



# ACC SOUTHERN CALIFORNIA IN HOUSE COUNSEL CONFERENCE

---

January 19, 2022  
Anaheim, California

sponsored by:

**Knobbe Martens**



#IHCC22

# In-House Counsel Conference (IHCC) January 19, 2022

---

## Strategic Considerations for IP Risk Mitigation – Managing Assertions, Investigations and Opinion Letters

Knobbe **Martens**



Greg Phillips  
[greg.phillips@knobbe.com](mailto:greg.phillips@knobbe.com)



Sheila Swaroop  
[sheila.swaroop@knobbe.com](mailto:sheila.swaroop@knobbe.com)



Mauricio Uribe  
[mauricio.uribe@knobbe.com](mailto:mauricio.uribe@knobbe.com)



#IHCC22

2022 ACC SoCal In House Counsel Conference



---

# Willfulness and Enhanced Damages – Patent Law



# Basis for Willful Patent Infringement - 35 U.S.C. § 284 - Damages

---

Upon finding for the claimant the court shall award the claimant 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.

When the damages are not found by a jury, the court shall assess them. **In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).**

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.



# Willful Infringement (Prior to 2007)

---

*Underwater Devices Inc. v. Morrison-Knudsen Co.*,  
717 F.2d 1380 (Fed. Cir. 1983)

- The standard for whether an accused infringer willfully infringed a patent was whether the accused infringer employed an “affirmative duty of care”
- A finding of patent infringement carried a high risk of a finding of willful infringement absent some form of prior mitigation by the defendant
- Vast majority of companies addressed the willful infringement risk by pro-actively seeking invalidity and non-infringement opinion letters



# Willful Infringement (2007 – 2016)

---

***In re Seagate Technology LLC*, 497 F.3d 1360 (Fed. Cir. 2007)**

- **The Federal Circuit’s 2007 Seagate decision effectively decreased the risk of a court finding willful infringement in patent infringement cases by eliminating the “affirmative duty of care”**
- **The Federal Circuit replaced it with a requirement that the patentee show "clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent, and if the patentee met this threshold showing, it then had to show that the objectively-defined risk... was either known or so obvious that it should have been known to the accused infringer”**
- **Under this legal and legislative landscape, the practice of obtaining opinion letters became much less common**



# Willful Infringement (Post 2016)

---

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

The Supreme Court abrogated *Seagate* and renewed the emphasis on pre-litigation knowledge in a determination of willful infringement

- The inquiry is now flexible, and focuses on the culpability of the accused infringer as measured by what it knew at the time of the challenged conduct
- The Court explained that it is "egregious infringement behavior" that warrants enhanced damages, such as behavior that is "willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or ... characteristic of a pirate."
- The Court also rejected the clear and convincing evidentiary burden in favor of a preponderance of the evidence



# Factors for Considering Willfulness

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

- (1) whether the infringer deliberately copied the ideas or design of another;
- (2) whether the infringer, when it knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that the patent was invalid or not infringed;
- (3) the infringer's behavior as a party to the litigation;
- (4) the infringer's size and financial condition;
- (5) the closeness of the case;
- (6) the duration of the infringer's misconduct;
- (7) remedial action by the infringer;
- (8) the infringer's motivation for harm; and
- (9) whether the infringer attempted to conceal its misconduct.





# Willful Infringement – Enhanced Damages – Different Tests

- *SRI Int'l., Inc. v. Cisco Sys., Inc.*, 14 F.4th 1323 (Fed. Cir. 2021)
  
- The Federal Circuit clarified that under the Supreme Court's Halo decision, there are two different tests for willfulness and enhanced damages.
  - Willfulness is the lower standard of the two. Willful infringement requires “no more than deliberate or intentional infringement.”
  - Enhanced damages flows from a finding of willful infringement. Enhanced damages requires egregious conduct on the part of an infringer. The conduct is measured from the date an adjudged infringer has notice of infringement.
  
- Quoting Halo, the Federal Circuit noted that the standard for willfulness is lower than what is necessary for conduct warranting enhanced damages, which requires “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or...characteristic of a pirate.”
  
- The Federal Circuit also reinstated the award for enhanced damages finding that the district court appropriately considered the Read factors including “the infringer’s behavior as a party to the litigation,” the infringer’s “size and financial condition,” the infringer’s “motivation for harm,” and the “[c]loseness of the case.”



---

## Practical Questions – Patent Law



# Patent Prosecution

---

**Question: Does citation of a patent or published patent application during prosecution require an analysis of the claims or an opinion?**

- **Generally, citation of issued patents or published patent applications during prosecution does NOT create an obligation to review any claims for possible infringement**
- **No strict rule – the more relevant a reference is during prosecution, the greater knowledge that will be inferred**
- **Note – there are examples in U.S. patent litigation where willfulness is based on knowledge of the asserted patent based on citation and application during prosecution**



# Patent Searching/Clearance Searching

---

**Question:** Does identification of a patent as part of a patent search/clearance search require an analysis of the claims or an opinion?

