstances” surrounding the infringers knowledge, and the court found that factor two weighed in favor of denying a motion for enhancement.¹²³

Finally, the District Court of Massachusetts addressed the second *Read* factor in *Trustees of Boston University v. Everlight Electronics Co.*¹²⁴ Here, the district court refused to enhance damages relying heavily on the infringer’s good faith belief of non-infringement.¹²⁵ The court unquestionably charged the infringer with knowledge of the patents, and highlighted its conduct after receiving knowledge of the patents.¹²⁶ The court, in weighing the second factor, focused its attention on the infringer seeking the legal advice of two separate law firms in addition to the advice of a third party testing company.¹²⁷ Based on the opinions of both law firms and the testing company, the infringer had two sound reasons for believing that it did not infringe on the patent at issue.¹²⁸ Relying on evidence of the infringer’s good faith belief that it did not infringe based on the opinions of legal professionals, the court denied a motion to enhance damages.¹²⁹

After analyzing these district court cases, it is clear that the courts pay particularly close attention to two groups of facts when analyzing the second *Read* factor: (1) the infringer’s knowledge of the patent; and (2) whether the infringer sought legal advice regarding the validity and scope of the patent.¹³⁰ Although the courts’ analyses with respect to

Blake Dietrich, *Ex Parte Re-Exam—An Overlooked Way to Challenge Patents*, LAW360 (Apr. 28, 2016, 10:41 AM), <https://www.law360.com/articles/778917/ex-parte-re-exam-an-overlooked-way-to-challenge-patents>. That being said, a patent owner or a third party may request a reexamination any time after the patent issues by bringing a piece of prior art to the attention of the USPTO that raises a substantial question about the original patentability of the invention. *Id.* Ex parte reexaminations, similar to the one in *Presidio*, usually involve only the patent owner and the USPTO and may result in a finding of a narrow scope of protection or invalidity. *Id.*

122. *Id.*

123. *Id.* at *21.

124. 212 F. Supp. 3d 254, 257–58 (D. Mass. 2016).

125. *Id.* at 258.

126. *Id.* at 257.

127. *Id.*

128. *Id.*

129. *Id.* at 258.

130. See *Dominion Res. Inc. v. Alstom Grid, Inc.*, No. 15-224, 2016 WL 5674713, at *22 (E.D. Pa. Oct. 3, 2016) (granting enhancement), *vacated sub nom.* *Dominion Energy, Inc. v. Alstom Grid LLC*, 725 F. App’x 980 (Fed. Cir. 2018); *Trs. of Bos. Univ.*,

knowledge of the patent leads to expected results, the same cannot be said about whether the infringer sought legal advice. Although it is unclear how the Court wanted lower courts to analyze egregiousness, for the legal and policy reasons discussed later in this Comment, it is hard to imagine that the Court meant to impose the burden of seeking legal counsel so early in the innovative process.¹³¹ Innovation is an arduous and expensive process to begin with,¹³² and the way courts have analyzed the second *Read* factor may complicate the process further. The Supreme Court should have narrowed the focus of the good faith analysis to prevent an implicitly required, and economically burdensome, legal investigation. There are other, more reasonable, ways for courts to analyze whether the infringer had a good faith belief that the patent was invalid or that the infringer did not infringe.¹³³

C. Factor Five: Closeness of the Case

The fifth factor of the *Read* test, the closeness of the case, both overlaps with the second factor and shows that the *Seagate* objective reasonableness standard is relevant because it forces district courts to analyze the objective beliefs of the infringer.¹³⁴ The following cases exemplify how the lower courts look to objectively reasonable defenses when analyzing the closeness of the case.¹³⁵

212 F. Supp. 3d at 257–58 (denying enhancement); *Finjan, Inc. v. Blue Coat Sys.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016) (denying enhancement), *aff'd in part, rev'd in part*, 879 F.3d 1299 (Fed. Cir. 2018).

131. See *infra* Part IV.

132. See generally Ross Breckenridge, *The High Cost of Drugs is the Price We Pay for Innovation*, WORLD ECON. FORUM (Mar. 28, 2017), <https://www.weforum.org/agenda/2017/03/the-high-cost-of-drugs-is-the-price-we-pay-for-innovation> (discussing the rise in medicine prices and how the high cost of innovation in the pharmaceutical field plays a role in those prices).

