

## THE TROUBLE WITH TREBLE DAMAGES: DITCHING PATENT LAW'S WILLFUL INFRINGEMENT DOCTRINE AND ENHANCED DAMAGES

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*In a patent infringement lawsuit, a plaintiff often asserts a willful infringement claim and enhanced damages as a remedy. Under current U.S. patent laws, courts have the discretion to reject a claim for willful infringement and decline increasing damages, even if the jury returns a finding of willful infringement. This creates an unnecessary drain of resources on the court system and alleged infringers.*

*The enhanced damages provision in patent law is also often an unavailable remedy for plaintiffs even though plaintiffs almost always assert a willful infringement claim, often simply wasting courts' and litigants' financial resources. The enhanced damages provision also frustrates the purpose of the existence of patent laws, and patent owners actively avoid learning about new patents for fear that this knowledge will lead to allegations of willful infringement in the future. Finally, no other nation in the world has a remedy like the enhanced damages provision, and the existence of the remedy frustrates goals to harmonize global intellectual property laws.*

*This Note examines these issues presented by the enhanced damages provision. This Note analyzes alternatives for the enhanced damages remedy and considers whether abandoning the current law would appropriately deter patent infringement. Ultimately, this Note recommends that the entire enhanced damages provision and its associated willful infringement doctrine should be removed from the U.S. patent laws.*

### I. INTRODUCTION

Patent expert Edward O'Connor has three words for plaintiffs seeking a treble damages award in a patent infringement lawsuit: "forget about it."<sup>1</sup> O'Connor believes that the "reality" of treble damages "is

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1. EDWARD F. O'CONNOR, INTELLECTUAL PROPERTY LAW & LITIGATION: PRACTICAL & IRREVERENT INSIGHTS 163 (2009).

that they are almost impossible to obtain.”<sup>2</sup> O’Connor tells of a patent infringement suit he worked on: he worked hard to obtain a jury verdict in favor of his patent-owning client finding that the patent had been infringed.<sup>3</sup> The jury even returned a finding that the infringement was willful.<sup>4</sup> With this finding, O’Connor’s client could potentially recover up to three times the actual damages found by the jury.<sup>5</sup> O’Connor sarcastically remarks that it took the jury “approximately two and a half minutes (which included time for lunch)” to return the verdict of infringement and the finding of willful infringement.<sup>6</sup> He further states that in his conversations with jury members, the jury “had no problem concluding that there was willful infringement.”<sup>7</sup> The case for willful infringement and enhanced damages seemed to be a good one, so O’Connor believed his client would thus be able to recover enhanced damages based on the finding of willful infringement.<sup>8</sup>

Despite O’Connor’s hopes for his client, the court “refused to enhance damages.”<sup>9</sup> Unfortunately for O’Connor, the court had the discretion to reject a claim for willful infringement and decline increasing damages, even if the jury returned a finding of willful infringement.<sup>10</sup> This can render the finding by the jury on the issue of willfulness “meaningless.”<sup>11</sup> Despite the relative unavailability of the enhanced damages remedy, plaintiffs almost always allege willful infringement in a patent suit.<sup>12</sup> This creates an unnecessary drain of resources on the court system and alleged infringers, forcing courts to adjudicate an issue whose outcome is almost assured.<sup>13</sup>

The enhanced damages provision in patent law causes other issues beyond costing courts and litigants a lot of money. The provision frustrates one of the main justifications for the existence of all patent laws.<sup>14</sup> The foundation of U.S. patent laws is based on a provision in the U.S. Constitution that “empowered Congress to establish a national patent system.”<sup>15</sup> Particularly, Congress is granted 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.”<sup>16</sup> With that power Congress has allowed anyone who “in-

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2. *Id.*

3. *Id.*

4. *Id.*

5. *See infra* Part II.A.3.

6. O’CONNOR, *supra* note 1, at 163.

7. *Id.*

8. *See id.* at 163–64.

9. *Id.* at 163.

10. *See infra* Part II.A.3.

11. O’CONNOR, *supra* note 1, at 164.

12. *See infra* Part II.C.2.c.

13. *See infra* Part II.C.2.

14. *See infra* Part II.C.1.

15. 1 DONALD S. CHISUM, CHISUM ON PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT OV-2 (2012) [hereinafter CHISUM ON PATENTS].

16. U.S. CONST. art. I, § 8, cl. 8.

vents or discovers any new and useful process, machine, manufacture, or composition of matter” to obtain a patent.<sup>17</sup> The patent grants the “right to exclude others from making, using, offering for sale, or selling the invention,” and lasts for twenty years from the date a patent application is filed.<sup>18</sup> The goal of the patent system is to “promote the Progress of Science”<sup>19</sup> by granting the patent owner a limited monopoly for which the public receives the quid pro quo of full disclosure of the invention.<sup>20</sup> By disclosing how to make and use the invention, the patent “increases the storehouse of public information” and enables others to practice the invention after the twenty year patent term ends.<sup>21</sup> Patent owners, however, actively avoid looking at or learning about new patents for fear that this knowledge will lead to allegations of willful infringement in the future.<sup>22</sup>

A final issue with the enhanced damages provision is that no other nation in the world has a remedy like it, and so the existence of the remedy frustrates goals to harmonize global intellectual property laws.<sup>23</sup> Some commentators have called for changes to the enhanced damages provision,<sup>24</sup> while others maintain that the law does not need to be adjusted.<sup>25</sup> Still others suggest complete abandonment of the provision.<sup>26</sup>

This Note examines the issues presented by the current enhanced damages provision and argues for the abandonment of that provision entirely. Part II provides a brief overview of the current remedies available for patent infringement, the historical origins of the current enhanced damages provision, and the issues presented by the present state of the enhanced damages provision. Part III considers alternatives for the enhanced damages remedy, and whether abandoning the current law would appropriately deter patent infringement. Finally, Part IV recommends removal of the entire enhanced damages provision and its associated willful infringement doctrine from U.S. patent laws. Part V concludes.

## II. BACKGROUND

In order to determine the effectiveness and worth of the current enhanced damages provision, one must fully understand what the law is and how it came to be. In this Part, Section A examines the basic remedies for patent infringement including the enhanced damages remedy. Sec-

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17. 35 U.S.C. § 101 (2006).

18. 35 U.S.C. § 154 (2006).