- **Generally, conducting patent searches/clearance searches provides additional knowledge of patents and may require additional follow up**
  - **Was there a good-faith belief that the patent was invalid or not infringed?**
  - **Was there deliberate copying?**
  - **Was there any attempt to conceal?**
- **No strict rule – the more relevant a patent, the greater knowledge that will be inferred**



# General Assertion Letters

---

**Question: Does identification of a patent as part of a general assertion letter without details of infringement require an analysis of the claims or an opinion?**

- **Generally, the assertion letters provides additional knowledge of patents and may require additional follow up**
  - **Was there a good-faith belief that the patent was invalid or not infringed?**
  - **Was there deliberate copying?**
  - **Was there any attempt to conceal?**
- **No strict rule – the more relevant a patent, the greater knowledge that will be inferred**



# Specific Assertion Letters

---

**Question: Does identification of a patent as part of a specific assertion letter including details of infringement require an analysis of the claims or an opinion?**

- **Generally, the specific assertion letters may require additional follow up**
  - **Was there a good-faith belief that the patent was invalid or not infringed?**
  - **Was there deliberate copying?**
  - **Was there any attempt to conceal?**
- **No strict rule – the more relevant a patent, the greater knowledge that will be inferred**



---

# Willfulness and Enhanced Damages – Trademark Law and Copyright Law



## Trademark Infringement - 15 U.S. Code § 1117 - Recovery for violation of rights

---

### (a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a **willful violation** under section 1125(c) [NOTE: dilution] of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and **subject to the principles of equity**, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.





# Willful Infringement – Required in Seeking Defendant’s Profits?

---

- **Willful infringement under carries a connotation of deliberate intent to deceive**
  - **Courts look for conduct that is deliberate, false, misleading, or fraudulent; bad faith**
  
- **Prior to 2020, there was a circuit split on whether willful infringement must be shown before the disgorgement of the infringer’s profits under § 1117(a)**
  - **The Ninth Circuit required a showing of willfulness (concerned with “principles of equity”)**
  - **Other circuits viewed willfulness as one factor to weigh when awarding profits**



# Willfulness Not Required to Obtain Award of Defendant's Profits

---

*Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S.Ct. 1492 (2020)

- The Supreme Court held that proof of willful infringement is not a precondition for an award of an infringer's profits under § 1117(a)
- A trademark defendant's state of mind remains a "highly important" factor in determining whether to award profits
- Takeaway: strengthens TM owner's position in seeking monetary damages from parties found liable for creating a likelihood of consumer confusion without willfulness
  - Concurrent opinions cautioned about awarding profits in instances of "innocent" infringement



# Awarding Profits – Possible Factors

---

- **Previously identified factors from the Third, Fourth & Fifth Circuits** (see, e.g., *Synergistic Intern., LLC v. Korman*, 470 F.3d 162 (4<sup>th</sup> Cir 2006)):
  1. Whether the defendant had the intent to confuse or deceive (willfulness)
  2. Whether plaintiff's sales have been diverted (was there actual confusion?)
  3. The adequacy of other remedies
  4. Any unreasonable delay by plaintiff in asserting rights
  5. The public interest in making the misconduct unprofitable
  6. Whether it is a case of palming off



## Basis for Willful Copyright Infringement - 17 U.S. Code § 504 - Remedies for infringement: Damages and profits

---

**(a) IN GENERAL.**—Except as otherwise provided by this title, an infringer of copyright is liable for either—**(1)** the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

**(2)** statutory damages, as provided by subsection (c).

**(b) ACTUAL DAMAGES AND PROFITS.**—

. . .

**(2)** In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$200. . .



# Willful Infringement - Copyright

---

- A finding of willful infringement can increase statutory damages from \$30,000 per infringement to \$150,000 per infringement
- To prove willfulness, the Ninth Circuit requires the plaintiff to show (see *Erickson Productions, Inc. v. Kast*, 921 F.3d 822 (9<sup>th</sup> Cir. 2019)):
  1. That the defendant was actually aware of the infringing activity; or
  2. That the defendant's actions were the result of reckless disregard for, or willful blindness to, the copyright holder's rights
- Negligence is insufficient to meet this standard



# Practical Questions – Trademark Law



# Trademark Prosecution

---

**Question: Does citation of a trademark application or trademark registration during trademark prosecution require an analysis or an opinion?**

- Typically, the citation of a trademark registration, or mention of application by itself does not create an obligation to review for possible infringement
- Advisable for applicant to conduct reasonable due diligence regarding any mark cited/mentioned in prosecuting application
  - applicant will certainly have to review senior filing to draft argument to overcome refusal
- Willful infringement requires intent to deceive when mark adopted; but with *Romag* willfulness no longer required for disgorgement of profits
  - Court may consider other factors – perhaps even PTO’s examination of defendant’s application