133. Discussing how the courts should analyze the second *Read* factor is beyond the scope of this Comment. The conclusion to be drawn is that the Supreme Court should have placed limitations on this factor so that the decision of the lower courts does not rest on whether the infringer sought legal advice before litigation occurred.

134. Donald Steinberg et al., *4 Factors Influencing Enhanced Damages After Halo*, LAW360 (Jan. 17, 2017, 2:12 PM), <https://www.law360.com/articles/876993/4-factors-influencing-enhanced-damages-after-halo>.

135. See *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-CV-020240-RMW, 2016 WL 4427490, at *7–8 (N.D. Cal. Aug. 22, 2016) (denying enhancement where the court found the question of infringement to be a close case); *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 13-CV-05038 NC, 2016 WL 4208236, at *8 (N.D. Cal. Aug. 10, 2016) (denying enhancement despite the jury's finding of willfulness because the case was a close call).

In *WesternGeco LLC v. ION Geophysical Corp.*,¹³⁶ one of the first willfulness cases to reach the Federal Circuit on appeal, the Federal Circuit echoed the notion that courts must still analyze objective reasonableness.¹³⁷ Although the Federal Circuit did not analyze the nine *Read* factors, the lower courts' previous use of the objective reasonableness standard to decide closeness of the case could mean that this standard will play a significant role in similar inquiries in the future.¹³⁸

The District Court for the Northern District of California analyzed the fifth *Read* factor in detail in *Radware, Ltd. v. F5 Networks, Inc.*¹³⁹ In this case, the infringer failed to raise an infringement defense at trial and even "stipulated to the infringement of certain claims"; however, the court denied a motion for enhancement based heavily of the fifth *Read* factor.¹⁴⁰ The court specifically stated that the plaintiff's arguments in favor of enhancement "overlook[] the closeness of the infringement issues in this case."¹⁴¹ In fact, the court here pointed to a particular claim of the patent in question to support this decision: "Moreover, this court ruled on summary judgment that claim 24 of [the patent] was not infringed by products with F5's Hotfixes applied."¹⁴² In conclusion, the court refused to enhance damages when the infringer raised reasonable arguments that led to a tough decision, or a decision in the alleged infringer's favor, on the question of infringement of the claims at issue.¹⁴³

Similarly, the District Court for the Northern District of California in *Enplas Display Device Corp. v. Seoul Semiconductor Co. (Enplas)*,¹⁴⁴ a case dealing with patents for low profile lighting apparatuses, again denied a motion for enhanced damages based on the closeness of the case.¹⁴⁵ In *Enplas*, the jury found that the infringer was willful in its infringement, but the court used its discretion to deny enhancement to the plaintiff.¹⁴⁶ After laying out the facts and factors that weighed in

136. 837 F.3d 1358 (Fed. Cir. 2016), *rev'd sub nom.* *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018) (stating that the objective reasonableness standard is still relevant to the willfulness analysis).

137. *Id.* at 1363.

138. *Id.* at 1362–63.

139. No. 5:13-CV-020240-RMW, 2016 WL 4427490, at *7–8 (N.D. Cal. Aug. 22, 2016).

140. *Id.* at *7.

141. *Id.*

142. *Id.*

143. *Id.* at *15.

144. No. 13-cv-05038 NC, 2016 WL 4208236, at *1 (N.D. Cal. Aug. 10, 2016).

145. *Id.* at *8.

146. *Id.*

favor of enhancement, the court quickly pointed to the closeness of the case as a factor that cut the other way: “On the other hand, the case was hard fought and a close call.”¹⁴⁷ Again, the court, in its determination that the case was close, pointed to the objective reasonableness of the invalidity defenses raised by the infringer at trial.¹⁴⁸

In sum, these cases illustrate how lower courts analyze the fifth *Read* factor, tracing the arguments back to the objective reasonableness prong of the *Seagate* test.¹⁴⁹ It appears that the lower courts are using this factor to allow reasonable defenses to continue to be considered in the analysis, without making them dispositive. Although the Supreme Court did not place any limitations on the fifth factor, courts have effectively analyzed this factor as a limited version of the preexisting objective reasonableness test.

