

WILLFUL PATENT INFRINGEMENT: THEORETICALLY SOUND? A PROPOSAL TO RESTORE WILLFUL INFRINGEMENT TO ITS PROPER PLACE WITHIN PATENT LAW

STEPHANIE PALL

The patent system encourages public disclosure of information and investment in invention by protecting the subject of the patent from infringement by outside parties. Patent infringement contains elements of strict liability, negligence, and intentional torts. The basic claim of patent infringement carries no required mental state and compensates the patentee with a reasonable royalty or recovery of lost profits. In exceptional cases, the patentee may recover attorney's fees. Upon a showing of willful patent infringement, the court may award up to treble the award granted by the jury. Willful infringement initially resembles an intentional tort because "willful" ordinarily involves intentional or deliberate conduct and treble damages are essentially punitive in nature. However, the Federal Circuit sometimes defines willful infringement subjectively, and other times in terms of a "duty of care" and "reasonableness," concepts mainly associated with negligence law. This hodgepodge of negligence law and intentional tort law has resulted in confusion and unpredictability for potential litigants.

The author of this note attempts to provide clarity by identifying the elements of negligence present in willful infringement and creating a new cause of action for negligent patent infringement. The author begins with a thorough discussion of the principles of patent law, willful infringement, and the awards available. Next, the author sets out the fundamental elements of negligence. The author then analyzes willful infringement in light of those core concepts, showing that the availability of treble damages conflicts with the essentials of negligence law. The author concludes, however, that neither negligence nor intent should be rejected, but that they should be separated into distinct causes of action, with distinct damages available. Under the author's scheme, all levels of culpability are accounted for, and the

available damages more closely correspond to the infringer's level of culpability than under the current system.

I. INTRODUCTION

A claim of willful patent infringement is a typical component of most patent litigation lawsuits.¹ The frequency with which willful patent infringement is alleged is due in part to the fact that treble damages are available upon a willful infringement verdict.² Despite the regularity of such allegations and the fact that the parties have much to either gain or lose, Federal Circuit case law is internally inconsistent regarding the standard for willful patent infringement.³ Specifically, Federal Circuit case law vacillates between defining willful infringement with objective terminology⁴ and with subjective terminology.⁵ In order for the parties to a patent infringement lawsuit to be able to accurately predict the strength of their case, and thus the desirability of taking the case to trial, a more consistent standard for willful infringement must be formulated.

This note proposes that willful patent infringement be confined to acts of intentional infringement, such as copying. Additionally, this note recommends the creation of negligent patent infringement for those infringers who fail to fulfill their affirmative duty to exercise due care. Part II lays out the rationales underlying the patent system and the evolution of Federal Circuit case law regarding willful infringement. Understanding the rationale and development of patent law can help ensure that a newly formulated willful infringement standard theoretically fits within the patent law landscape. Part III compares the Federal Circuit's articulation of the willful infringement standard to general principles of tort law, demonstrating that certain aspects of the willful infringement standard, for instance, the affirmative duty to exercise due care, embody negligence principles while other aspects reflect the principles of intentional torts. Part IV suggests that the two parts of the willful infringement standard be separated from each other. Part IV concludes that willful patent infringement should be defined exclusively by elements typical of other intentional torts—mainly deliberate misconduct. The affirmative duty to exercise due care and other negligence-like elements should be embodied in the tort of negligent patent infringement. This solution is advantageous because it allows punishment to track culpability while concurrently remaining theoretically sound.

1. Jon E. Wright, Comment, *Willful Patent Infringement and Enhanced Damages—Evolution and Analysis*, 10 GEO. MASON L. REV. 97, 97 (2001).

2. 35 U.S.C. § 284 (2000).

3. William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Patent Infringement*, 41 HOUS. L. REV. 393, 424 (2004).

4. See, e.g., *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).

5. See, e.g., *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004) (en banc).

II. BACKGROUND

A useful standard for willful infringement must comport with both the general goals of the patent system and the more specific goals envisioned for the tort of willful patent infringement. As such, this section first explores the general rationales underlying the patent system. Then, it examines the specific rationales justifying awarding both enhanced damages and attorney fees in certain patent cases. Finally, this section concludes with an examination of the evolution and current state of willful infringement under Federal Circuit case law.

A. Rationales for Granting a Patent Monopoly

The American patent system derives its ultimate authority from Article I, § 8, cl. 8 of the Constitution, which gives Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁶ This section explores two common arguments explaining how granting a patent monopoly to an individual inventor can successfully promote scientific progress.⁷

The patent system is principally founded on the idea that in order to stimulate scientific progress, new inventive activity has to be publicly accessible.⁸ Only when new inventions are disclosed to the public can the public learn from and build upon past discoveries.⁹ Embedded in this rationale is the assumption that without patent protection, inventors, fearing commercial exploitation by competitors, will attempt to keep the details of their inventions secret.¹⁰ In order to encourage the inventor to publicly disclose his invention, patent law alleviates the inventor’s fear of commercial exploitation by conferring monopolistic protection.¹¹ Thus,

6. U.S. CONST. art. I, § 8, cl. 8.

7. For additional rationales for patent monopolies, see Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1036–46 (1989), where the author discusses the “incentive to innovate” rationale for patent monopolies. See also MARTIN J. ADELMAN ET AL., *CASES AND MATERIALS ON PATENT LAW* 38–39 (2d ed. 2003) (discussing various philosophical rationales for the patent system).

8. See Eisenberg, *supra* note 7, at 1028; Wright, *supra* note 1, at 98–99 (quoting *Kewanee Oil Co. v. Bicon Corp.*, 416 U.S. 470, 481 (1974)).

9. Eisenberg, *supra* note 7, at 1028; see also *Kewanee Oil Co. v. Bicon Corp.*, 416 U.S. 470, 481 (1974) (“[S]uch additions to the general store of knowledge are of such importance to the public weal that the Federal Government is willing to pay the high price of 17 years of exclusive use for its disclosure. . . .”); Wright, *supra* note 1, at 99 (quoting *Kewanee Oil Co. v. Bicon Corp.*, 416 U.S. 470, 481 (1974)).

10. Eisenberg, *supra* note 7, at 1028. Eisenberg notes that the “incentive to disclose argument . . . rests on the premise that in the absence of patent protection inventors would keep their inventions secret in order to prevent competitors from exploiting them.” *Id.* However, she goes on to point out that some commentators have questioned the ability of the patent system to “promote disclosure of inventions that would otherwise be kept secret.” *Id.* at 1028–29.

11. 35 U.S.C. § 271 (2000) (“[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”).

the patent system stimulates the Constitutional purpose of promoting science by triggering the public disclosure of new ideas.

The patent system can be further characterized as a mechanism for promoting initial investment in inventive activity.¹² Inventors are more likely to engage in inventive activity when such activity will generate profits. Profit creation necessitates that the inventor be able to charge a price high enough to cover his economic investment in the inventive activity.¹³ Absent meaningful protection, the free-rider problem would become pervasive.¹⁴ Competitors could copy the invention and market it at production cost, as they incurred no initial inventive expenditures.¹⁵ Under this scenario, the inventor could not charge the higher price needed to recover the initial investment in the inventive activity.¹⁶ Thus, the free-rider problem serves as a disincentive to invest in inventive activity.¹⁷ Offering a commercial monopoly over the invention acts to cure the free-rider problem by creating an opportunity for inventors to charge supercompetitive prices.¹⁸

Despite the benefits conferred by the patent system, granting commercial monopolies is subject to criticism. Mainly, conferring a patent monopoly interferes with the operation of the free market.¹⁹ Most obviously, a patent monopoly, and indeed any monopoly, reduces market competition.²⁰ In the patent context, monopolies interfere with the market in additional ways.²¹ For instance, in order for competitors to compete with the protected invention, the competitors must expend resources designing around the protected invention.²² In short, this “may force competitors of the patent holder to waste time and effort finding duplicative solutions to technological problems in order to avoid infringement.”²³ Notwithstanding the drawbacks of market interference, patent protection remains justified as the cost of market interference is outweighed by the benefits derived from increasing the amount of publicly available knowledge.²⁴

12. Eisenberg, *supra* note 7, at 1024–28.

13. *Id.* at 1025.

14. *Id.*

15. *Id.*

16. *Id.*

17. *Id.* However, Eisenberg later points out that there may be reason to believe that investment in inventive activity would occur in the absence of the patent system incentives, such as being the first to the marketplace may offer enough of an advantage over the free-riders to encourage the necessary investment in scientific progress. *Id.* at 1026–27.

18. *Id.* at 1025–26.

19. Monopolies reduce the market competition and thus allow the patentee to potentially charge supercompetitive prices to the consumers. *See id.* at 1025–26. In her article, Eisenberg also presents additional arguments for how patent monopolies interfere with the markets. *See id.* at 1026–28.

20. *Id.* at 1025–26.

21. *Id.* at 1026–28.

22. *Id.* at 1027–28.

23. *Id.*

24. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974).

Thus, the system of granting monopolistic protection for inventions is commonly rationalized on two grounds. First, the government grants patent monopolies in order to facilitate public dissemination of inventive activity. Second, the government grants patent monopolies in order to encourage investment in inventive activity. Both rationales stem from the ultimate constitutional purpose of “promot[ing] the Progress of Science and useful Arts.”²⁵ The standard for willful infringement and its corresponding remedy should be constructed in a way that furthers these goals.