19. U.S. CONST. art. I, § 8, cl. 8.

20. 3 CHISUM ON PATENTS, *supra* note 15, § 7.01, at 7-7; *see also* Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 55 (2001).

21. 3 CHISUM ON PATENTS, *supra* note 15, § 7.01; *see also* 35 U.S.C. § 112 (2006).

22. *See infra* Part II.C.1.

23. *See infra* Part II.C.3.

24. *See infra* Part III.A.2-4.

25. *See infra* Part III.A.1.

26. *See infra* Part III.B.

tion B explores the history of the enhanced damages remedy and the corresponding willful infringement doctrine. Finally, Section C uncovers three of the major issues that arise because of the availability of the enhanced damages remedy.

### A. Basic Remedies for Infringement

Infringement of a patent occurs when another makes, uses, sells, or offers to sell a patented invention.<sup>27</sup> As a result, patent infringement is a strict liability offense, and does not require any showing of a particular accompanying mental state.<sup>28</sup> The patent laws provide that a patent owner “shall have remedy by civil action for infringement of his patent.”<sup>29</sup> Two basic remedies are available:<sup>30</sup> money damages<sup>31</sup> and injunctions.<sup>32</sup> Congress has not provided for criminal prosecution of patent infringement, even for willful patent infringement.<sup>33</sup>

Patent owners can seek monetary remedies for patent infringement.<sup>34</sup> Compensatory damages are the “primary monetary remedy for patent infringement.”<sup>35</sup> In “exceptional cases,” a court “may award reasonable attorney fees to the prevailing party.”<sup>36</sup> A patent owner may also seek extra-compensatory damages, as patent laws allow a court to “increase the damages up to three times the amount found or assessed.”<sup>37</sup>

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27. 5 CHISUM ON PATENTS, *supra* note 15, § 16.01, at 16-5.

28. Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 645 (1999); Jurgens v. CBK, Ltd., 80 F.3d 1566, 1570 n.2 (Fed. Cir. 1996) (citing Hilton Davis Chem. Co. v. Warner-Jenkinson Co., 62 F.3d 1512, 1527 (Fed. Cir. 1995) (en banc)); Powers & Carlson, *supra* note 20, at 56.

29. 35 U.S.C. § 281 (2006).

30. 7 CHISUM ON PATENTS, *supra* note 15, § 20.01, at 20-9.

31. 35 U.S.C. §§ 284-85 (2006).

32. 35 U.S.C. § 283 (2006). Injunctions may be granted “to prevent the violation of any right secured by [a] patent.” *Id.* Courts can issue preliminary and permanent injunctions. Preliminary injunctions are designed to protect a “patent owner’s rights during the time of the law suit” and generally will not be granted unless the patent owner shows “probable success on the merits, irreparable injury and an imbalance in the relative hardships” between the patent owner and the alleged infringer. 7 CHISUM ON PATENTS, *supra* note 15, § 20.04, at 20-659. Permanent injunctions may be granted after a patent owner succeeds in its infringement action. *Id.* § 20.04[2], at 20-761. In the recent unanimous opinion *eBay Inc. v. MercExchange, L.L.C.*, the U.S. Supreme Court clarified that permanent injunctions should be granted “[a]ccording to well-established principles of equity.” 547 U.S. 388, 391 (2006); 7 CHISUM ON PATENTS, *supra* note 15, § 20.04[2][b], at 20-778. The traditional test the Supreme Court used requires a plaintiff to show: “(1) that it has suffered an irreparable injury; (2) that remedies available at law . . . are inadequate to compensate for that injury;” (3) that there is an imbalance of hardships between the patent owner and the infringer; “and (4) that the public interest would not be disserved by a permanent injunction.” 547 U.S. at 391.

33. *Dowling v. United States*, 473 U.S. 207, 227 (1985).

34. 35 U.S.C. §§ 284-85.

35. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03, at 20-63.

36. 35 U.S.C. § 285.

37. 35 U.S.C. § 284.

### 1. *Compensatory Damages*

Compensatory damages for patent infringement are designed to make the patent owner whole for the actual damages suffered as a result of the infringement.<sup>38</sup> The U.S. Supreme Court in *Seymour v. McCormick* laid out the general rule, stating that the prevailing plaintiff is “entitled to the actual damages he has sustained by reason of the infringement.”<sup>39</sup> The Federal Circuit has reiterated this idea, holding in *Rite-Hite Corp. v. Kelley Co.* that “‘adequate’ damages should approximate those damages that will *fully compensate* the patentee for infringement.”<sup>40</sup> The Patent Act of 1946 is the current Congressional authority on patent damages,<sup>41</sup> and allows recovery of “general damages.”<sup>42</sup> The applicable statute, 35 U.S.C. § 284 (2006), sets the minimum recovery at a “reasonable royalty” to compensate the patent owner for infringement.<sup>43</sup> In addition to a reasonable royalty, the patent owner may recover “any damages [he] can prove,”<sup>44</sup> including a previously established royalty and lost profits.<sup>45</sup> Although § 284 does not explicitly preclude monetary recovery based on a showing of the infringer’s profits (commonly called “an accounting”), the Supreme Court clarified that § 284 was meant to “compensat[e] for the pecuniary loss he [the patentee] has suffered from the infringement, without regard to the question whether the defendant has gained or lost by his unlawful acts.”<sup>46</sup> The legislative history affirms that the purpose of the Act was specifically to remove accounting for infringer’s profits as an automatic remedy for patent infringement, because of the “evil” that arose when a claimant attempted to prove what proportion of the infringer’s profits were actually “due to the improvement” or invention.<sup>47</sup>

Compensatory damages also include remedies for recovering profits that the patent owner could have made if the infringement did not occur.<sup>48</sup> Recovery of lost profits can include damage calculations for diverted sales, increased expense, and price erosion.<sup>49</sup>

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38. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03, at 20-65.

39. 57 U.S. (16 How.) 480, 486 (1853).

40. 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc).

41. Patent Act of 1946, Pub. L. No. 79-587, 60 Stat. 778.

42. S. REP. NO. 79-1503 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1386, 1387.

43. 35 U.S.C. § 284 (2006).

44. S. REP. NO. 79-1503 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1386, 1387.

45. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03, at 20-67.

46. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964) (quoting *Coupe v. Royer*, 155 U.S. 565, 582 (1895)).