# Trademark Clearance Search

---

**Question: Does identification of a pending trademark application or registered trademark in search/clearance search require an analysis or an opinion?**

- **Generally, no, but recommended to determine if significant risk**
- **Due diligence includes:**
  - **Comparing marks in sight, sound and meaning**
  - **Comparing the goods/services**
  - **Researching the third party's use of the mark**
  - **Determining if there is overlap in consumers or trade channels**
  - **Determining how many other parties use an identical or similar mark**
  - **Determining how aggressive the other party is in enforcing its TM rights**





# Specific Assertion Letters - Trademark

---

**Question: Does identification of a registered or common law mark as part of a specific assertion letter including details of infringement require an analysis of the claims or an opinion?**

- Recommended to determine if claim of infringement is valid and significant risk
- Were the marks asserted in demand letter revealed in trademark search?
  - Applicant may have already determined whether its mark conflicts with the asserted marks
- *Romag* - Willful infringement no longer required for award of defendant's profits
  - Ignoring assertion letter may put defendant in weaker position to argue award of profits unwarranted



# Specific Assertion Letters - Copyright

---

**Question: Does identification of a registered or common law work protected by copyright in a letter asserting infringement require an analysis of the claims or an opinion?**

- **Recommended to determine if claim of infringement is valid and significant risk**
- **Determine where you obtained work:**
  - **Was it copied from an online source?**
  - **Was it purchased or licensed from an online source? If so, do you have copy of purchase or license agreement?**
  - **Is it an original work created by an employee within the scope of their employment?**
- **Request asserting party prove ownership of asserted work**



---

# Strategies for Responding to Assertion Letters



# Responding to Assertion Letters

---

## ■ General Assertion Letters

- Statement respecting intellectual property rights
- Option 1: Insufficient detail for further analysis – matter will be considered closed
- Option 2: Insufficient detail for further analysis – request more details if any follow up is to be conducted
- Option 3: Indicate non-infringement and matter will be considered closed



# Responding to Assertion Letters

---

- **Specific Assertion Letters**
  - **Statement respecting intellectual property rights**
  - **Option 1: Insufficient detail for further analysis – request more details if any follow up is to be conducted**
  - **Option 2: Indicate missing elements for non-infringement and matter will be considered closed**
  - **Option 3: Provide detailed invalidity chart**



# Types of Opinions

---

## ■ Oral Advice

- **May be appropriate for clear non-infringement position – Should be confirmed with written communication**
- **Not likely sufficient for invalidity position**

## ■ Short Memorandum

- **May be appropriate for clear non-infringement position that does not require detailed claim construction**
- **Not likely sufficient for invalidity position**



# Types of Opinions

---

## ■ Claim Chart

- May be appropriate for clear non-infringement position that does not require detailed claim construction
- May be appropriate for clear invalidity position that that does not require detailed claim construction

## ■ Written Opinion

- Applicable for non-infringement position that may require detailed claim construction, prosecution history review
- May be appropriate for clear invalidity position that that may require detailed claim construction, prosecution history review





# 20th ANNUAL IN HOUSE COUNSEL CONFERENCE

---

January 19, 2022

[www.acc.com/chapters-networks/chapters/southern-california](http://www.acc.com/chapters-networks/chapters/southern-california)



#IHCC22



---

## Appendices - Statutes



## Trademark Infringement - 15 U.S. Code § 1117 - Recovery for violation of rights

---

### (b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) for any violation of section 1114(1)(a) of this title or section 220506 of title 36, in a case involving use of a counterfeit mark or designation (as defined in section 1116(d) of this title), **the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages**, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of—

**(1) intentionally** using a mark or designation, **knowing such mark or designation is a counterfeit mark** (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services; or

**(2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.**

. . .



# Trademark Infringement - 15 U.S. Code § 1117 - Recovery for violation of rights

## (c) Statutory damages for use of counterfeit marks

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

- (1) not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
- (2) if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

## (d) Statutory damages for violation of section 1125(d)(1) [domain name, cybersquatting]

In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.

## (e) Rebuttable presumption of willful violation [domain name, cybersquatting]

In the case of a violation referred to in this section, it shall be a **rebuttable presumption that the violation is willful** for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.



## Basis for Willful Copyright Infringement - 17 U.S. Code § 504 - Remedies for infringement: Damages and profits

---

**(3)(A)** In a case of infringement, it shall be a rebuttable presumption that the infringement was committed willfully for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the infringement.

**(B)** Nothing in this paragraph limits what may be considered willful infringement under this subsection.

...

**(d) ADDITIONAL DAMAGES IN CERTAIN CASES.**—In any case in which the court finds that a defendant proprietor of an establishment who claims as a defense that its activities were exempt under section 110(5) did not have reasonable grounds to believe that its use of a copyrighted work was exempt under such section, the plaintiff shall be entitled to, in addition to any award of damages under this section, **an additional award of two times the amount of the license fee** that the proprietor of the establishment concerned should have paid the plaintiff for such use during the preceding period of up to 3 years.