B. Remedies Currently Available for Patent Infringement

Without meaningful remedies for infringement, the patent system would be ill-equipped to encourage inventors to publicly disclose their inventions in exchange for patent monopolies. Currently, patent infringement remedies are governed by the Patent Act. At its base, patent infringement constitutes a strict liability offense.²⁶ With infringement as a strict liability offense, 35 U.S.C. § 284 provides a remedy equal to at least a reasonable royalty.²⁷ A patentee’s remedy, however, is not limited to the compensatory damages embodied by the reasonable royalty standard. Rather, the statute further provides that “the court may increase the damages up to three times the amount found or asserted.”²⁸ In essence, the statute allows for punitive damages.²⁹ While the Patent Act does not provide a standard for applying the enhanced damages provision, the standard articulated by the Federal Circuit is that of willful infringement.³⁰ Upon a finding of willful infringement, the district court has the discretion to increase the damage award up to three times its amount.³¹

In addition to the reasonable royalty and treble damages authorized by § 284, § 285 provides that a patentee can receive an award of attorney

25. U.S. CONST. art. I, § 8, cl. 8.

26. Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 56–57 (2001). *But see* Roger D. Blair & Thomas F. Cotter, *Strict Liability and Its Alternatives in Patent Law*, 17 BERKELEY TECH. L.J. 799, 800–08 (2002) (clarifying that in some cases patent infringement is a strict liability offense, but if 35 U.S.C. § 287 applies then the standard for patent infringement is a modified version of strict liability).

27. 35 U.S.C. § 284 ¶ 1 (2000). It is important to note that the statute provides that damages are not to be lower than the reasonable royalty. Thus, if the patentee is able to prove lost profits, the patentee can collect lost profits instead of the reasonable royalty. ROGER E. SCHECHTER & JOHN R. THOMAS, *INTELLECTUAL PROPERTY: THE LAW OF COPYRIGHTS, PATENTS AND TRADEMARKS* 512 (2003). This is usually preferable, as lost profits will generally be greater than the reasonable royalty.

28. 35 U.S.C. § 284 ¶ 2.

29. *E.g.*, *Beatrice Foods Co. v. New Eng. Printing & Lithographing Co.*, 923 F.2d 1576, 1580–81 (Fed. Cir. 1991).

30. *E.g.*, *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (“While no statutory standard dictates the circumstances under which the district court may exercise its discretion, this court has approved such awards where the infringer acted in wanton disregard of the patentee’s patent rights, that is, where the infringement is willful.”).

31. *Id.*

fees if the patentee's case is deemed exceptional.³² While a finding of willful infringement can be used to classify a case as exceptional, other circumstances, such as litigation misconduct, may also justify an award of attorney fees.³³ In short, the Patent Act provides the court leeway in fashioning an appropriate infringement remedy. In ascertaining the proper remedy for willful infringement, the statutory provisions already in place can serve as useful guideposts.

C. *Justification for § 285's Award of Attorney's Fees*

As previously discussed, pursuant to 35 U.S.C. § 285, attorney's fees can be awarded to the patentee in exceptional cases.³⁴ Awarding attorney fees can be justified on two alternative grounds: (1) punitive considerations, and (2) compensatory considerations. This section explores each in turn.

Under the American regime of attorney's fees awards, punitive considerations for fee shifting dominate both court and statutory language.³⁵ Since an award of attorney fees can be seen as an award above and beyond what is necessary to rectify the legal injury, many legal scholars characterize an attorney fee award as punitive.³⁶ Moreover, courts and commentators alike argue that the purpose of an award of attorney fees is to punish and deter the culpable party.³⁷ This is the traditional goal of any punitive damage award.³⁸

While not often articulated within case law, commentators have argued that pro-plaintiff fee-shifting can be compensatory in nature.³⁹ In a negligence cause of action, damages assessed against the defendant are designed to make the plaintiff whole.⁴⁰ However, when the wronged party must expend money in order to receive compensation, the party is not economically whole upon receiving a favorable judgment.⁴¹ This is especially true in the patent context, where patent litigation can be prohibitively expensive for some patentees. Accordingly, in order to actually fully compensate the wronged party, an award of attorney's fees to

32. 35 U.S.C. § 285.

33. *E.g.*, *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987).

34. 35 U.S.C. § 285.

35. Thomas D. Rowe, Jr., *The Legal Theory of Attorney Fee Shifting: A Critical Overview*, 1982 DUKE L.J. 651, 660 (1982).

36. *See* Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 794 (2002).

37. Rowe, *supra* note 35, at 660–61.

38. *Id.* at 660.

39. *Id.* at 657–59 (“Undeniably, the American rule’s effect of reducing a successful plaintiff’s recovery by the amount of his lawyer’s fee conflicts with the make-whole idea underlying much of the law of remedies. . . . [H]owever widespread its rejection in American practice, the prima facie argument for fee shifting based on making a successful party financially whole for legal injury seems persuasive.” (footnotes omitted)).

40. *See* Kesan, *supra* note 36, at 793–94.

41. Rowe, *supra* note 35, at 657–59.

the successful plaintiff is warranted.⁴² Thus, punitive and compensatory considerations provide compelling justifications for fee shifting to the successful plaintiff.⁴³

D. Justification for the Punitive Damage Award in Willful Patent Infringement

The American patent regime is one of the few patent regimes to allow a punitive damage award for patent infringement.⁴⁴ As previously discussed, punitive damages are available upon a finding of willful patent infringement.⁴⁵ Thus, in order to properly delineate a standard for willful patent infringement, it is essential to understand the underlying rationale for punitive damages in the patent context. This section explores: (1) the historical development of punitive damages within the patent regime; and (2) the current rationale for punitive damages as articulated by the Federal Circuit.

1. Historical Evolution of Punitive Damages Under Patent Law

Punitive damages have historically been available to the patentee.⁴⁶ While not originally part of the Patent Act of 1790, Congress enacted a statutory provision for mandatory treble damages just three years later.⁴⁷ Joseph Barnes is credited with influencing Congress to provide patentees with this more substantial remedy.⁴⁸ Fearing that American juries generally looked unfavorably on patent monopolies,⁴⁹ Barnes argued that even if a jury found for the patentee, the jury would be prone to undercompensate the patentee, thereby discouraging future patentees from enforcing their monopolistic rights.⁵⁰ To ensure that a patentee's rights had

42. *Id.* at 657 (“Another argument for fee shifting that has a strong intuitive appeal is that refusing to award fees denies a wronged party full compensation for his injury.”).

43. It should be noted that the compensatory considerations lose force in justifying other fee shifting arrangements. *Id.* at 658–59. For example, in cases where awarded damages do not serve a compensatory function. *Id.* Additionally, compensatory considerations could not be utilized to justify a pro-defendant fee-shifting argument. *Id.* Rowe develops this point:

Most importantly, the make-whole rationale does not in many or most cases seem to support shifting in favor of a defendant prevailing on the merits. The positions of plaintiff and defendant may seem parallel; prevailing defendants initially can appear as entitled to full restoration as prevailing plaintiffs are to full compensation. But the persuasive reason for making a successful plaintiff whole is that he suffered a legal wrong appropriately remedial by compensation. Our system does not regard bringing (or, for that matter, defending) a losing case—without more—as the infliction of a legal wrong.

Id. at 659 (footnotes omitted).

44. Powers & Carlson, *supra* note 26, at 56.

45. See 35 U.S.C. § 284 (2000); *supra* Part II.B.

46. Powers & Carlson, *supra* note 26, at 57.

47. *Id.* at 62.

48. *Id.* at 61–62.

49. *Id.* at 61.

50. *Id.*

meaning, the patentee had to be adequately compensated.⁵¹ Accordingly, Barnes argued that damages could not be limited “to those assessed by a jury.”⁵² In response to Barnes’ criticism of the Patent Act of 1790, Congress implemented a remedy requiring that damages be at least trebled.⁵³ In short, the original basis for treble damages was not a desire to punish an infringer for increased culpability, but rather a desire to prevent jury undercompensation to the patentee.⁵⁴

Subsequent changes to the Patent Act limited the availability of punitive damages. Notably, the Patent Act of 1836 replaced mandatory treble damages with discretionary treble damages.⁵⁵ Substantially retained under current patent law, this damage provision allows the judge to increase damages to an amount not exceeding three times the amount of the jury award.⁵⁶ Legislative history provides some, although not extensive, insight into Congressional intent for retaining the availability of treble damages.⁵⁷ The Congressional record from 1836 provides that the availability of treble damages was to prevent “piracy and fraud.”⁵⁸ More recently, Congress has justified the punitive damage award as a means to “discourage infringement of a patent by anyone thinking that all he would be required to pay would be a royalty.”⁵⁹ Thus, as the availability of treble damages went from mandatory to discretionary, the Congressional justification for treble damages evolved from concerns about adequate compensation to the current focus on punitive damages as a deterrent mechanism.

2. *Contemporary Justification: The Federal Circuit’s Stance on Punitive Damages*

Since its inception, the Federal Circuit has articulated a fairly consistent view regarding the purpose of punitive damages within the patent infringement context. An early Federal Circuit case contained dicta suggesting that enhanced damages could serve a compensatory function.⁶⁰ The Federal Circuit, however, quickly disavowed any weight these dicta might have.⁶¹ Instead, the Federal Circuit, like Congress, subsequently

51. *Id.* at 55–57.