47. S. REP. NO. 79-1503 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1386, 1387.

48. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03, at 20-67.

49. *Id.* § 20.03, at 20-67; *see also* *Minco, Inc. v. Combustion Eng’g, Inc.*, 95 F.3d 1109, 1118 (Fed. Cir. 1996) (citing *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983)) (“This court has clarified that adequate damages can include lost profits due to diverted sales, price erosion, and increased expenditures caused by infringement.”). Diverted sales are recoverable if the patent owner “would have made all, or a portion of, the sales made by the alleged infringer.” Guangliang Zhang, *Remedies for Patent Infringement: A Comparative Study of U.S. and Chinese Law*, 1 J. MARSHALL REV. INTELL. PROP. L. 35, 42 (2001); *see also* 7 CHISUM ON PATENTS, *supra* note 15, § 20.05, at 20-976 to -977. Courts most often use the *Panduit* test for calculating damages of lost sales, which requires a showing of: “(1) demand for the patented product, (2) absence of acceptable noninfringing substitutes,

## 2. *Attorney's Fees*

The award of attorney's fees is within the discretion of the trial court.<sup>50</sup> The discretion to grant attorney's fees may be exercised only upon a finding of "exceptional circumstances."<sup>51</sup> When a patent owner prevails, "such circumstances may consist of willful or deliberate infringement."<sup>52</sup> As such, an award of attorney's fees is designed to be punitive by "discourag[ing] infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be a royalty."<sup>53</sup> The provision may also be used "to deter groundless litigation,"<sup>54</sup> punishing parties who act "in bad faith, vexatiously, wantonly, or for oppressive reasons"<sup>55</sup> and "prevent[ing] a gross injustice to an alleged infringer."<sup>56</sup>

## 3. *Enhanced Damages*

A final monetary remedy of increased, or enhanced, damages is available to patent owners. Section 284 allows courts to "increase the damages up to three times the amount found or assessed."<sup>57</sup> There is no specific standard in the statute for increasing damages, and the power to do so has long been within the sole discretion of the trial court.<sup>58</sup> As to when a court should exercise its discretion, "[i]t is well-settled that enhancement of damages must be premised upon willful infringement or bad faith."<sup>59</sup> Usually, damages are increased because the infringement was willful.<sup>60</sup>

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(3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of the profit he would have made." *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978). While the *Panduit* test is often used, a patent owner must only show, "on a more-than-speculative evidentiary basis, that there is a reasonable probability that, but for the infringement," the sales would have been made. Paul M. Janicke, *Contemporary Issues in Patent Damages*, 42 Am. U. L. Rev. 691, 709 (1993). The court must then account for the increased expense the patent owner would have incurred had the patent owner actually made the sales to figure out the true lost profits. Courts do not generally factor overhead costs into the increased expense calculation. Finally, a patent owner can recover lost profits on a price erosion theory. Zhang, *supra*, at 46–47. A patent owner can recover damages as a result of "lower prices on sales made and retarded sales growth attributable to the drain on human and financial resources of the patent owner." 7 CHISUM ON PATENTS, *supra* note 15, § 20.05[2][a], at 20-990. Price erosion damages can even be recovered if the patent owner was unable to raise prices as planned. Zhang, *supra*, at 47.

50. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03[4][c], at 20-460.150.

51. *Id.* § 20.03[4][c], at 20-460.150.

52. *Id.* § 20.03[4][c], at 20-460.150.

53. S. REP. NO. 79-1503 (1946), reprinted in 1946 U.S.C.C.A.N. 1386, 1387.

54. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03[4][c], at 20-460.151.

55. *Id.* at § 20.03[4][c], at 20 460-461 n.374 (quoting *L.E.A. Dynatech, Inc. v. Allina*, 49 F.3d 1527, 1530 (Fed. Cir. 1995)).

56. S. REP. NO. 79-1503 (1946), reprinted in 1946 U.S.C.C.A.N. 1386, 1387.

57. 35 U.S.C. § 284 (2006).

58. 7 CHISUM ON PATENTS, *supra* note 15, at § 20.03[4][b], at 20-331 (citing *Topliff v. Topliff*, 145 U.S. 156, 174 (1892)).

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

60. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03[4][b], at 20-332.

### *B. History of Enhanced Damages and Willful Infringement*

The history of the statutory enhanced damages provision and the willful infringement doctrine is very important to determine exactly how and why the provision came into being. If the origins and purpose of the provision can be uncovered, the effectiveness of the remedy can be examined. Another, perhaps better known treble damages provision exists in antitrust law and originated in 1890 with the Sherman Antitrust Act.<sup>61</sup> The origins of the patent laws' enhanced damages provision were passed surprisingly much earlier in time and were passed under much different circumstances than the antitrust provisions.<sup>62</sup> The antitrust treble damages remedy was passed to make it worth a party's time and resources to initiate a civil antitrust suit.<sup>63</sup> The history and purpose of enhanced damages in patent law, however, is much different from the origins of the similar antitrust provision.<sup>64</sup> This Section analyzes how and why the enhanced damages in patent law came to be, and how it transformed into the remedy we have today.

#### *1. Patent Act of 1790*

The United States' first patent laws were enacted by the first federal Congress with the Patent Act of 1790.<sup>65</sup> The new Act gave the responsibility of granting patents to the "Secretary of State, the Secretary for the department of war, and the Attorney General of the United States."<sup>66</sup> If any of two of them "shall deem the invention or discovery sufficiently useful and important," it shall be lawful "to cause letters patent to be made out in the name of the United States, [and] to bear teste by the President of the United States."<sup>67</sup> The remedy for infringing a patent was to "forfeit and pay . . . such damages as shall be assessed by a jury, and . . . the thing or things so devised . . . may be recovered in an action on the case founded on this act."<sup>68</sup> In other words, the only remedy for infringement after the 1790 Act was recovering infringing goods, and recovering any money damages as calculated by the jury.<sup>69</sup>

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61. ABA ANTITRUST SECTION, MONOGRAPH NO. 13, TREBLE-DAMAGES REMEDY 17–19 (1986).

62. *See infra* Part II.B.2.

63. ABA ANTITRUST SECTION, *supra* note 61, at 18–19.

64. *See infra* Part II.B.