D. Factor Nine: Attempts to Conceal Misconduct

The final factor that district courts focus on is factor nine: attempts to conceal the willful misconduct by the infringing party. As expected, this factor commonly weighs in favor of enhancement when found.¹⁵⁰ In fact, until at least January 2017, every court that found concealment awarded enhanced damages, while every denial of a motion for enhancement involved no such finding of concealment.¹⁵¹

First, turning back to *Dominion*, the infringer in the case took affirmative steps to conceal a large portion of evidence that confirmed its willful conduct with a third party.¹⁵² The infringer’s concealing conduct is especially troubling in this case because the plaintiff attempted to obtain the information months before filing suit.¹⁵³ After essentially ignoring the plaintiff’s requests for information regarding the infringing product, the plaintiff later discovered the information it

147. *Id.*

148. *Id.*

149. See *supra* Section I.A.2.a.i (detailing the objective willfulness prong established in *Seagate*).

150. See, e.g., *Dominion Res. Inc. v. Alstom Grid, Inc.*, No. 15-224, 2016 WL 5674713, at *21, *24 (E.D. Pa. Oct. 3, 2016) (granting enhancement after finding that the infringer refused to offer information about the infringement), *vacated sub nom.* *Dominion Energy, Inc. v. Alstom Grid LLC*, 725 F. App’x 980 (Fed. Cir. 2018); *PPC Broadband, Inc. v. Corning Optical Commc’ns RF, LLC*, No. 5:11-cv-761, 2016 WL 6537977, at *27–28 (N.D.N.Y. Nov. 3, 2016) (granting enhancement after finding that the infringer secretly used the patented technology under a disguised older product).

151. See Steinberg et al., *supra* note 134.

152. *Dominion*, 2016 WL 5674713, at *24.

153. *Id.* at *23–24.

sought through third party discovery.¹⁵⁴ It was not until this point that the plaintiff understood the true depth of the infringement.¹⁵⁵ The court emphatically relied on the infringer's concealment to reach a finding of enhancement: "[The infringer's] conduct in secretly proceeding with [the third party] . . . is enough to find this factor weighs in favor of some measure of enhanced damages."¹⁵⁶ This is exactly the type of conduct the Supreme Court hoped to deter with its egregious misconduct test, and thus, it is no surprise that the lower court found that the concealment weighed in favor of enhancement.¹⁵⁷

Similarly, the District Court for the Northern District of New York reached a finding of concealment and enhanced damages in *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC (PPC Broadband)*.¹⁵⁸ The questionable conduct by the infringer included adding new "invisible" features to its products that turned out to be infringing the patent in question.¹⁵⁹ The defendant attempted to mask its infringement by using "the same series and model number, same outward appearance, and same catalogue and marketing materials" for the new version of its product incorporating the plaintiff's patented technology.¹⁶⁰ In addition to this conduct, the infringer never sent prototypes or drawings to the patentee, further supporting a finding of concealment.¹⁶¹

Finally, the district court in *Trustees of Boston University* analyzed the ninth *Read* factor and came to a conclusion of no concealment.¹⁶² Unlike the infringer in *PPC Broadband*, the infringer here provided the patentee with samples of the accused product for the patentee to analyze.¹⁶³ On this fact, the court said that "[p]roviding an accuser with the means to determine infringement, in the form of product samples, is not an action to conceal infringement."¹⁶⁴ Although the patentee argued that the infringer concealed its infringement by "instructing its lawyers only to analyze the first aluminum nitride layer

154. *Id.* at *24.

155. *Id.*

156. *Id.*

157. *Id.* at *25.

158. No. 5:11-cv-761, 2016 WL 6537977, at *12, *34 (N.D.N.Y. Nov. 3, 2016).

159. *Id.* at 5.

160. *Id.*

161. *Id.*

162. *Trs. of Bos. Univ. v. Everlight Elecs. Co.*, 212 F. Supp. 3d 254, 257 (D. Mass. 2016).