52. *Id.* at 61.

53. *Id.* at 62.

54. *Id.* at 67, 106–07.

55. *Id.* at 66.

56. *Id.*

57. *See id.* at 67–68.

58. Senate Report Accompanying S. 239, 24th Cong., 1st Sess. (April 28, 1836) reprinted in 9 DONALD S. CHISUM, CHISUM ON PATENTS app. 12, at 12-9 (2005).

59. Wright, *supra* note 1, at 100–01 (quoting S. REP. NO. 79-1503, at 1387 (1946)).

60. Rite-Hite Corp. v. Kelley Co., 819 F.2d 1120, 1126 (Fed. Cir. 1987) (“The role of a finding of ‘willfulness’ in the law of infringement is partly as a deterrent—an economic deterrent to the tort of infringement—and partly as a basis for making economically whole one who has been wronged . . .”).

61. *See* Beatrice Foods Co. v. New England Printing & Lithographing Co., 923 F.2d 1576, 1579–80 (Fed. Cir. 1991).

advocated punitive damages as a deterrent mechanism aimed at dissuading potential infringers.⁶² The Federal Circuit explicitly articulated its position in *Beatrice Foods Co. v. New England Printing & Lithographing Co.*:

Under our cases, enhanced damages may be awarded only as a penalty for an infringer's increased culpability, namely willful infringement or bad faith. Damages cannot be enhanced to award to the patentee additional compensation to rectify what the district court views as an inadequacy in the actual damages awarded. . . . If a patentee believes that the award is inadequate, it may challenge it on appeal. The award cannot be enhanced, however, on the ground that it is inadequate.⁶³

It should be noted, however, that other explanations for enhanced damages have sporadically crept into the Federal Circuit's case law. On occasion, the Federal Circuit has stated that punitive damages under § 284 provide a "secondary benefit of quantifying the equities as between patentee and infringer."⁶⁴ This balancing of the equities necessarily contemplates factors other than the accused's intentional wrongdoing—a result that is directly in conflict with the purpose of willful infringement. As such, these cursory statements made by the Federal Circuit are not given substantial weight. Thus, the dominant thread throughout Federal Circuit case law is that enhanced damages, and consequently willful infringement, are in place in order to deter culpable, as opposed to strict liability, infringement. This underlying rationale must be taken into account when determining the appropriate standard for willful patent infringement.

E. Willful Infringement Standard: Evolution of Federal Circuit Case Law

The willful infringement test has undergone significant changes over the past two decades. These changes include the creation of the affirmative duty to investigate the patent rights of another;⁶⁵ the development of the adverse inference;⁶⁶ and the recent abolition of the adverse infer-

62. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1468 (Fed. Cir. 1997); Ira V. Hefan, *Willful Patent Infringement*, 7 FED. CIR. B.J. 115, 118 (1997) ("The Federal Circuit has stated that the underlying purpose of increased damages is to act as a deterrent to future deliberate infringement and as punishment or retribution for the deliberate commission of a tort. Increasing damages imposed on non-deliberate or non-reckless infringers would not accomplish either of these goals." (footnotes omitted)).

63. *Beatrice Foods Co.*, 923 F.2d at 1579.

64. *SRI Int'l, Inc.*, 127 F.3d at 1468 (citing *S.C. Johnson & Son, Inc. v. Cater-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986)).

65. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983) ("Where, as here, a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.")

66. *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988); *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986) (stating that defendant's "silence

ence.⁶⁷ Due to these changes, the Federal Circuit's standard for willful infringement has been less than consistent. This section explores the development of the willful infringement standard.

1. *Willful Infringement and the Requisite Level of Intent: An Objective or Subjective Standard?*

As a term of art, the word "willful" generally connotes deliberate or intentional action.⁶⁸ Despite this generally accepted definition of the term, it is not clear that the Federal Circuit has adopted this standard for willful patent infringement.⁶⁹ Rather, the Federal Circuit has vacillated between the traditional subjective standard and a more objective one.⁷⁰

In a recent *en banc* discussion regarding willful infringement, the Federal Circuit articulated the willful infringement standard in subjective terms.⁷¹ Recognizing the prevalent meaning of willful in tort law, the Federal Circuit stated:

In discussing "willful" behavior and its consequences, the Supreme Court has observed that "[t]he word 'willful' is widely used in the law, and, although it has not by any means been given a perfectly consistent interpretation, it is generally understood to refer to conduct that is not merely negligent." The concept of "willful infringement" is not simply a conduit for enhancement of damages; it is a statement that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence.⁷²

on the subject, in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its importation and sale of the accused products would be an infringement of valid U.S. patents.").

67. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1341 (Fed. Cir. 2004) (*en banc*) ("We now hold that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled.").

68. BLACK'S LAW DICTIONARY 768 (2d pocket ed. 2001); see Brief for Defendants-Appellants at 6, *Knorr-Bremse v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (No. 01-1357).

69. See *Lee & Cogswell*, *supra* note 3, at 424.

70. Compare *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997) (advocating an objective standard), with *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510-11 (Fed. Cir. 1990) (advocating a subjective standard). See also *Lee & Cogswell*, *supra* note 3, at 424-32.

71. *Knorr-Bremse*, 383 F.3d at 1342.

72. *Id.* (alteration in original) (citations omitted). However, it should be noted that even after this statement about willful infringement, the Federal Circuit went on to state that a potential infringer still has an "affirmative duty to exercise due care to determine whether or not he is infringing." *Id.* at 1343 (quoting *Underwater Devices, Inc. v. Morrison-Knudsen, Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)). An affirmative duty to take care is more akin to a negligence standard than to a traditional willfulness (i.e., intentional or deliberate) standard. *Id.* at 1348 (Dyk, J., dissenting).

Statements similarly defining willful infringement in terms of the infringer's culpable mental state can be found throughout Federal Circuit case law.⁷³

Despite case law defining willful infringement in subjective terms, an equal volume of Federal Circuit case law couches the standard in objective terminology.⁷⁴ Illustrative is the existence of an affirmative duty to investigate another's patent rights in order to avoid a willful infringement finding. As an affirmative duty is a concept rooted in negligence law, associating an affirmative duty with willful patent infringement implies an objective standard for willful patent infringement.⁷⁵ Additionally, the Federal Circuit has at times directly expressed willful infringement as an objective test.⁷⁶ For instance, in *SRI International, Inc. v. Advanced Technology Laboratories, Inc.*, the court stated that willful infringement necessitated an inquiry into "whether the infringer, acting in good faith and upon due inquiry, had sound reason to believe that it had the right to act in the manner found to be infringing."⁷⁷

Perhaps not surprisingly, the Federal Circuit has expressed more than one objective standard for willful infringement. The objective standard articulated in *SRI International* requires not only that the infringer form a good faith belief in the legality of his actions, but also that the belief is reasonable.⁷⁸ Other formulations of the objective standard, however, do not seek to determine if the potential infringer formed a good faith belief.⁷⁹ Rather, this alternative objective standard only compares the actions of the alleged infringer to the actions a reasonable person would have taken.⁸⁰

The Federal Circuit has created yet another variation of the willful infringement standard. Rather than maintaining a pure objective or a pure subjective standard, some Federal Circuit cases define willful infringement using both objective and subjective terminology.⁸¹ This internally inconsistent willful infringement standard is illustrated in *Vulcan*

73. See Lee & Cogswell, *supra* note 3, at 424–25 (surveying Federal Circuit cases that articulate the subjective willful infringement standard).

74. See *id.* at 425–29.

75. *Knorr-Bremse*, 383 F.3d at 1348 (Dyk, J., dissenting).

76. See, e.g., *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997); see also Lee & Cogswell, *supra* note 3, at 425–29.

77. 127 F.3d at 1464–65.

78. *Id.* The court stated that the infringer needed to have "sound reason" to believe that his actions were noninfringing. *Id.* The court added that "sound reason" should be measured from the perspective of the "prudent person." *Id.* at 1465; see Lee & Cogswell, *supra* note 3, at 427–28 (identifying this objective standard as the "reasonable belief standard").

79. Lee & Cogswell, *supra* note 3, at 425–26.

80. See, e.g., *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1581 (Fed. Cir. 1989); see also Lee & Cogswell, *supra* note 3, at 425–26 (identifying this as the "reasonableness" objective standard).

81. *Vulcan Eng'g Co. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002); see also Lee & Cogswell, *supra* note 3, at 429–30.

*Engineering Co. v. FATA Aluminum, Inc.*⁸² In this recent case, the Federal Circuit stated:

The tort of willful infringement arises upon *deliberate disregard* for the property rights of the patentee. Thus the focus is generally on whether the infringer exercised due care to avoid infringement When it is found that the infringer acted without a *reasonable belief* that its actions would avoid infringement, the patentee has established willful infringement⁸³

Beyond evidentiary concerns raised by an uncertain willful infringement standard, irregularity in this area of the law poses a more fundamental problem.⁸⁴ Since the imposition of punitive damages depends on a finding of willful infringement, an inconsistent willful infringement standard prevents uniformity in punitive damage awards. Ultimately, without a clear indication from the Federal Circuit regarding the requisite mental state of a willful infringer, the precise role of willful infringement, and thus the role of punitive damages, within the patent system remains uncertain.