65. Patent Act of 1790, ch. 7, 1 Stat. 109.

66. § 1, 1 Stat. at 109–10.

67. § 1, 1 Stat. at 110.

68. § 4, 1 Stat. at 111.

69. *See id.*

## 2. *Patent Act of 1793*

Seven months after the Patent Act of 1790 was passed, the House of Representatives formed a committee to propose new bills or amend existing ones.<sup>70</sup> As a result, several bills were introduced in the House in 1791 and 1792.<sup>71</sup> The apparent reason the House sought to amend the patent system was due to the great burden it put on the three officials named in the previous Act.<sup>72</sup> As a result, the proposed bills in 1791 and 1792 focused on amending the process of acquiring and granting a patent, and left unchanged the remedies for patent infringement, namely that damages were to be calculated by a jury with no provision directing how the jury should calculate those damages.<sup>73</sup>

On February 21, 1793, Congress passed the Patent Act of 1793.<sup>74</sup> The most significant change of the new law was the removal of the requirement that the new invention be “sufficiently useful and important.”<sup>75</sup> The Act essentially changed the system under the 1790 Act from an examination system to a registration system.<sup>76</sup> This relieved the duties of the patent board, and gave the duty to the courts of determining “what rights, if any, existed with respect to issued patents.”<sup>77</sup>

Shockingly, the Patent Act of 1793 contained a new provision for calculating damages for infringement,<sup>78</sup> despite no indication from the proposed bills in 1791 and 1792 that Congress was looking to amend how damages were determined.<sup>79</sup> The new Act provided that any infringer “shall forfeit and pay to the patentee, a sum, that shall be at least equal to three times the price, for which the patentee has usually sold or licensed to other persons, the use of the said invention.”<sup>80</sup> This was the first provision for treble damages in American patent law,<sup>81</sup> and it set the

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70. Powers & Carlson, *supra* note 20, at 59 (citing EDWARD C. WALTERSCHEID, TO PROMOTE THE PROGRESS OF USEFUL ARTS: AMERICAN PATENT LAW AND ADMINISTRATION 1787–1836, at 195–96 (1998)).

71. Powers & Carlson, *supra* note 20, at 59.

72. See WALTERSCHEID, *supra* note 70, at 195. Thomas Jefferson even wrote of the duty: Above all things he prays to be relieved from it, as being, of everything that ever was imposed on him, that which cuts up his time into the most useless fragments and gives him from time to time the most poignant mortification. The subjects are such as would require a great deal of time to understand and do justice by them, and not having that time to bestow on them, he has been oppressed beyond measure by the circumstances under which he has been obliged to give undue and uninformed opinions on rights often valuable, and always deemed so by the authors.

6 THE WORKS OF THOMAS JEFFERSON 459 (Paul Leicester Ford ed., 1904), available at [http://files.libertyfund.org/files/803/0054-06\\_Bk.pdf](http://files.libertyfund.org/files/803/0054-06_Bk.pdf) [hereinafter WORKS OF JEFFERSON].

73. Powers & Carlson, *supra* note 20, at 59–60.

74. Patent Act of 1793, ch. 11, 1 Stat. 318.

75. Powers & Carlson, *supra* note 20, at 62 (quoting Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 110).

76. Powers & Carlson, *supra* note 20, at 62.

77. *Id.*

78. See § 5, 1 Stat. at 322.

79. See *supra* note 73 and accompanying text.

80. § 5, 1 Stat. at 322.

81. *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1377 (Fed. Cir. 2007) (Gajarsa J., concurring).



minimum damages at three times whatever the infringer sold his product at, which is likely a much higher sum than even the infringer's profits.<sup>82</sup>

So why did the Patent Act of 1793 contain a new provision for calculating damages? Historian Edward Walterscheid attributes the new damages provision in the 1793 Act to the work of a patent agent named Joseph Barnes,<sup>83</sup> "who was a sort of patent system gadfly."<sup>84</sup> Barnes published a pamphlet in 1792 that "sharply criticize[d]" the current patent system and the bill that was proposed to amend the patent system in 1792.<sup>85</sup>

Barnes was the brother-in-law, patent agent, and partner of the inventor James Rumsey, who held rights to inventions related to the steamboat.<sup>86</sup> Barnes even represented Rumsey and pursued rights based on the inventions after Rumsey's death in 1792.<sup>87</sup> Rumsey and Barnes also had strong political ties. Rumsey was a personal favorite of George Washington,<sup>88</sup> and Thomas Jefferson was friends with Rumsey and looked after Barnes on several occasions.<sup>89</sup> Rumsey had been entangled in a patent dispute with rival claimants since at least 1785, when Rumsey obtained state patents for his inventions from Virginia, Maryland, and Pennsylvania.<sup>90</sup>

Because of the difficulties Barnes and Rumsey faced in obtaining meaningful patent rights, Barnes was highly critical of the current patent system, stating that "'tis acknowledged by all enlightened men who have attended to the object . . . that the *effect* of the existing patent system is infinitely worse than none: consequently, it ought, at *least*, to be *annihilated* from the archives, for the credit of the United States."<sup>91</sup> Barnes was also critical of the 1792 bill proposed in the House.<sup>92</sup> In a statement that

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82. § 5, 1 Stat. at 322.

83. WALTERSCHEID, *supra* note 70, at 228.

84. Janice M. Mueller, *Commentary: Willful Patent Infringement and the Federal Circuit's Pending En Banc Decision in Knorr-Bremse v. Dana Corp.*, 3 J. MARSHALL REV. INTELL. PROP. L. 218, 225 (2004).

85. Powers & Carlson, *supra* note 20, at 61 (citing WALTERSCHEID, *supra* note 70, at 209). The title of Barnes' pamphlet was ridiculously long, but it revealed his passion for amending what he viewed to be a badly broken patent system. JOSEPH BARNES, TREATISE ON THE JUSTICE, POLICY, AND UTILITY OF ESTABLISHING AN EFFECTUAL SYSTEM OF PROMOTING THE PROGRESS OF USEFUL ARTS, BY ASSURING PROPERTY IN THE PRODUCTS OF GENIUS. TO WHICH ARE ADDED, OBSERVATIONS, ON THE DEFICIENCY OF, AND EXCEPTIONS TO THE BILL REPORTED IN MARCH 1792. WITH NOTES, TENDING TO DEMONSTRATE, THAT NO PROPERTY IS SECURED IN THE PRODUCTS OF GENIUS, UNDER THE EXISTING PATENT SYSTEM. ALSO, THE PRINCIPLES UPON WHICH A BILL OUGHT TO BE FORMED, TO BE EFFECTUAL AND EQUITABLE (1792).