163. *Id.*

164. *Id.*

and not the gallium nitride layers above it,” the court credited the infringer’s testimony explaining why it did so.¹⁶⁵

To summarize, lower courts use the ninth *Read* factor to better analyze and understand the infringer’s conduct before and during litigation. When concealment is found, courts often enhance damages.¹⁶⁶ When an infringer is faced with proving that it did not conceal evidence of its infringement, case law provides that the most helpful fact is proof that the accused infringer sent drawings or samples to the patentee for review.¹⁶⁷ Overall, it looks like lower courts use this factor reasonably despite its apparent status as the most outcome determinative of the *Read* factors.¹⁶⁸

III. LIMITING THE “EGREGIOUS MISCONDUCT” TEST

When the Supreme Court overruled the Federal Circuit’s *Seagate* test for enhanced damages in *Halo*, the Court failed to properly limit the district courts’ discretion in deciding whether to enhance damages.¹⁶⁹ The district courts were left with unfettered discretion to analyze the nine factors put forth in *Read* to determine when to enhance damages in patent infringement cases. This unbound discretion led to inconsistent and questionable applications of the *Read* test among the district courts, which could have been avoided had the Supreme Court included some much-needed guidance in its opinion.¹⁷⁰ This part of the Comment proposes several guidelines and limitations to the *Read* factors that have proven to be the most inconsistently applied. The proposed guidelines and limitations are derived from the patterns of legal analysis by district courts as discussed in Part II.

A. *Placing Limitations on the Read Factors*

Some of the most commonly analyzed *Read* factors at the district court level lead to troubling or inconsistent weighing of the nine

165. *Id.*

166. *See* Steinberg et al., *supra* note 134.

167. *See, e.g., Trs. of Bos. Univ.*, 212 F. Supp. 3d at 257.

168. None of the other commonly analyzed *Read* factors are as strongly correlated with the court granting—or not granting—enhancement.

169. *See supra* Section I.A.2.b (discussing the tremendous amount of discretion left to lower courts following the *Halo* decision).

170. *See supra* Part II (connecting the confusion of lower courts to the concerns voiced by Justice Breyer in his *Halo* concurrence).

factors, as shown above.¹⁷¹ When the Supreme Court struck down the Federal Circuit's *Seagate* test in *Halo*,¹⁷² it should have used the opportunity to explicitly limit how lower courts should analyze questions of willfulness and enhanced damages. Although the Court's reasoning for striking down the *Seagate* test is legitimate,¹⁷³ it should have more seriously considered how the district courts would use this new standard.¹⁷⁴ Some of Justice Breyer's proposed limitations in his concurring opinion would limit discretion; however, he failed to seriously analyze the factors of the *Read* test,¹⁷⁵ the test that lower courts would obviously rely on when analyzing enhanced damages.

The following section proposes limitations on four of the commonly used *Read* factors to restrain the district courts' discretion in enhancing damages. Such limitations, had they been made by the Supreme Court, would be legally grounded in the Court's ability to interpret the law,¹⁷⁶ and would promote the policy underpinnings of patent law to reward invention while promoting innovative work.¹⁷⁷

The first proposed limitation to the *Read* test is on the first factor. When analyzing factor one, the only way this can weigh in favor of enhancement is if actual evidence of copying exists. Evidence cannot be inferred. As seen in two of the cases analyzed above, lower courts use their discretion to allow this factor to weigh in favor of enhancement when the only "proof" of copying comes from mere speculation.¹⁷⁸ Allowing such analysis seems contradictory when the

171. *See id.* (describing the inconsistent analysis of the *Read* factors by lower courts following the *Halo* decision).

172. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933–34 (2016).

173. *Id.* at 1931.

174. *See id.* at 1936–38 (Breyer, J., concurring) (explaining the need to limit district courts' discretion in awarding enhanced damages).

175. *Id.* (discussing various justifications for limiting district court discretion but offering no clear guidance on *Read* factor analysis).

176. U.S. CONST. art. III, § 1.

177. The United States Constitution says that Congress may grant inventors limited exclusive rights to their inventions "[t]o promote the Progress of Science and useful Arts . . ." U.S. CONST. art. I, § 8, cl. 8.

178. *See Dominion Res. Inc. v. Alstom Grid, Inc.*, No. 15-224, 2016 WL 5674713, at *20 (E.D. Pa. Oct. 3, 2016) (refusing to enhance damages with "only an inference of copying present"), *vacated sub nom.* *Dominion Energy, Inc. v. Alstom Grid LLC*, 725 F. App'x 980 (Fed. Cir. 2018); *WBIP, LLC v. Kohler Co.*, No. 11-10374-NMG, 2014 WL 585854, at *7 (D. Mass. Feb. 12, 2014) (acknowledging the lack of "smoking gun" evidence of copying as persuasive in limiting the damages award). In both cases, the district courts enhanced damages when the only evidence of copying was that the infringer was exposed to the patented invention at a trade show.

factor is explicitly defined as “whether the infringer deliberately copied the ideas or design of another.”¹⁷⁹ The Supreme Court should have addressed this factor to ensure that lower courts would not rely on speculation to hold an infringer liable for enhanced damages on top of the compensatory damages award.