2. *Willful Infringement and the Totality of the Circumstances*

Contrary to the development of case law regarding the willful infringer's mental state, the evolution of cases with respect to the totality of the circumstances test has been more consistent. To determine whether a defendant acted with the requisite culpability—whether cast in objective or subjective terminology—the Federal Circuit employs a totality of the circumstances test.⁸⁵ In *Read Corp. v. Portec, Inc.*, the Federal Circuit laid out a list of nine factors relevant to the willfulness determination.⁸⁶ Of these nine factors, some are probative of whether willful infringement occurred, while others are properly seen as equitable factors to be used in determining the appropriate level of damage enhance-

82. *Vulcan Eng'g Co.*, 278 F.3d at 1366.

83. *Id.* at 1378 (emphasis added).

84. Lee and Cogswell illuminate some of these evidentiary concerns. Lee & Cogswell, *supra* note 3, at 430–32. For instance, without a clear indication of the required mental state for the willful infringer, patentees do not know exactly what they have to prove in order to obtain a willful infringement finding. *Id.* at 430. Though less problematic, as the authors note, an uncertain willful infringement standard could cause evidentiary problems as “different kinds of evidence will, at least in principle, be admissible under the different standards.” *Id.* However, the authors go on to note that “the evidentiary implications of the ambiguous standard are less significant than might initially be expected, because evidence that directly supports a finding of willfulness under one standard often tends to support indirectly the same finding under the opposing standard.” *Id.* The most important evidentiary concern affected by an uncertain willful infringement regards the scope of privilege waiver when an alleged infringer produces its opinion of counsel letter to illustrate exercise of the affirmative duty of due care. *Id.* at 432. However, the recent abolition of the adverse inference from a failure to produce an opinion of counsel may serve to ameliorate some of these evidentiary problems. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1341 (Fed. Cir. 2004) (en banc).

85. *E.g.*, *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125 (Fed. Cir. 1987) (“In a determination of willfulness and its consequences, the totality of the circumstances are considered.”).

86. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992).

ment.⁸⁷ The factors most relevant to the threshold question regarding the existence of willful infringement include: (1) fulfillment of the affirmative duty to investigate the patent rights of another, (2) copying, (3) duration of the misconduct, (4) remedial action taken by the defendant, and (5) the defendant's motivation for harm.⁸⁸ Of these five factors, the affirmative duty to exercise due care by investigating another's patent rights—a negligence-like concept—is given significant weight.⁸⁹ Consequently, the Federal Circuit has devoted most of its willful infringement case law to teasing out the particularities surrounding this affirmative duty.

Created in *Underwater Devices, Inc. v. Morrison-Knudsen, Co.*, the affirmative duty mandates that when “a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.”⁹⁰ Specifically, the affirmative duty to exercise due care requires that a potential infringer obtain an opinion letter from counsel.⁹¹ To satisfy the affirmative duty, the opinion letter usually needs to address two issues: (1) the validity of the potentially infringed patent, and (2) whether the potential infringer's proposed activity would infringe the patent rights of another.⁹² While it is possible for an alleged infringer to prove the exercise of due care without obtaining opinion of counsel, cases providing such a result are rare.⁹³ Therefore, when an individual becomes aware of another's patent rights, it is vital that he obtain an opinion from counsel to satisfy the affirmative duty and, thus, avoid a finding of willful patent infringement.

87. The factors considered in the totality of the circumstances test are used to determine both the existence of willfulness and the subsequent enhancement of damages. *Id.* at 826. As such, not all of the factors will be relevant to each inquiry. Factors such as, defendant's financial size, closeness of the case, litigation misconduct and concealment do not inquire into the defendant's state of mind. *See id.* at 826–27. These factors are more relevant to the enhancement question. To illustrate, the defendant's financial size has nothing to do with whether the defendant willfully infringed the patent in question. However, if damage enhancement is meant to deter future conduct, it might be necessary to increase damages for a large corporate defendant in order to produce the desired deterrent effect. *See id.* at 827.

88. *Id.* at 826–27; *see* Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore up the Foundation of Patent Law that the Underwater Line Eroded*, 20 HASTINGS COMM. & ENT. L.J. 721, 732–35 (1998) (explaining how each of the five listed factors relates to the defendant's state of mind).

89. *Comark Comm'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998); *see Knorr-Bremse*, 383 F.3d at 1343 (“Fundamental to the determination of willful infringement is the duty to act in accordance with the law.”).

90. *Underwater Devices, Inc. v. Morrison-Knudsen, Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983).

91. *Id.* at 1390.

92. *See id.*

93. *See Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565, 1579 (Fed. Cir. 1986) (citing *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 867 (Fed. Cir. 1985)). In *King Instrument*, the Federal Circuit found no willful infringement despite the fact that the defendant failed to obtain opinion of counsel. 767 F.2d at 867. The facts here were unique in that the defendant had its own patent and the plaintiff's patent had been cited as prior art during the prosecution of the defendant's patent. *Id.* Since the defendant's patent issued despite the existence of plaintiff's patent, the defendant was entitled to reasonably believe that its patented product did not infringe the claims of plaintiff's patent. *Id.*; *see* Wright, *supra* note 1, at 111–12 (“Case law suggests, but stops short of explicitly stating, that competent legal advice is necessary to avoid a finding of willfulness.”).

The creation of the affirmative duty led to considerable litigation problems. For the alleged infringer to substantiate compliance with the affirmative duty, the opinion letter had to be produced.⁹⁴ Often the lawyer who authored the opinion letter had to testify regarding the content and reasoning in the opinion letter.⁹⁵ Because producing the opinion letter in the course of litigation involved disclosure of privileged communications, it necessarily followed that the attorney-client privilege as to other communications was impliedly waived.⁹⁶ As a result, some defendants asserted the attorney-client privilege from the onset and failed to disclose the opinion of counsel.⁹⁷ While the attorney-client privilege was usually successfully asserted, the defendant was left without a means to prove fulfillment of the affirmative duty.⁹⁸ Because the affirmative duty is the central factor in the willful infringement analysis, failure to produce the opinion letter was often fatal to the defendant's denial of willful infringement.⁹⁹ The Federal Circuit approved of this result with the creation of the adverse inference—the second major development in willful infringement case law.¹⁰⁰

In essence, the adverse inference is a mechanism by which the court forces disclosure of the opinion letter. If an alleged infringer asserts the attorney-client privilege as his reason for failure to produce an opinion letter, the trial court is allowed to infer that the alleged infringer either obtained no advice or that the advice was negative in nature.¹⁰¹ Fundamentally, the adverse inference meant that an assertion of the attorney-client privilege directed a finding that the alleged infringer failed to fulfill his affirmative duty and, as a result, engaged in willful infringement.¹⁰² Thus, if an alleged infringer wished to avoid a finding of willful infringe-

94. *E.g.*, Lee & Cogswell, *supra* note 3, at 432–33.

95. See Douglas D. Salyers, *The Perils of Practitioners Penning Patent Opinions, Protecting Privileges, Preventing Production, and Other Ponderous Problems*, 669 PLI/PAT 871, 889 (2001).

96. Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1094 (2003). The extent of waiver is highly disputed, and there is a distinct split among the district courts. See *id.* at 1094–99 (discussing the various positions taken by lower courts with respect to waiver issues); see also Lee & Cogswell, *supra* note 3, at 434–48.

97. See *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572–73 (Fed. Cir. 1988); *Kloster Speedsteel*, 793 F.2d at 1580; see also *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643 (Fed. Cir. 1991).

98. See *Fromson*, 853 F.2d at 1572–73; *Kloster Speedsteel*, 793 F.2d at 1580; cf. *Quantum Corp.*, 940 F.2d at 643. In *Quantum Corp.*, the Federal Circuit noted the dilemma faced by an accused infringer in a willful infringement case:

Proper resolution of the dilemma of an accused infringer who must choose between the lawful assertion of the attorney-client privilege and the avoidance of a willfulness finding if infringement is found, is of great importance not only to the parties but to the fundamental values sought to be preserved by the attorney-client privilege.

Quantum Corp., 940 F.2d at 643.

99. See Lee & Cogswell, *supra* note 3, at 404, 432–33.

100. *Kloster Speedsteel*, 793 F.2d at 1580.

101. See *id.*

102. See *Quantum Corp.*, 940 F.2d at 643 (noting “the dilemma of an accused infringer who must choose between the lawful assertion of the attorney-client privilege and avoidance of a willfulness finding if infringement is found”).

ment, he was forced to waive the attorney-client privilege and produce the opinion letter.¹⁰³ Though created with the intent of promoting compliance with the law, the adverse inference compounded the alleged infringer's ability to defend against a willful infringement claim while keeping attorney-client communications privileged.¹⁰⁴

Recognizing the unfairness created by the adverse inference, the Federal Circuit recently abolished the adverse inference with its *en banc* decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*¹⁰⁵ Specifically, the court acknowledged the importance of the attorney-client privilege and recognized that in no other area of the law is an adverse inference drawn from an invocation of the privilege.¹⁰⁶ The court held that exceptions to the attorney-client privilege serve only to erode the privilege and the underlying purposes it serves.¹⁰⁷ Because patent law is not any different from other areas of law, the Federal Circuit further stated that there was no reason for the attorney-client privilege to operate differently within the patent context.¹⁰⁸ The central importance of the attorney-client privilege necessitates that a defendant be free to assert the privilege without negative consequences such as those created by the adverse inference.