86. ANDREA SUTCLIFFE, STEAM: THE UNTOLD STORY OF AMERICA'S FIRST GREAT INVENTION 6-7 (2004); Powers & Carlson, *supra* note 20, at 61 (citing WALTERSCHEID, *supra* note 70, at 189).

87. 7 WORKS OF JEFFERSON, *supra* note 72, at 343-44.

88. SUTCLIFFE, *supra* note 86, at 14.

89. See 7 WORKS OF JEFFERSON, *supra* note 72, at 343-44; SUTCLIFFE, *supra* note 86, at 143.

90. Edward C. Walterscheid, *The Early Evolution of the U.S. Patent Law: Antecedents (5, Part II)*, 78 J. PAT. & TRADEMARK OFF. SOC'Y 665, 673 (1996); see also Powers & Carlson, *supra* note 20, at 61. For the full story on Rumsey, Barnes, their rivals, and the struggle of obtaining patents on their steam inventions at the time see SUTCLIFFE, *supra* note 86.

91. BARNES, *supra* note 85, at 9.

92. *Id.* at 19-20; see also Edward C. Walterscheid, *The Use and Abuse of History: The Supreme Court's Interpretation of Thomas Jefferson's Influence on the Patent Law*, 39 IDEA 195, 208 (1999).

was persuasive for the damages provision included the Patent Act of 1793,<sup>93</sup> Barnes explained:

tis a well-known fact, that the people, in the remote parts of the states, for *want* of *right* information, are opposed to all patent rights, upon this principle, that *they* conceive them to be *monopolies*: in consequence of which, should one of their neighbours construct, for instance, [an improved mill], by which they were *really* benefited, it naturally follows, they would *not* be disposed to assess damages against such neighbor; therefore, in all probability, a jury of them would bring in a verdict of *one dime* damages in favor of the patentee, as an *indication* for him, *not* to visit them again.<sup>94</sup>

Barnes did not trust juries, and he was especially prejudiced against jury members from “remote parts of the states.”<sup>95</sup> Barnes’ work served as the basis for the Patent Act of 1793 containing the first treble damage provision, mandating that a patent owner shall recover “at least equal to three times the price, for which the patentee has usually sold or licensed to other persons, the use of the said invention.”<sup>96</sup> Barnes even petitioned the House of Representatives himself to revise and amend the patent laws.<sup>97</sup> Barnes explicitly recommended the minimum triple damages remedy in his pamphlet, so his recommendations were likely the origin of the original triple damages remedy for patent infringement.<sup>98</sup>

### 3. *Patent Act of 1800*

The next adjustment to patent infringement remedies came with an Act of Congress in 1800.<sup>99</sup> The Act adjusted the damages available for patent infringement.<sup>100</sup> Congress lowered the damages available from “at least equal to three times the price, for which the patentee has usually sold or licensed”<sup>101</sup> to “a sum equal to three times the actual damage sus-

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93. WALTERSCHEID, *supra* note 70, at 209–10.

94. BARNES, *supra* note 85, at 27.

95. *Id.*; Powers & Carlson, *supra* note 20, at 61.

96. Patent Act of 1793, ch. 11, § 5, 1 Stat. 318, 322.

97. H.R. JOURNAL, 2d Cong., 2d Sess. 614 (Nov. 7, 1792), available at [http://memory.loc.gov/cgi-bin/ampage?collId=llhj&fileName=001/llhj001.db&recNum=606&itemLink=D?hlaw:2:/temp/~ammem\\_oeuP::%230010608&linkText=1](http://memory.loc.gov/cgi-bin/ampage?collId=llhj&fileName=001/llhj001.db&recNum=606&itemLink=D?hlaw:2:/temp/~ammem_oeuP::%230010608&linkText=1).

98. BARNES, *supra* note 85, at 32.

99. Act of Apr. 17, 1800, ch. 25, 2 Stat. 37. Courts had “adopted a narrow reading of the Patent Act of 1793,” and restricted recovery to cases where infringers actually “make, devise *and* use or sell the thing so invented.” Powers & Carlson, *supra* note 20, at 62 (quoting Patent Act of 1793, ch.11, 1 Stat. 318). This was problematic for a number of inventors. The interpretation made it difficult in many cases to get a remedy when an alleged infringer has not both made and used the device. For example, Eli Whitney brought a suit in 1796 against several cotton planters for using his invention of a cotton gin. “[T]he court found that the planters had not both made *and* used the patented invention,” and barred recovery for Eli Whitney. Powers & Carlson, *supra* note 20, at 62–63. As a result, the Act of 1800 allowed recovery against anyone who “shall make, devise, use, or sell” the invention. § 3, 2 Stat. at 38.

100. § 3, 2 Stat. at 38.

101. Patent Act of 1793, ch. 11, § 5, 1 Stat. 318, 322.

tained.”<sup>102</sup> In an 1817 case, Justice Story explained the process and purpose of the treble damages provision:

The jury are to find the single damages, and it is the proper duty of the court to treble them in awarding judgment. And let the damages be estimated as high, as they can be, consistently with the rule of law on this subject, if the plaintiff’s patent has been violated; that wrong doers may not reap the fruits of the labor and genius of other men.<sup>103</sup>

#### 4. *Patent Act of 1836*

The relative ease with which one could obtain a patent under the 1793 and 1800 laws, given that the requirements for an applicant were largely administrative, gave rise to many fraudulently obtained patents.<sup>104</sup> Consequently, Congress enacted the Patent Act of 1836,<sup>105</sup> which “repealed all existing patent laws, and established the patent examination system that remains, fundamentally, in effect today.”<sup>106</sup>

The remedy for infringement in the 1836 Act provided that whenever “a verdict shall be rendered for the plaintiff in such action, it shall be in the power of the court to render judgment for any sum above the amount found by such verdict as the actual damages sustained by the plaintiff, not exceeding three times the amount thereof.”<sup>107</sup> Most notably, this provision removed the mandatory treble damage awards of the 1793 and 1800 Acts and gave a court discretion whether to increase damages at all.<sup>108</sup> From the 1793 Act to the 1836 Act, Congress started with triple damages as a statutory minimum, and moved to triple damages being the statutory maximum. Since the original treble damages provision in the 1793 Act, Congress has followed a trend of lowering the frequency and amount of treble damage awards.<sup>109</sup>

Under the 1836 Act, courts also had the discretion to increase the damages up to three times the damages found.<sup>110</sup> Alternatively, the patent owner could seek an injunction and the infringer’s profit as a remedy in equity, but the patent owner was forced to choose between the two

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102. § 3, 2 Stat. at 38.