The second proposed limitation is on the second *Read* factor. When analyzing factor two, courts must rely on the infringing parties’ knowledge of the patents and their own attempts to research the scope. The infringer need not consult legal professionals for the factor to weigh against enhancement. However, if the party seeks legal advice, this should weigh against enhancement. Based on the decisions in *Finjan* and *Presidio*, it appears that the district courts have effectively applied the knowledge portion of this limitation.¹⁸⁰ Although patent infringement is a strict liability offense, infringers should never receive punitive damages for infringing upon a patent that it did not know about. Further, as in *Presidio*, when the scope of the claims in the patent are questionable, so much so that they are narrowed in some form of post-grant proceeding, an infringer should not be unforfeitingly punished for infringement of those claims.

Moving to the second prong of the proposed limitation for factor two, the lower courts do not seem to be fully applying this on their own.¹⁸¹ Although seeking legal counsel appears to weigh against enhancement,¹⁸² courts still look to the infringer’s decision to seek legal counsel when weighing factors for enhancement. Holding innovators accountable for enhanced damages based on their failure to seek legal counsel early in the inventive process not only does not make sense, but also flies in the face of what patent law tries to accomplish as a whole. What is the point of making an already arduous

179. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992), *abrogated by* *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 875 F.3d 1369 (Fed. Cir. 2017).

180. *See Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, No. 14-cv-02061-H-BGS, 2016 WL 4377096, at *21 (S.D. Cal. Aug. 17, 2016) (denying enhancement where the infringer had knowledge of the patents, but the claims of the patent were limited in a reexamination proceeding initiated by the infringer), *aff’d in part, rev’d in part*, 875 F.3d 1369 (Fed. Cir. 2017); *Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-cv-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016) (denying enhancement where it was clear that the infringer never knew of the patent’s existence), *aff’d in part, rev’d in part*, 879 F.3d 1299 (Fed. Cir. 2018).

181. *See Dominion Res. Inc.*, 2016 WL 5674713, at *22 (noting that the defendant admitted that it failed to secure expert review of the infringed patent).

182. *See Trs. of Bos. Univ. v. Everlight Elecs. Co.*, 212 F. Supp. 3d 254, 257 (D. Mass. 2016) (denying enhancement where the infringer sought legal advice from two law firms).

and expensive process more demanding? Applying the proposed limitation would not allow the “wanton and malicious pirate”¹⁸³ that the Supreme Court is so concerned about off of the hook. It would simply protect the common inventor from spending more money to seek legal help—an obviously expensive endeavor—at the early stages of invention.

The third proposed limitation is to factor five. When analyzing factor five, if there is any objectively reasonable question as to whether there was even infringement, courts cannot weigh this factor in favor of enhancing damages. As noted previously, this is an effective way to resurrect a portion of the *Seagate* test that strongly limited when enhanced damages were awarded without making that portion of the test as dispositive as it was previously.¹⁸⁴ Although the Supreme Court did not explicitly state this proposed limitation, many lower courts are reaching decisions that abide by the limitation.¹⁸⁵ By adopting the proposed limitation, the Supreme Court could have guaranteed that the objective reasonableness of an infringer’s defense is taken into account when analyzing the fifth factor, without making it dispositive one way or the other.

The final proposed limitation to the *Read* test is to factor nine. When analyzing factor nine, courts should weigh this factor in favor of enhancement if there is evidence that the infringer sought to deceive the court or hide evidence of infringement. Again, although the Supreme Court did not explicitly adopt this limitation, most courts have effectively used this factor when analyzing the *Read* factors.¹⁸⁶ Given the Supreme Court’s concern with infringers engaging in piracy, it is understandable that when courts find concealment they often also grant enhanced damages. Of the nine *Read* factors, behavior confirming the infringer’s concealment aligns with the actions of a pirate more than any other factor. While it is important that this factor alone is not dispositive of any arguments against enhancement, lower courts seem

183. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1932 (2016) (quoting *Seymour v. McCormick*, 57 U.S. (16 How.) 480, 488 (1853)).