The precedential *Knorr-Bremse* decision abolished the adverse inference in another context as well. While the adverse inference is frequently discussed in the context of the attorney-client privilege, the adverse inference also applied to situations where the accused infringer had not obtained an opinion of counsel.¹⁰⁹ Focusing on the excessive cost the adverse inference imposed on the potential infringer,¹¹⁰ the Federal Circuit concluded that the adverse inference was no longer warranted even when attorney-client privilege concerns were not involved.¹¹¹ Though the

103. See *id.* Much scholarship has been devoted to addressing the dilemma faced by accused infringer. See generally Lee & Cogswell, *supra* note 3, at 448–51; Taylor & Von Tersch, *supra* note 88, at 738.

104. See *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343–44 (Fed. Cir. 2004).

105. *Id.* at 1341.

106. *Id.* at 1344–45.

107. *Id.* at 1344.

108. See *id.* at 1344–45.

109. In *Fromson v. Western Litho Plate & Supply Co.*, the defendant did not assert the attorney-client privilege but instead just failed to produce an opinion of counsel at trial. 853 F.2d 1568, 1572 (Fed. Cir. 1988). While the ground-breaking case that established the adverse inference involved a situation where the accused infringer asserted the attorney-client privilege, *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986), the Federal Circuit in *Fromson* explicitly allowed the adverse inference in what it thought was an analogous situation. *Fromson*, 853 F.2d at 1572–73. The Court stated that “[w]here the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer’s desire to initiate or continue its use of the patentee’s invention.” *Id.* at 1572–73.

110. *Knorr-Bremse*, 383 F.3d at 1345. For example, the adverse inference forces potential infringers to engage in costly and thorough evaluations of all patents of which they had knowledge. *Id.*

111. *Id.* at 1345–46. In this case, the court provided that:

adverse inference has been abolished, the alleged infringer's affirmative duty continues to be an important factor in the totality of the circumstances test of willful infringement.¹¹²

III. ANALYSIS

The totality of the circumstances test for willful patent infringement and the affirmative duty to exercise due care are well-established principles in patent law. In light of the Federal Circuit's vacillating position on the mental state required for a willful infringement finding, questions remain regarding the precise formulation of the willful infringement standard. Moreover, one might ask if the existence of an affirmative duty to exercise due care is consistent with the general concept of willfulness. As patent infringement constitutes a tort,¹¹³ willful infringement jurisprudence can be analyzed using general tort principles.

A. *The Objective Standard and the Affirmative Duty: A Negligence Standard for Willful Infringement?*

When articulating the standard for willful patent infringement, the Federal Circuit often defines willful patent infringement with objective terminology.¹¹⁴ These objective formulations employ terms of art such as "acting in good faith"¹¹⁵ and the "reasonable person."¹¹⁶ This language and the affirmative duty to exercise due care are consistent with general negligence principles. Though prevalent, the use of these terms to define willful patent infringement cannot be justified. Awarding punitive damages for a negligence cause of action is theoretically unsound. Since a finding of willful patent infringement entitles the patentee to treble damages, the Federal Circuit should no longer define willful infringement with negligence terminology.

The issue here is not of privilege, but whether there is a legal duty upon a potential infringer to consult with counsel, such that failure to do so will provide an inference or evidentiary presumption that such opinion would have been negative. . . . Although there continues to be "an affirmative duty of due care to avoid infringement of the known patent rights of others," the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable.

Id. (citations omitted).

112. The Federal Circuit articulated its holding by stating: "We now hold that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled." *Id.* at 1341.

113. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1464 (Fed. Cir. 1997) ("The statute thus recognizes the tortious nature of patent infringement . . ."); *Blair & Cotter*, *supra* note 26, at 800; *Powers & Carlson*, *supra* note 26, at 56.

114. *See supra* Part II.E.1.

115. *SRI Int'l, Inc.*, 127 F.3d at 1464.

116. *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1581 (Fed. Cir. 1989).

1. *Tort's Negligence Definition: Comparison to Willful Infringement*

Establishing a prima facie case for negligence requires the plaintiff to prove four elements: (1) duty, (2) breach of the duty, (3) causation, and (4) damages.¹¹⁷ This section explores how the improper objective formulation of willful patent infringement embodies the negligence concepts of duty and breach.

a. Duty and the *Palsgraf* Plaintiff

Establishing that the defendant owed a duty to the plaintiff is the first element in the prima facie case for negligence.¹¹⁸ The defendant's duty is defined as "a duty to conform his conduct to a standard necessary to avoid unreasonable risk of harm to others."¹¹⁹ The classic definition of the person to whom the defendant owes a duty is found in Judge Cardozo's famous opinion—*Palsgraf v. Long Island Railroad*.¹²⁰ As stated by Judge Cardozo, "[t]he risk reasonably to be perceived defines the duty to be obeyed, and the risk imports relation; it is the risk to another or to others within *the range of apprehension*."¹²¹ Accordingly, if the plaintiff is reasonably foreseen to be harmed by the defendant's actions, then the defendant owes a duty to the plaintiff.

The affirmative duty of due care created by the Federal Circuit in *Underwater* can be accurately characterized as describing both the duty owed by the potential infringer and the *Palsgraf* plaintiff. As previously discussed, *Underwater* provides that when "a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing."¹²² The similarity of the negligence duty and the affirmative duty described by the Federal Circuit is clear. Defined broadly, the negligence duty is a duty not to harm others.¹²³ Similarly, the potential willful infringer has a duty to ensure that his activity is not damaging the patent rights of another.¹²⁴ Thus, the care required by the affirmative duty in the patent context is of the same nature as the care required under general negligence principles.

A less obvious, but equally viable, comparison exists between the Federal Circuit's articulation of the affirmative duty and the *Palsgraf* plaintiff. When a potential infringer learns that another individual has patent rights within the potential infringer's technology area, the potential infringer becomes aware that practicing his invention could infringe

117. RICHARD A. EPSTEIN, *CASES AND MATERIALS ON TORTS* 154 (7th ed. 2000).

118. *Id.*

119. *Id.*

120. 162 N.E. 99 (N.Y. 1928).

121. *Id.* at 100 (emphasis added).

122. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983).

123. See EPSTEIN, *supra* note 117, at 154.

124. See *Underwater Devices, Inc.*, 717 F.2d at 1389.

another's patent rights.¹²⁵ This places the patent holder within the "range of apprehension," and thus, the patent holder constitutes a *Palsgraf* plaintiff.¹²⁶ Therefore, the potential infringer's affirmative duty to exercise due care can be viewed not only as an expression of the defendant's duty but additionally, as a characterization of the reasonably foreseeable plaintiff—the *Palsgraf* plaintiff.

It should be noted, however, that the Federal Circuit's formulations of the affirmative duty might only apply to a subset of all potential *Palsgraf* plaintiffs. Determining the entirety of the *Palsgraf* plaintiff group requires a definition of the *Palsgraf* plaintiff in the patent context. Specifically: what class of persons is reasonably foreseen to be harmed by the potential infringer's actions? Perhaps it is reasonable to assume that a potential infringer can only reasonably perceive a risk of harm when he is aware of another's patent rights.¹²⁷ If this assumption is true, then the Federal Circuit's definition of the affirmative duty to exercise due care completely identifies the *Palsgraf* plaintiff.¹²⁸

There is, however, another possible definition of the *Palsgraf* plaintiff within the patent infringement context. Given the multitude of technological advances, it might be reasonable for the potential infringer to perceive a risk that his actions may infringe on the patent rights of another, even if he is unaware of the existence of such rights. This definition would broaden the *Palsgraf* plaintiff classification to include any patentee whose patent rights existed at the time of the infringing activity. This description of the *Palsgraf* plaintiff is not as logical because it defines the *Palsgraf* plaintiff too broadly. Defining the *Palsgraf* plaintiff for patent cases in such terms is inappropriate because such a definition essentially encompasses all potential plaintiffs. The problematic nature of such a broad definition is more clearly seen when one remembers that, at its base, patent infringement is a strict liability offense.¹²⁹ If the court defined the *Palsgraf* plaintiff in these terms, no distinction would exist between the *Palsgraf* plaintiff and the plaintiff in a strict liability patent infringement lawsuit.

Thus, it is evident that a strong comparison exists between willful infringement and the duty element as defined under negligence law. First, under current Federal Circuit law, the potential willful infringer, like the typical defendant in a negligence case, has a general duty not to harm the plaintiff. Second, the affirmative duty to exercise due care can

125. Whether or not a potential infringer has become aware of the patent rights of another is not a straight-forward question—especially in the case of corporations. See Robert O. Bolan & William C. Rooklidge, *Imputing Knowledge to Determine Willful Patent Infringement*, 24 AIPLA Q.J. 157, 177–80 (1996); Wright, *supra* note 1, at 108–11.

126. *Palsgraf v. Long Island R.R.*, 162 N.E. 99, 100 (N.Y. 1928).

127. See *id.*

128. *Underwater Devices, Inc.*, 717 F.2d at 1389 (stating the rule as “[w]here, as here, a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.” (emphasis added)).