103. *Lowell v. Lewis*, 15 F. Cas. 1018, 1019 (C.C.D. Mass. 1817).

104. Edward C. Walterscheid, *Priority of Invention: How the United States Came to Have a “First-to-Invent” Patent System*, 23 AIPLA Q.J. 263, 306–09 (1995). One commentator noted that “[p]erhaps the most remarkable aspect of the Act of 1793 was that Congress permitted it to remain in effect for forty-three years. It was an open invitation to fraud and abuse, and such abuse quickly came to be.” *Id.* at 306. Fraudulently obtained patents wreaked havoc on the patent office, patent owners who attempted to assert their rights, and the courts trying to enforce the rights of patent owners. See Powers & Carlson, *supra* note 20, at 65; Walterscheid, *supra* note 104, at 306–17.

105. Patent Act of 1836, ch. 357, 5 Stat. 117.

106. Powers & Carlson, *supra* note 20, at 66.

107. § 14, 5 Stat. at 123.

108. Powers & Carlson, *supra* note 20, at 66.

109. See *supra* notes 101–02, 107 and accompanying text.

110. § 14, 5 Stat. at 123.

remedies.<sup>111</sup> The Supreme Court recognized, though, that patent owners had difficulty getting an adequate remedy in equity under the 1836 Act.<sup>112</sup>

##### 5. *Later Amendments to the Patent Laws*

Consequently, the Patent Act of 1870 allowed patent owners to recover in equity “the profits to be accounted for by the defendant, [and] the damages the complainant has suffered thereby.”<sup>113</sup> The new statute also maintained the discretionary treble damage provision from the 1836 Act, allowing “the court to enter judgment . . . for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict.”<sup>114</sup> Patent disputes today are governed by a similar provision passed in 1952 that allows the court to “increase the damages up to three times the amount found or assessed.”<sup>115</sup>

##### 6. *Willfulness Under the Patent Laws*

The first interpretation of the discretionary treble damages provision that had its roots in the 1836 Act was made by the Supreme Court in the 1853 case *Seymour v. McCormick*.<sup>116</sup> The Court suggested that a discretionary increase in damages should be reserved only for “the wanton and malicious pirate.”<sup>117</sup> Similarly, the Seventh Circuit ruled, over one hundred years later, that increased damages were for a “conscious and willful infringer.”<sup>118</sup>

Additional rules were later added to the willfulness requirements. The Federal Circuit held in *Underwater Devices Inc. v. Morrison-Knudsen Co.* that “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” which includes “the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.”<sup>119</sup> This created a duty that alleged infringers disclose opinions from their legal counsel to shield them from a willful infringement charge.<sup>120</sup> If alleged infringers failed to disclose an opinion, as parties often do to preserve attorney-client privilege, a negative inference was to be drawn that the duty to obtain competent counsel was not

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111. *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1440 (Fed. Cir. 1998) (citing *Birdsall v. Coolidge*, 93 U.S. 64, 68–69 (1876)).

112. *Coolidge*, 93 U.S. at 69.

113. Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206.

114. § 59, 16 Stat. at 207.

115. Patent Act of 1952, Pub. L. No. 82–593, § 284, 66 Stat. 792, 813 (codified at 35 U.S.C. § 284 (2006)).

116. 57 U.S. (16 How.) 480, 488–89 (1853).

117. *Id.*

118. *Union Carbide Corp. v. Graver Tank & Mfg. Co.*, 282 F.2d 653, 663 (7th Cir. 1960).

119. 717 F.2d 1380, 1389–90 (Fed. Cir. 1983).

120. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03[4][b], at 20-335.

met.<sup>121</sup> The Federal Circuit stated in *Kloster Speedsteel AB v. Crucible, Inc.* that the defendant's "silence 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."<sup>122</sup>

In 2004, the Federal Circuit "significantly changed course."<sup>123</sup> The Federal Circuit, in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, reversed its holding in *Kloster* and held that "[a]n adverse inference that a legal opinion was or would have been unfavorable shall not be drawn from invocation of the attorney-client and/or work product privileges or from failure to consult with counsel."<sup>124</sup> As a result, while an affirmative duty of care still existed from *Underwater Devices*, courts would no longer make a negative inference if a party did not seek opinion of counsel or chose not to disclose the legal opinion.<sup>125</sup> Next, the Federal Circuit set its sights on amending the affirmative duty of care. In *In re Seagate Tech. L.L.C.*, the Federal Circuit overruled *Underwater Devices* and raised the standard for willfulness by holding that willful infringement could only be shown "by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent."<sup>126</sup> *Seagate* established a recklessness standard, which also required "that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer."<sup>127</sup>

### C. Complaints with Willfulness and Treble Damages

There are several problems that the enhanced damages provision and the corresponding willful infringement doctrine raise. This Section examines three of those issues. First, the willful infringement doctrine undermines the disclosure function of the patent system by incentivizing ignorance of preexisting patents. Second, enhanced damages claims unnecessarily cost courts and litigants a fortune. Third, no other nation in the world has a remedy for patent infringement comparable to the enhanced damages provision of the United States, and its existence frustrates the global harmonization of intellectual property laws.

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121. See *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986).

122. *Id.*

123. 7 CHISUM ON PATENTS, *supra* note 15, § 20.03[4][b], at 20-336.

124. 383 F.3d 1337, 1347 (Fed. Cir. 2004).

125. See *id.*

126. 497 F.3d 1360, 1371 (Fed. Cir. 2007).