184. See *infra* Section III.C (discussing how the fifth factor of the *Read* test demonstrates that the *Seagate* objective reasonableness standard is not entirely obsolete).

185. See *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-cv-02024-RMW, 2016 WL 4427490, at *7–8 (N.D. Cal. Aug. 22, 2016) (denying enhancement in a close case); *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 13-cv-05038 NC, 2016 WL 4208236, at *8 (N.D. Cal. Aug. 10, 2016) (denying enhancement where the jury found willfulness in a “hard fought” close case).

186. See, e.g., *Dominion Res. Inc.*, 2016 WL 5674713, at *22 (addressing the alleged infringer’s “good faith belief in non-infringement”); *Trs. of Bos. Univ.*, 212 F. Supp. 3d at 257 (highlighting the defendant’s pre-trial attempts to determine if its product infringed plaintiff’s patent).

to effectively analyze the behavior of the infringer with respect to its attempts to conceal evidence of misconduct.¹⁸⁷

B. Applying the New Limitations to the Read Test

To demonstrate how the proposed limitations on the *Read* test would function in practice, this section will apply the test to two cases discussed in Part II: *Dominion* and *Imperium IP*. Doing so will show that the proposed test will not change how courts may come out on the issue of enhancement in cases involving the most willful infringers, while ensuring that enhancement is only applied in extremely egregious cases.¹⁸⁸

Turning first to *Dominion*, it appears that the proposed test could have potentially changed the outcome of the decision on enhancement. The limitation on the first factor of the *Read* test would certainly change how the factor is weighed. In *Dominion*, there was not actual evidence of the infringer copying the patent product.¹⁸⁹ This is the classic example of a case in which the court infers copying in a situation where the infringer has simply been exposed to the patented technology.¹⁹⁰ Without more evidence of actual copying, the proposed limitation would not allow the court to weigh this factor in favor of enhancement because it is based on a theory of speculation—just because an infringer could have had the opportunity to copy the patented technology does not mean that it actually did.

The second and fifth factors overlap in this case, as they often do.¹⁹¹ In analyzing the second factor, there is no argument against the fact that the infringer knew of the patent in question.¹⁹² Adopting the

187. See, e.g., *Trs. of Bos. Univ.*, 212 F. Supp. 3d at 257 (clarifying that although all nine *Read* factors are helpful in the court's enhancement analysis, the "touchstone" remains the "egregiousness" of the infringer's conduct). Another interesting limitation to consider would be for the Supreme Court to adopt the commonly used analysis with respect to the infringer providing samples of products or drawings. Such behavior often weighs against enhancement, as explained in Section III, but analyzing how and when this proposed limitation would be satisfied is beyond the scope of this Comment.

188. It is expected that the proposed limitations to the *Read* test will result in courts granting enhancement in fewer cases. Nevertheless, it is important that courts still punish the "wanton and malicious pirate" in cases of deliberate and "egregious" infringement. To prove that this proposed limitation test functions as desired, it will be applied to the *Dominion* and *Imperium IP*.

189. See *Dominion Res. Inc.*, 2016 WL 5674713, at *21.

190. *Id.*

191. See *Radware, Ltd. v. F5 Networks, Inc.*, No. 5:13-cv-02024-RMW, 2016 WL 4427490, at *7–8 (N.D. Cal. Aug. 22, 2016) (conflating the second and fifth *Read* factors in its enhancement analysis).

192. *Dominion Res. Inc.*, 2016 WL 5674713, at *22.

proposed limitations would prevent the court from weighing heavily the infringer's failure to seek professional opinions in favor of enhancement. Without the ability to weigh that decision, all of the other facts weigh in favor of no enhancement for factor two. Because the infringer offered legitimate reasons as to why it believed it did not infringe, factor two would now weigh against enhancement.¹⁹³ Further, the court found factor five to be neutral, weighing in favor of neither side.¹⁹⁴ Nothing in the proposed limitations to the *Read* analysis would change that factor.