129. See *supra* note 26 and accompanying text.

be said to define the *Palsgraf* plaintiff. Accordingly, the Federal Circuit seems to be using a negligence standard to define willful patent infringement.

b. Breach of Duty: The Reasonable Person Test and the Hand Formula

Breach of the duty owed to the *Palsgraf* plaintiff is the second element in the prima facie case of negligence.¹³⁰ As negligence case law developed, two tests for the breach of duty emerged: the calculus of risk¹³¹ and the reasonable person test.¹³² The calculus of risk, otherwise known as the Hand Formula, utilizes a cost-benefit formula as a method for ascertaining whether an individual has breached his duty and, thus, is negligent.¹³³ The Hand Formula provides “if the probability be called P; the injury, L; and the burden, B; liability depends upon whether B is less than L multiplied by P: i.e., whether B [is] less than PL.”¹³⁴ Taking a less calculating approach, the reasonable person test assesses negligence by comparing the defendant’s actions to those of the hypothetical reasonable person.¹³⁵ If the defendant acts in contravention to the reasonable person standard, then the defendant has breached the duty owed to the *Palsgraf* plaintiff.¹³⁶ Since the Federal Circuit has laid out the objective standard for willful patent infringement in terms of reasonableness, comparison of the willful infringement standard to the reasonable person test is more appropriate.

The similarities between the willful infringement objective standard and the reasonable person test are quite apparent. For instance, in one formulation of the willful infringement objective standard, the Federal Circuit stated:

[T]he primary consideration [in a willful infringement determination] is whether the infringer, acting in good faith and upon due inquiry, had sound reason to believe that it had the right to act in the manner that was found to be infringing. The law of willful infringement does not search for minimally tolerable behavior, but requires prudent, and ethical, legal and commercial actions. Thus precedent displays the consistent theme of whether a prudent person would have had sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.¹³⁷

130. EPSTEIN, *supra* note 117, at 154.

131. See *United States v. Carroll Towing Co.*, 159 F.2d 169, 173 (2d Cir. 1947).

132. RESTATEMENT (SECOND) OF TORTS § 283 (1965).

133. *Carroll Towing Co.*, 159 F.2d at 173.

134. *Id.*

135. RESTATEMENT (SECOND) OF TORTS § 283.

136. See *id.*

137. *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1464–65 (Fed. Cir. 1997).

Later in its *SRI International* opinion, the Federal Circuit refers to the willfulness inquiry as raising issues of reasonableness.¹³⁸ Thus, under the objective standard, the court will hold an accused infringer liable for willful patent infringement if the accused infringer takes action contrary to the action of a prudent, or reasonable, person. This formulation is identical to the definition of breach of duty under the reasonable person test for negligence. Thus, there is no clear difference between a finding of willful infringement under the objective standard and a breach of duty under negligence law.

2. *Damages Allowable for Negligent Conduct*

Damages available in a negligence action are limited to those that are compensatory in nature.¹³⁹ Punitive damages, on the other hand, are reserved exclusively for intentional torts.¹⁴⁰ The disparate damage treatment between negligent and intentional torts stems from the increased culpability associated with intentional torts.¹⁴¹ If increased damages are assessed against intentional conduct, presumably, a potential defendant will rethink his chosen course of action.¹⁴² The same reasoning is not applicable to negligent conduct, as the potential defendant does not necessarily realize the nature of his conduct at the time it takes place. As such, a negligent defendant is punished only to the extent needed to make the injured party whole again.

Upon a finding of willful patent infringement, the successful plaintiff has the potential to collect three types of damages. First, due to the underlying ruling of infringement the statute provides the plaintiff with a reasonable royalty.¹⁴³ Second, the willful infringement finding creates the possibility of enhanced damages of up to three times the damage amount awarded by the jury.¹⁴⁴ Third, a willful infringement judgment can qualify the case as exceptional, allowing the plaintiff to collect attorney fees.¹⁴⁵

To determine if damages awarded for willful infringement are consistent with negligence, the available damages need to be classified as punitive or compensatory. Because a reasonable royalty represents the money the patentee would have received if the infringement had not oc-

138. *Id.* at 1465.

139. *See* DAN B. DOBBS, *THE LAW OF TORTS* 258–59, 1047–48 (2001).

140. *See id.* at 1062–66.

141. *See id.*

142. *See* *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 416 (2003). The Supreme Court in this case noted the different purposes served by compensatory and punitive damages: “[c]ompensatory damages are intended to redress the concrete loss that the plaintiff has suffered by reason of the defendant’s wrongful conduct. By contrast, punitive damages serve a broader function; they are aimed at deterrence and retribution.” *Id.* (quotations and citations omitted).

143. 35 U.S.C. § 284 (2000).

144. *Id.*

145. *Id.* § 285.

curred, a reasonable royalty is compensatory in nature¹⁴⁶ and, thus, is consistent with a negligence damage award. On the other hand, the treble damage award is punitive in nature.¹⁴⁷ Therefore, if the willful infringement standard is classified in negligence terminology, the treble damage award is not warranted under the general principles of tort law. An award of attorney fees, however, has both compensatory and punitive justifications, so characterizing attorney fees as compensatory or punitive is more complicated.

Classifying an award of attorney fees as punitive is common in the American legal system.¹⁴⁸ This classification rests on the assumption that awarding attorney fees will serve to punish and deter willful patent infringers. Despite the prevalent use of this justification, it is not theoretically sound. Rowe explains:

Despite its currency as a basis for fee awards, only in certain situations does punishment, as commonly understood, have any proper relationship to fee shifting. . . . [T]he amount of an adversary's legal fee often will not provide the full or optimal measure of deterrence and punishment. Vexatious litigation, for example, not only runs up an adversary's legal bills; it also delays other people's cases and imposes a burden on the courts. Hence, the amount of any punitive award should be determined independently of, or at least in addition to, any legal fee that may have been incurred. Depending on the mix of concerns involved, fee shifting may not be the correct approach even when punishment for a litigant's conduct seems called for, and it may well be inappropriate to limit the sanction to the amount of fees incurred.¹⁴⁹

Thus, even though punitive considerations have often been used to justify fee shifting, this justification is inadequate. Categorizing an award of attorney fees as compensatory, on the other hand, is more appropriate. In light of the expensive nature of patent litigation, a patentee who has successfully protected his patent is not fully compensated unless he is awarded the amount he expended on his attorney. In essence, the cost of the litigation should be considered part of the legal injury and thus deserving of compensation. Justifying fee-shifting in this manner allows attorney fees to be a theoretically correct part of a negligence damage award.

To the extent that the Federal Circuit has defined willful patent infringement in objective terminology, it is logical to use negligence principles to assess the appropriateness of available damages. Negligence principles dictate that only compensatory damages be allowed.¹⁵⁰ Rea-

146. See *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991).

147. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1468 (Fed. Cir. 1997).

148. Rowe, *supra* note 35, at 660–61.

149. *Id.* at 661 (footnotes omitted).

150. See DOBBS, *supra* note 139, at 1047–48.

sonable royalty and attorney fees would constitute appropriate relief, as they are essentially compensatory damages. However, under the Federal Circuit's objective standard, treble damages would not be warranted, as they are punitive in nature.

3. *Criticism of Using Negligence Standards to Define Willful Infringement*

While negligence terminology is pervasive in the doctrine of willful patent infringement, this is not necessarily a desirable situation. To begin, a negligence standard for willful patent infringement is theoretically and constitutionally inconsistent with the availability of punitive damages.¹⁵¹ As recognized by the dissent in *Knorr-Bremse*, the Supreme Court recently held that punitive damages can violate the Due Process Clause when punitive damages are given for conduct that is less than reprehensible.¹⁵² The Supreme Court stated that "the most important indicium of the reasonableness of a punitive damage award is the degree of reprehensibility of the defendant's conduct."¹⁵³ In a later case, the Supreme Court held that "[i]t should be presumed a plaintiff has been made whole for his injuries by compensatory damages, so punitive damages should only be awarded if the defendant's culpability, after having paid compensatory damages, is so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence."¹⁵⁴

As the *Knorr-Bremse* dissent notes, "[w]hen an infringer merely fails to exercise his supposed duty of care, there are none of the circumstances ordinarily associated with egregiously improper conduct that could be sufficiently reprehensible to warrant the imposition of punitive damages"¹⁵⁵ Therefore, the continued use of the affirmative duty and the objective standard in willful patent infringement and the availability of punitive damages violates not only general tort law principles but also a recent Supreme Court mandate. It would be appropriate to restrict the reach of willful patent infringement to intentional or deliberate conduct.

Incorporating the affirmative duty and the objective standard into willful patent infringement jurisprudence also fails to further the ultimate goal of punitive damages, and thus willful patent infringement. A willful patent infringement finding, which then allows an award of punitive damages, is supposed to function as a deterrent.¹⁵⁶ Specifically, the Con-

151. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1348 (Fed. Cir. 2004) (Dyk, J., dissenting) (citing *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003)).

152. *Id.* (citing *State Farm*, 538 U.S. at 408; *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996)).

153. *BMW of N. Am., Inc.*, 517 U.S. at 575.

154. *State Farm*, 538 U.S. at 419.

155. *Knorr-Bremse*, 383 F.3d at 1351 (Dyk, J., dissenting) (internal quotations omitted).