127. *Id.*

### 1. *Intentional Ignorance: Avoiding Patents and Undermining Disclosure*

The first major issue of the willfulness doctrine is that it undermines the disclosure function of the patent system.<sup>128</sup> Because an element of the current doctrine of willfulness can be satisfied by showing the infringer had knowledge of the patent, “any time an individual or company learns of a patent that might be relevant to its products, the company is in trouble.”<sup>129</sup> As a result, there is a strong incentive for corporations to avoid reading or learning of any patents that may be similar to their products or processes.<sup>130</sup> “[I]n-house patent counsel and many outside lawyers regularly advise their clients not to read patents if there is any way to avoid it.”<sup>131</sup>

Unfortunately, this practice of ignorance does not provide the benefits to the public that the patent system contemplates.<sup>132</sup> The patent system attempts to achieve this goal by requiring that every patent have “a written description of the invention,” describing the “process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art . . . to make and use the” invention.<sup>133</sup> “One of the fundamental justifications for the patent system is the dissemination of ideas that would otherwise remain secret.”<sup>134</sup> Several judicial decisions have noted the importance of the disclosure function, with even the Supreme Court emphasizing that “patent rights are given in exchange for disclosing the invention to the public.”<sup>135</sup> If the public is not looking at the information contained in patents, then the goal of providing information to the public through disclosure is frustrated.

The intentional ignorance of patents is a widespread problem. Burk and Lemley have pointed out that “[v]irtually everyone does it. They do it at all stages of endeavor. Companies and lawyers tell engineers not to read patents in starting their research, lest their knowledge of the patent disadvantage the company by making it a willful infringer.”<sup>136</sup> The National Research Council’s report, “A Patent System for the 21st Century,” recognized that “exposure to claims of willful infringement has led to a practice of deliberately avoiding learning about issued patents, a devel-

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128. Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law’s Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1100 (2003); see also Thomas F. Cotter, *An Economic Analysis of Enhanced Damages and Attorney’s Fees for Willful Patent Infringement*, 14 FED. CIR. B.J. 291, 299–300 (2004); Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore Up the Foundations of Patent Law that the Underwater Line Eroded*, 20 HASTINGS COMM. & ENT. L.J. 721, 737 (1998).

129. Lemley & Tangri, *supra* note 128, at 1100.

130. *Id.*

131. *Id.* at 1100–01.

132. *Id.* at 1101–02; see also *supra* notes 19–22 and accompanying text.

133. 35 U.S.C. § 112(a) (2006).

134. Lemley & Tangri, *supra* note 128, at 1101.

135. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 535 U.S. 722, 736 (2002); see also J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc., 534 U.S. 124, 142 (2001); Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 150–51 (1989); Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 481 (1974); W.L. Gore & Associates, Inc. v. Garlock, Inc., 721 F.2d 1540, 1550 (Fed. Cir. 1983).

136. DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 32 (2009).

opment sharply at odds with the disclosure function of patent law.”<sup>137</sup> In response to the World Intellectual Property Organization’s “Report on Dissemination of Patent Information,” the President of the Computer and Communications Industry Association warned that, “[i]n the United States, in-house patent attorneys have routinely discouraged, if not forbidden, engineers and designers from reading patents because of the risk of enhanced liability when willful infringement is found.”<sup>138</sup> Research reveals that large, well-known companies engage in patent ignorance, including eBay, Intel, and Texas Instruments.<sup>139</sup>

A report assembled by the Federal Trade Commission was based on hearings conducted all over the country about the patent system with numerous leaders in the patent field including attorneys and law professors.<sup>140</sup> Panelists at the hearings “expressed considerable dissatisfaction” that the current system exposes them “to greater potential damages for trying to learn if they are infringing any patents.”<sup>141</sup> In fact, “[t]he current state of the willfulness doctrine drew few defenders” at the hearings.<sup>142</sup> The report also “stressed that treble damages are rarely actually awarded, but panelists nonetheless testified to a disproportionately large *in terrorem* effect.”<sup>143</sup> *In terrorem* predictably means “[b]y way of threat; as a warning” or “in order to frighten.”<sup>144</sup> The report concludes that “fear of willfulness charges works to undermine the patent system’s disclosure goals by discouraging third parties from reading patents . . . [and] willfulness considerations may significantly interfere with gaining the knowledge of others’ patents necessary for planning a noninfringing business or research strategy.”<sup>145</sup>

Further propagating this issue is that the threshold for being put on notice of a preexisting patent is remarkably low. Just learning about the patent and seeing a drawing in the Official Gazette has been found to put an infringer on notice.<sup>146</sup> Receiving a cease and desist letter or an offer to license a patent can also be enough to establish notice.<sup>147</sup> Notice can even be proved by showing an infringer has extensive knowledge of a particu-

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137. NAT’L RESEARCH COUNCIL, A PATENT SYSTEM FOR THE 21ST CENTURY 119 (Stephen A. Merrill et al. eds., 2004) [hereinafter PATENT SYSTEM FOR THE 21ST CENTURY].

138. E-mail from Ed Black, President & CEO, Computer & Communications Industry Association, to Philippe Baechtold, World Intellectual Property Organization (WIPO) (July 16, 2009), available at <http://www.cciainet.org/CCIA/files/ccLibraryFiles/Filename/00000000226/Ltr%20on%20Rpt%20SCP-13-51.pdf>.

139. Brief for Martin Cooper et al. as Amici Curiae Supporting Respondent, *eBay, Inc. v. MercExchange, L.L.C.*, 546 U.S. 388 (2006) (No. 05-130), 2006 WL 639161; Transcript of Record at 1589, *Finisar Corp. v. The DirecTV Group, Inc.*, 424 F. Supp. 2d 896 (E.D. Tex. 2006) (No. 1:05-cv-264), 2006 WL 6581824.

140. See FEDERAL TRADE COMMISSION, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003) [hereinafter FTC REPORT].

141. *Id.* at 29.

142. *Id.*

143. *Id.* at 30.

144. BLACK’S LAW DICTIONARY 896 (9th ed. 2009).

145. FTC REPORT, *supra* note 140, at 30.

146. 3 ROBERT A. WHITE, PATENT LITIGATION: PROCEDURE & TACTICS § 11.07[3] (2011).