With all of these factors now tipping towards no enhancement or neutrality, the level of concealment as prescribed by the ninth factor would have to be so drastic that it outweighs the fact that all of the other factors have flipped sides. Applying the proposed limitations to this factor would not change much. There is clear evidence of concealment,¹⁹⁵ and weighing this factor in favor of enhancement is absolutely justified. That being said, the concealment is not so egregious or drastic that it outweighs two of the other important. In this case, it appears that, although the infringer engaged in some questionable behavior, a court could reasonably apply the proposed limitations to deny enhancement.¹⁹⁶

Conversely, the proposed limitations to the *Read* test would most likely leave the decision in *Imperium IP* as it stands. After analyzing the first factor, it is clear that the proposed limitation would have no effect on the decision to weigh this factor in favor of enhancement.¹⁹⁷ The facts of this case provided sound proof that agents of the infringer sought out information about the patented technology before using that information to copy.¹⁹⁸ Applying the proposed limitation to the first *Read* factor would not change the way a court would analyze these facts, and a reasonable court would still find that this factor weighs in favor of enhancement.

Turning now to the second factor, the proposed limitations would again result in no change to the outcome. The infringer knew of the

193. *Id.*

194. *Id.* at *23.

195. *Id.* at *22.

196. The egregious misconduct standard is in place to punish the most willful infringers. Contrasting the infringer in *Dominion* with egregious infringers like the one in *Imperium IP* makes clear that this is likely a case where enhancement is unwarranted.

197. *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 203 F. Supp. 3d 755, 763 (E.D. Tex. 2016) (referencing clear evidence of infringer's copying), *appeal filed*, No. 17-2133 (Fed. Cir. 2017).

198. *Id.* at 763.

patents and even made attempts to purchase the patents before its infringing activity.¹⁹⁹ The court here noted that the infringer did not seek legal counsel, but it seemed to base its decision more heavily on the lack of the infringer to do anything to really understand the scope of the patents after failed attempts to purchase the patents.²⁰⁰ The proposed limitations do nothing to flip this factor to a decision of no enhancement when the infringer does nothing to form its *good faith belief* of non-infringement. Whether the infringer in *Imperium IP* sought legal counsel does not change the fact that it did no internal investigation to try to understand the metes and bounds of the technology protected by the patent. The fifth factor is not analyzed in the court's opinion, but this does not seem to be a close case, at all.²⁰¹

The limitations placed on the ninth factor do not help the infringer, either. The infringer engaged in multiple instances of egregious conduct in attempts to misrepresent the facts as well as hide evidence.²⁰² The court defined the misrepresentations made by the infringer as material, and the evidence shows that the infringer failed to produce many of the requested discovery documents.²⁰³ This type of concealment will always weigh in favor of enhancement, and thus, the court's decision would remain that way had it applied the proposed test.

This case shows that the proposed limitations do not affect the lower courts' discretion to enhance damages in cases of extreme egregiousness. More than other cases, the infringer in *Imperium IP* appears to be the type of pirate that the Supreme Court intended to punish.

C. Policy Implications of Ignoring the Proposed Limitations on District Court Discretion

In addition to its impact on willfulness litigation, the proposed limitations to the *Read* factors would keep the quid pro quo scale of patent law in balance. Although the Supreme Court obviously considered the quid pro quo nature of patent law,²⁰⁴ it seems to have

199. *Id.* at 764.

200. *Id.*

201. *See id.* (listing the infringer's multiple acts of willful concealment as well as trial misconduct that resulted in court sanction prior to final judgment).

202. *Id.*

203. *Id.*

204. Douglas Nemec, *Supreme Court, in Halo, Balances the Value of Patents and Innovation*, FORBES (June 27, 2016, 8:21 AM), <https://www.forbes.com/sites/danielfisher/2016/06/27/supreme-court-in-halo-balances-the-value-of-patents-and-innovation> (discussing the impact of the Supreme Court's decision in *Halo*).

weighed more favorably for strengthening the patent and the limited monopoly that comes with it. Although this may seem like a typical holding meant to strengthen the value of the United States' patent system, the policy implications of such a holding may extend far beyond what the Supreme Court intended.

