

The Latest Intellectual Property News



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Happy New Year. Welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

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NO DEFENSE IS NOT A DEFENSE TO WILLFULNESS

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Failing to present an defense in litigation can lead to enhanced damages. *Aqua Shield v. Inter Pool Cover Team*, Slip op. 2014-1263 (Fed. Cir. Dec. 22, 2014). Aqua Shield sued Inter Pool Cover Team (IPC) for infringement of U.S. Patent No. 6,637,160 based on asserted claims 1-16. A New York district court denied a preliminary injunction for failing to prove a likelihood of success and questions about jurisdiction. Following a transfer to a Utah district court, Aqua Shield won summary judgment that IPC infringed and that no claim was invalid, because, although Aqua Shield asserted claims 1-16 of the '160 patent, IPC did not defend against 14 of the 16 asserted claims. A bench trial led eventually to determinations that IPC had not been willful in its infringement, based on the New York district court's denial of Aqua Shield's motion for a preliminary injunction and IPC's efforts (post-filing) to design around. Aqua Shield appealed the finding of no willfulness that led to the denial of enhanced damages and attorney's fees. A panel of the Federal Circuit reversed and remanded for further proceedings.

The panel noted that the district court failed to apply the *Seagate* test for willfulness. First, patentee must "show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007). Second, "the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer." *Id.* Although *Seagate* expressly connects findings of willfulness to preliminary-injunction rulings. *Seagate*, 497 F.3d at 1374 ("A substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct."), *Seagate* states no rigid rule. In fact, *Seagate* notes that preliminary injunctions can be denied even when a defendant has not raised "substantial question[s] about invalidity or infringement." Willfulness determinations depend on why the preliminary injunction was denied.

In this case, the Eastern District of New York's denied Aqua Shield's motion for a preliminary injunction for questions about personal jurisdiction and Aqua Shield's lack of knowledge about IPC's accused product. These reasons, according to the panel, cannot reasonably be read to support a conclusion of no objective recklessness, i.e., the first *Seagate* factor.

Regarding the contended post-filing design around, the panel noted that questions remain about both whether the design around was actually implemented and whether the design around was non-infringing.

On remand, the panel instructed the district court to consider whether the infringer's defenses, *as ultimately presented to the court*, were reasonable, namely, to consider that IPC presented neither an infringement defense for most of the asserted claims nor an element-by-element argument for invalidity. If the court finds that the defenses were objectively reckless, in the sense that no "reasonable litigant could realistically expect" them to succeed, the court should consider *Seagate's* second requirement of subjective knowledge. According to the panel, the objective baselessness of an infringer's defenses, *assessed on the litigation record*, may have a strong bearing on whether the "objectively-defined risk" of infringement "was either known or so obvious that it should have been known to the accused infringer." And if willfulness is found, the court should reconsider enhanced damages.

ADDITIONAL INFORMATION

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