156. *See supra* Part II.D.

gressional record of the Patent Act appears to contemplate the availability of punitive damages in the patent context to deter potential infringers from engaging in copying and other equally intentional activities.¹⁵⁷ The affirmative duty and the objective standard are inconsistent with this specific goal as these criteria define willful patent infringement in overly broad terms.¹⁵⁸ Allowing a finding of willful patent infringement for essentially negligent conduct will punish accused infringers for conduct that Congress did not intend to punish with punitive damages.¹⁵⁹ The utilization of negligence terminology to define willful patent infringement is improper not only because punitive damages are inconsistent with general tort principles but also because a negligent standard for willful patent infringement is not tailored to carrying out the specific goals of deterring potential infringers from engaging in copying or other intentional conduct and punishing those that do engage in such conduct.

4. *Support for the Objective Standard and the Affirmative Duty*

Currently, causes of action for patent infringement are limited to two categories: general patent infringement¹⁶⁰ and willful patent infringement.¹⁶¹ Monetary relief is therefore limited to a reasonable royalty when general patent infringement is found or to enhanced damages when willful patent infringement is found.¹⁶² While § 285 adds the additional remedy of attorney fees if the court deems the case exceptional, this remedy is limited to situations of willful infringement or litigation misconduct.¹⁶³ As a result, under current patent law the only way to punish the defendant's culpability, whether negligent or grossly intentional, is to increase damages. If the objective standard and the affirmative duty to exercise due care were not in place, a gap in coverage would exist between strict liability and intentional conduct. Specifically, the law would not have a mechanism through which to punish the increased culpability associated with negligent action. Without the affirmative duty and the objective standard, the negligent and strict liability infringer would receive equal punishment—an unfair outcome.

Utilizing the affirmative duty and objective standard to define the outer limit of willful infringement does not preclude a court from differentiating between negligent conduct and intentional conduct. In fashioning an appropriate increase in damages, the Federal Circuit in *Read Corp.* mandated that the trial court take certain factors into account,

157. *See supra* Part II.D.1.

158. *See* Lemley & Tangri, *supra* note 96, at 1116–19.

159. *See id.*

160. Powers & Carlson, *supra* note 26, at 56.

161. *See* Wright, *supra* note 1, at 97.

162. 35 U.S.C. § 284 (2000).

163. *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987).

such as direct copying—an example of intentional misconduct.¹⁶⁴ Presumably, then, the intentional infringer would be subject to a higher damage award than the infringer that merely failed to abide by the affirmative duty. Consequently, using the objective terminology in the willful infringement standard could be justified as doing so might allow punishment to track culpability.

In summary, this section has illustrated that the Federal Circuit's affirmative duty to exercise due care and the objective standard both embody negligence principles. Significantly, the affirmative duty and the objective standard together serve to define the *Palsgraf* plaintiff, the duty owed to the *Palsgraf* plaintiff, and under what circumstances an individual has breached the duty owed to the *Palsgraf* plaintiff. While these willful infringement principles seem well entrenched in the law, they are problematic. Despite the fact that including negligence terminology in the willful patent infringement test can fix a potential gap in coverage, the criticism of such an approach is stronger. The fact that punitive damages are theoretically, and perhaps constitutionally, unwarranted in negligence cases strongly suggests that the Federal Circuit should not define willful patent infringement with negligence terminology.

B. *The Subjective Standard: Using Intentional Conduct to Define Willful Patent Infringement*

Existing alongside the affirmative duty to exercise due care and the objective standard for willful patent infringement are the Federal Circuit's assertions that willful infringement constitutes a subjective inquiry.¹⁶⁵ Focusing on the accused infringer's state of mind is equivalent to the general inquiry for an intentional tort. Because willful infringement allows for a punitive damage award, it is logical to define willful infringement with terminology similar to the terminology used to define other intentional torts.

1. *Intentional Torts and Willful Patent Infringement*

Although the exact requirements for intentional torts differ depending on the type of inflicted harm, a common thread runs through the various intentional torts.¹⁶⁶ In general, the intentional tort inquiry focuses on the accused defendant's state of mind.¹⁶⁷ Intentional torts, as

164. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992).

165. *See supra* Part II.E.1.

166. For instance, both battery and assault require intentional conduct on the part of the accused defendant. RESTATEMENT (SECOND) OF TORTS §§ 13, 21 (1965) (outlining the requirements for battery and assault). Despite this similarity, the other substantive requirements are different. *Id.* To provide an obvious illustration, battery requires actual contact, whereas assault deals with emotional injury. *Id.*

167. *Id.*

the phrase suggests, demand that the defendant act intentionally or deliberately.

The Federal Circuit's subjective standard for willful patent infringement is comparable to the general mental requirement for an intentional tort. First, the subjective standard focuses on the defendant's state of mind.¹⁶⁸ Second, the subjective standard for willful patent infringement also requires that the defendant act in an intentional and/or deliberate manner.¹⁶⁹ For instance, the Federal Circuit has stated:

While no statutory standard dictates the circumstances under which the district court may exercise its discretion, this court has approved such awards where the infringer acted in wanton disregard for the patentee's patent rights, that is, where infringement is willful. . . . The paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances.¹⁷⁰

In short, just as a comparison exists between willful patent infringement and negligence, there is an equally valid comparison between willful patent infringement and intentional torts.

2. *The Subjective Approach: Alignment of Willful Infringement with the Rationale for Punitive Damages*

Under tort law, punitive damages are available for intentional torts.¹⁷¹ As noted by the Supreme Court, "punitive damages should only be awarded if the defendant's culpability . . . is so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence."¹⁷² As such, punitive damages function as a mechanism through which punishment can track culpability.

As previously illustrated, there is substantial Federal Circuit case law defining the willful infringement standard with intentional tort terminology.¹⁷³ When willful patent infringement is so defined, punitive damages are justified.¹⁷⁴ To illustrate, the traditional example of intentionally infringing another's patent is when the accused infringer copies the patented product.¹⁷⁵ Because copying involves the deliberate misuse of another's patent rights, it is a perfect example of conduct that "is so reprehensible as to warrant the imposition of further sanctions to achieve

168. Lee & Cogswell, *supra* note 3, at 424–25.

169. *Id.* at 424.

170. Read Corp. v. Portec, Inc., 970 F.2d 816, 826 (Fed. Cir. 1992); see Lee & Cogswell, *supra* note 3, at 425 (providing examples of other Federal Circuit cases articulating the subjective standard).

171. DOBBS, *supra* note 139, at 1062–66.

172. State Farm Mut. Auto. Ins. Co. v. Campbell, 538 U.S. 408, 419 (2003).

173. Lee & Cogswell, *supra* note 3, at 424–25.

174. *State Farm*, 538 U.S. at 419 (holding that punitive damages are only allowed when the accused's conduct has reached a reprehensible level).

175. Lemley & Tangri, *supra* note 96, at 1119.

punishment and deterrence.”¹⁷⁶ Thus, when willful patent infringement is restricted to intentional conduct, such as copying, the conduct rises to the requisite culpability necessary to justify imposition of punitive damages.

Additionally, from a historical perspective, limiting a willful infringement finding to situations encompassed by the subjective standard allows willful patent infringement to return to its proper place within patent law.¹⁷⁷ Specifically, Congressional intent in allowing treble damages was to prevent deliberate copying of the patented invention.¹⁷⁸ In practice, this was evidenced by the fact that prior to the *Underwater* decision, a finding of willful infringement was generally only made in situations of intentional conduct, such as copying. The affirmative duty to exercise due care, as created by *Underwater*, has distorted the real purpose of willful infringement by labeling conduct as willful even though it is conduct that is less than intentional or deliberate.¹⁷⁹ Therefore, patent law should return to measuring willful infringement from a subjective standpoint and should “recognize that the due care requirement is a relic of the past and eliminate it as a factor in the willfulness and enhancement analysis.”¹⁸⁰

3. *Subjective Approach: Too High for Willful Infringement?*

Support for the current willful patent infringement jurisprudence is hard to come by. Perhaps the most persuasive, and possibly only, argument in support of the current willful infringement standard is that it is flexible and thus can take into consideration equitable concerns.¹⁸¹ Enacting a standard that includes some intentional principles as well as some negligence principles allows the Federal Circuit to force potential infringers to act in ways that might not be socially optimal if the potential infringer analyzed his conduct on a cost-benefit scale.¹⁸² Furthermore, the current state of Federal Circuit willful infringement law gives the Court flexibility in balancing equitable concerns in light of the myriad of various situations that infringement can embody.¹⁸³ Thus, while it is true that the objective willful infringement jurisprudence under the Federal Circuit establishes a lower culpability threshold, it is justifiable on equitable grounds. Under such an argument, defining willful patent infringement solely with subjective terminology would be unduly restrictive.

176. *State Farm*, 538 U.S. at 419.

177. Lemley & Tangri, *supra* note 96, at 1119.

178. *See supra* Part II.D.1.

179. *See* Lemley & Tangri, *supra* note 96, at 1119.

180. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1352 (Fed. Cir. 2004) (Dyk, J., dissenting).