The most troublesome result of the *Halo* decision would be a scenario that gives non-practicing entities (NPEs), often referred to as patent trolls, more incentive to file frivolous lawsuits against entities that are trying to innovate.²⁰⁵ The common inventor and large companies alike will be more likely to settle with the NPEs for fear of reaching litigation and the possibility of enhanced damages.²⁰⁶ This will result in exactly the imbalance described above. NPEs will send demand or cease and desist letters at rates similar to those in a pre-*Seagate* patent world,²⁰⁷ leading to a frustration of the goals of the U.S. Constitution; to “promote . . . Science and useful Arts.”²⁰⁸

Furthering this frustration is the best defense to NPEs in the court of law. The best advice to a company facing demand letters from patent trolls is to seek legal help.²⁰⁹ This compounds the extreme financial burden already experienced during the inventive process. Thus, potential infringers are left with three equally bad options: (1) settle with the entity sending the demand letter; (2) spend money litigating—an already expensive endeavor²¹⁰—and potentially be held liable for

205. Chase Means, *Has the Supreme Court Breathed New Life into Patent Trolls in Halo and Stryker?*, IPWATCHDOG (June 15, 2016), <http://www.ipwatchdog.com/2016/06/15/supreme-court-patent-trolls-halo-stryker> (discussing how the *Halo* decision may impact the ability of patent trolls to receive larger settlements before going to litigation).

206. *Id.*

207. From 2004 to 2009, before the Federal Circuit's *Seagate* decision, infringement suits rose seventy percent, and demand letters requesting licensing fees rose 650 percent. Much of this increase in patent infringement activity was due to the actions of NPEs. See John Kelly, *Are Patent Trolls Smothering Innovation?*, HOWSTUFFWORKS, <https://science.howstuffworks.com/innovation/everyday-innovations/patent-trolls> (last visited Oct. 17, 2018) (analyzing the impact of patent trolls on patent infringement litigation).

208. U.S. CONST., art. I, § 8, cl. 8.

209. Kenneth Jeng et al., *Litigating Willful Patent Infringement in a Post-Halo World*, IPWATCHDOG (Dec. 8, 2016), <http://www.ipwatchdog.com/2016/12/08/litigating-willful-patent-infringement-post-halo> (discussing strategies for avoiding egregious conduct before litigation).

210. See generally James Bessen & Michael J. Meurer, *The Private Costs of Patent Litigation*, 9 J.L. ECON. & POL'Y 59, 60 (2012) (analyzing the financial and business-related costs of patent infringement litigation).

enhanced damages; or (3) abandon its innovative work.²¹¹ Most common inventors and technology start-ups do not have the money to fund the litigation, so it results in a strong stifling of innovation.²¹²

Although strengthening the value of a patent is understandably important, it should not be done at the expense of innovation. As it stands, the Supreme Court's decision in *Halo* does just that. In a quid pro quo system meant to further scientific development in the United States, promoting innovation should not take a back seat to financial return for patent owners.

CONCLUSION

The Supreme Court's decision in *Halo* loosened the standards for enhanced damages in patent law. In doing so, the Court struck down the Federal Circuit's *Seagate* two-part test and replaced it with the egregious misconduct test. The egregious misconduct test left lower courts with the discretion to award enhanced damages as they saw fit. Currently, district courts often rely on the nine factors of the *Read* test to analyze questions of willfulness in patent infringement lawsuits.

Further, the Court should have recognized that lower courts would likely rely on the *Read* factors to analyze willfulness and improperly use their discretion to award enhanced damages too frequently. As Justice Breyer acknowledges in his concurring opinion in *Halo*, the Court should have used its power to place limitations on the discretion of the district courts. Although the Court's decision to strike down the *Seagate* test is grounded in sound legal analysis, the proposed limitations described in this Comment are necessary to ensure that the egregious misconduct test accomplishes the intended goal of the Court—to punish the “wanton and malicious pirate.”

Finally, the proposed limitations to the *Read* test allow more patent infringers to evade enhanced damages while punishing only the most willful infringers. Using enhanced damages in this manner ensures that the quid pro quo balance that has served as the foundation of patent law does not tip too far in favor of the patent holder at the expense of the promotion of innovation.

211. Reports show that ninety-seven percent of patent infringement suits settle before litigation. See Kelly, *supra* note 207.

212. Sometimes smaller companies choose to fight patent trolls and, often, win the lawsuit. See, e.g., Gil Elbaz, *Beating Back the Trolls: Repealing a Major Tax on Innovation*, NEWCO SHIFT (Apr. 20, 2016), <https://shift.newco.co/beating-back-the-patent-trolls> (telling the story of how a company fought back against an NPE).