181. Wright, *supra* note 1, 121–24.

182. *Id.*

183. *Id.*

IV. RECOMMENDATION

The inconsistencies in Federal Circuit case law create legal uncertainty when litigating claims of willful patent infringement. While one might be tempted to pick either the negligent or intentional standard for willful infringement, this solution creates an obvious inequity. If the negligent standard is used to define willful patent infringement, then infringers that were negligent and those that infringed intentionally would be punished to the same degree. To assign the same punishment despite disparate culpability is unfair. On the other hand, to define willful infringement with an intentional tort standard creates a gap in coverage—no punishment, beyond what is available for strict liability infringement, exists for an infringer that acts negligently. Accordingly, patent law should adopt the subjective standard for willful infringement while concurrently creating a cause of action for negligent patent infringement.

A. Creation of a New Cause of Action: Negligent Patent Infringement

Negligent patent infringement should be defined in terms of both the Federal Circuit's affirmative duty and the objective standard. These two principles mirror each other. The affirmative duty describes the duty the potential infringer owes to the potential plaintiff—upon “actual notice of another's patent rights [a potential infringer] has an affirmative duty to exercise due care to determine whether or not he is infringing.”¹⁸⁴ A potential infringer has breached his duty when “a prudent person would [not] have had sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.”¹⁸⁵ As previously noted, the Federal Circuit has developed different formulations of the objective standard. While some require good faith as well as a reasonable belief, others only necessitate a reasonable belief.¹⁸⁶ However, the good faith belief element of some objective standard formulations is equivalent to the affirmative duty. Thus, it would not appear to matter, from a practical standpoint, which objective standard formulation is utilized. Nevertheless, the formulation without a good faith belief element is more theoretically sound because principles of negligence law, such as the reasonable person test, focus not on the defendant's state of mind but rather on how a reasonable person would act. Therefore, the new cause of action, negligent patent infringement, should be defined according to the objective standard and the affirmative duty as articulated by the Federal Circuit.

184. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983). Ascertaining what qualifies as actual notice can be a complicated question, especially when the defendant is a corporation. Issues of actual notice are dealt with in the literature. *See, e.g.*, Bolan & Rooklidge, *supra* note 125, at 177–79.

185. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).

186. *See supra* Part II.E.1.

In addition to delineating the standard for negligent patent infringement, appropriate damages need to be outlined. In order to address the equitable concern that damages track culpability, the remedy available to the successful patentee must be greater than the remedy provided under strict liability infringement. While traditional compensatory damages (i.e., a reasonable royalty and lost profits) are usually sufficient in most cases of negligence, this is not true in the patent context. Under patent law, a reasonable royalty or lost profits are available whenever patent infringement has occurred, even when the infringer had no knowledge of the patent.¹⁸⁷ If the punishment for strict liability infringement and negligent infringement were equivalent—both allowing only the reasonable royalty—there would be no incentive for the potential infringer to make the expenditures necessary to fulfill the affirmative duty. As a result, something more than the reasonable royalty or lost profits must be assessed against the negligent infringer. However, the damages assigned to negligent patent infringement still need to be consistent with the damage principles of negligence law. Thus, the damages allowable under negligent patent infringement must be compensatory in nature.

As noted previously, compensatory damages can include an award of attorney fees.¹⁸⁸ As such, an award of attorney fees upon a finding of negligent patent infringement would be acceptable under negligence principles. Patent law already provides a statutory remedy of attorney fees.¹⁸⁹ Specifically, § 285 provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.”¹⁹⁰ Currently, the trial judge is given discretion to award attorney fees.¹⁹¹ There are, however, certain circumstances that usually warrant awarding attorney fees.¹⁹² These circumstances include: willful patent infringement and litigation misconduct.¹⁹³ With the creation of negligent patent infringement, the courts should utilize § 285 to declare such a case exceptional and accordingly deserving of an attorney fee award. This damage award concurrently satisfies both equitable and theoretical concerns by increasing damages above the reasonable royalty or lost profit determination while simultaneously staying within the boundaries of compensatory damages.

Constructing a cause of action for negligent patent infringement is desirable from both a theoretical and equitable perspective. Theoreti-

187. Powers & Carlson, *supra* note 26, at 56–57 (“Patent infringement is a strict liability tort and does not require a showing of wrongful intent.”).

188. See *supra* Part III.A.2; see also *Knorr-Bremse v. Dana Corp.*, 383 F.3d 1337, 1348 n.4 (Fed. Cir. 2004) (Dyk, J., dissenting) (stating that “attorney fees are not punitive damages,” which in turn means that “it might not be unconstitutional to award attorney fees on a due care theory”).

189. 35 U.S.C. § 285 (2000).

190. *Id.*

191. See *supra* Part II.B.

192. See *supra* Part II.B.

193. See *supra* Part II.B.

cally, negligent patent infringement allows for the affirmative duty and the objective standard to be applied in a context that is aligned with general tort principles. Equitably, negligent patent infringement will ensure that the damages awarded more closely track the infringer's level of culpability.

B. Retention of Willful Patent Infringement

By creating a tort for negligent patent infringement, the scope of willful patent infringement necessarily shrinks. A finding of willful infringement should attach only to conduct commensurate with the term "willful." Accordingly, willful infringement should be reserved for those infringers that engage in activities evincing an intention to infringe another's patent rights. This standard is akin to the subjective willful infringement standard articulated by the Federal Circuit.¹⁹⁴ As in pre-*Underwater* cases, willful infringement will, thus, be limited to situations involving copying of the patented invention or other deliberate misconduct.

The damages available on a willful infringement claim should remain unchanged. A successful plaintiff would be entitled to treble damages.¹⁹⁵ Moreover, because a willful infringement finding can constitute an exceptional case, the plaintiff may also be able to collect attorney fees.¹⁹⁶ As previously discussed, under § 284 the trial judge has the discretion to enhance damages *up to* three times the amount of the reasonable royalty.¹⁹⁷ To ascertain the equitable increase in damages, the courts should continue to utilize the factors set forth in *Read Corp. v. Portec, Inc.* The factors relevant to determining the level of enhancement include: (1) "Defendant's size and financial condition"; (2) "Closeness of the case"; (3) "Duration of defendant's misconduct"; (4) "Remedial action by the defendant"; (5) "Defendant's motivation for harm"; and (6) "Whether defendant attempted to conceal its misconduct."¹⁹⁸

In light of the purpose of punitive damages and willful patent infringement, it is proper to take the aforementioned factors into account. The general purpose of punitive damages, and indeed the rationale offered by the Federal Circuit, is to deter intentional wrongdoing while simultaneously punishing the accused for his increased mental culpability.¹⁹⁹ The abovementioned factors carry out this purpose. For instance, factors such as "[d]efendant's motivation for harm,"²⁰⁰ "[r]emedial action

194. See *supra* Part II.E.1.

195. 35 U.S.C. § 284 (2000).

196. 35 U.S.C. § 285.

197. See *supra* Part II.B.

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

199. See *supra* notes 37–38 and accompanying text.

200. *Read Corp.*, 970 F.2d at 827.

by the defendant,”²⁰¹ and “defendant[’s] attempt[s] to conceal its misconduct,”²⁰² shed insight into the defendant’s mental culpability. The judge may use his discretion to enhance damages, up to treble damages, such that the increase in damages properly tracks the defendant’s level of culpability. Likewise, addressing the “[d]efendant’s size and financial condition”²⁰³ permits the trial judge to fashion a remedy that encompasses the correct amount of deterrence. Logically, a higher damage award would be necessary to deter a large corporation than would be needed to deter a single, individual inventor.

Restricting willful patent infringement to intentional conduct allows the award of punitive damages to be theoretically sound. Moreover, utilizing the aforementioned factors to shape a punitive damage award ensures that the increased damages will more accurately serve their deterrence and punishment objectives.

C. *Ramifications*

While the abovementioned solution produces some desirable results, there is potential for criticism. Despite its equitable qualities, the creation of a cause of action for negligent patent infringement will add another layer to patent law. As a result, this solution might be criticized as further complicating patent litigation. However, the introduction of a new nuance to patent law does not necessarily mean that patent law will become any more complicated. The proposed recommendation merely separates the negligent components and the intentional components of the previous willful infringement standard into two categories. The standards used to define negligent patent infringement and willful patent infringement already exist within patent law, so the proposed recommendation should not complicate judicial decision making. A significant amount of case law regarding the affirmative duty already exists and can serve as a guide for evaluating whether an accused infringer’s conduct constitutes negligent patent infringement. As the proposed solution represents a reorganization of existing standards and factors, the actual degree of complication is minimal. To the extent that the proposed recommendation does cause complication, the cost of this complication is outweighed by its beneficial equitable qualities.

V. CONCLUSION

Since the inception of the Federal Circuit, willful patent infringement jurisprudence has undergone significant changes. These changes have ultimately created uncertainty for the doctrine of willful patent in-

201. *Id.*

202. *Id.*

203. *Id.*

fringement. Chief among these uncertainties, especially after the *en banc Knorr-Bremse Nutzfahrzeuge GmbH v. Dana Corp.* decision, is the exact role of the potential infringer's affirmative duty to take due care. Moreover, while the Federal Circuit often states that willful patent infringement is in place to prevent intentional conduct, many formulations of the willful patent infringement standard contain objective terminology. Comparing the various components of the Federal Circuit's willful patent infringement doctrine to general tort principles illustrates that the willful patent infringement, as currently defined, is a mix of both intentional tort and negligence principles. To provide a more consistent definition of willful patent infringement, the subjective and objective components of willful patent infringement should be separated into two distinct torts. Such a separation is true to both the theoretical and equitable bases of patent law.