147. *Id.*

lar product market, knows of foreign patent proceedings, or is overly concerned about a competitor's product competing with its own product.<sup>148</sup>

## 2. *Willfulness Claims Cost Courts and Litigants a Fortune*

Willfulness claims are unnecessarily costing courts and litigants a fortune because: (1) patent litigation is expensive,<sup>149</sup> (2) willfulness claims constitute a substantial proportion of that expense,<sup>150</sup> (3) willfulness is almost always alleged in patent litigation,<sup>151</sup> and (4) infringement is almost never found to be willful.<sup>152</sup>

### a. Patent Litigation Is Expensive

Patent litigation is very expensive for both the patent owner and the alleged infringer because of direct legal costs.<sup>153</sup> The mean cost through trial for a patent suit with \$1 to \$25 million at stake is \$2.10 million (in 1992 U.S. dollars, so current costs are likely significantly higher).<sup>154</sup> "In extreme cases, legal costs can amount to tens of millions" of dollars.<sup>155</sup> The United States is the most expensive jurisdiction in the world for patent litigation.<sup>156</sup>

The costs of patent litigation do not end with the bill a company gets from its law firm. "Business costs of litigation can be much larger and can take many forms."<sup>157</sup> For example, officers and other employees may be pulled from their normal duties to produce documents, testify in depositions, strategize with lawyers, or appear in court.<sup>158</sup> "Firms in a weak financial position might see their credit costs soar because of the

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148. *Id.*

149. *See infra* Part II.C.2.a.

150. *See infra* Part II.C.2.b.

151. *See infra* Part II.C.2.c.

152. *See infra* Part II.C.2.d.

153. *See* James E. Bessen & Michael J. Meurer, *The Private Costs of Patent Litigation* 16 (Bos. Univ. Sch. of Law Working Paper Series, Law & Econ., Paper No. 07-08), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=983736](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=983736).

154. JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK 132 (2008). The cost for a similar suit through discovery is \$1.20 million. The mean cost through trial for a patent suit with more than \$25 million at stake is \$4.14 million. The cost for a similar suit through discovery is \$2.59 million. Using a different metric, the mean legal costs for a patent owner in an infringement suit that goes to trial is \$1.20 million, and \$1.10 million if summary judgment is granted. Comparatively, the mean legal cost for an alleged infringer in an infringement suit that goes to trial is \$2.85 million, and \$0.66 million if summary judgment is granted. All numbers presented here are in 1992 U.S. dollars, so the current costs are likely much higher.

*Id.*

155. *Id.*

156. Ian Lewis, *Intellectual Property Litigation, Liability Insurance, Issues and Solutions*, in VALUING INTELLECTUAL PROPERTY IN JAPAN, BRITAIN AND THE UNITED STATES 58, 61 (Ruth Taplin ed., 2004).

157. BESSEN & MEURER, *supra* note 154, at 132.

158. *Id.*; *see also* Lewis, *supra* note 156, at 64 ("While the legal costs and damages can, themselves, be very high, the loss to a business is often compounded by the loss of opportunity or income.").



bankruptcy risk possibly created by patent litigation.”<sup>159</sup> Companies may suffer opportunity costs as a result of devoting resources to a lawsuit, rather than devoting them to establishing or expanding in a product market.<sup>160</sup>

Researchers have also used stock market prices to attempt to “reveal” investors’ “implicit evaluation of the cost of litigation when they find out a lawsuit has been filed” and use that data to estimate the cost of litigation to a business.<sup>161</sup> Lerner estimates that together the patentee and defendant lose a mean of \$67.9 million, with a median loss of \$20.0 million.<sup>162</sup> Bessen and Meurer point out “that one persistent result across all of these studies is that patent litigation does *not* simply transfer wealth from the defendant to the patentee. The combined wealth of the two sides to the lawsuit decreases . . . .”<sup>163</sup> As is evident by these values, patent litigation is expensive, regardless of how one measures it.

The high cost of patent litigation has garnered more than just the attention of law professors and economists. More insurance premiums are paid to cover potential legal costs for IP suits in the United States than any other country.<sup>164</sup> Judge T.S. Ellis, III of the U.S. District Court in the Eastern District of Virginia stated that “skyrocketing litigation costs . . . have distorted patent markets and patent economics.”<sup>165</sup> Chief Judge Randall R. Rader of the U.S. Court of Appeals for the Federal Circuit, which handles all patent suits on appeal, recently said that “the greatest weakness of the US court system is its expense.”<sup>166</sup> He went on to say that “[p]atent cases, in particular, produce disproportionately high discovery expenses. In one 2010 report, the Federal Judicial Center determined that ‘Intellectual Property cases had costs almost 62% higher, all else equal . . . .’”<sup>167</sup> Chief Judge Rader did not stop there, adding that “[o]ur courts are in danger already of becoming an intolerably expensive way to protect innovation or prove freedom to operate. These vast expenses can force accused infringers to acquiesce to nonmeritorious claims. This only serves as an unhealthy tax on innovation and open competition.”<sup>168</sup>

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159. BESSEN & MEURER, *supra* note 154, at 132.

160. *Id.* at 133.

161. *Id.*

162. *Id.* at 137. Bessen & Meurer estimated that the mean defendant in a patent infringement suit loses \$28.7 million in total value, while the median defendant loses \$2.9 million in value. *Id.*

163. *Id.*

164. Lewis, *supra* note 156, at 66.

165. T.S. Ellis, III, Judge, U.S. Dist. Court, E. Dist. of Va., Presentation at the 1999 CASRIP Summit Conference: Distortion of Patent Economics by Litigation Costs 22 (1999), available at <http://www.law.washington.edu/casrip/symposium/Number5/pub5atcl3.pdf>.

166. Randall R. Rader, Chief Judge, U.S. Court of Appeals for the Fed. Circuit, Address at E.D. Texas Judicial Conference: The State of Patent Litigation 7 (Sep. 27, 2011), available at <http://www.patentlyo.com/files/raderstateofpatentlit.pdf>.

167. *Id.*

168. *Id.* at 8.

b. Willfulness Claims Contribute to the Expense of Patent Litigation

Claims for increased damages on the basis of willful infringement substantially contribute to the high expense of patent litigation. Claims of willful infringement add another dimension to a trial. A patent infringement claim is a strict liability claim, and therefore does not consider the mental state of the parties, or what the parties knew or should have known.<sup>169</sup> Willfulness under the current law requires an inquiry into what the alleged infringer knew or should have known.<sup>170</sup> Willfulness is therefore a factor that “increase[s] the cost and decrease[s] the predictability of patent infringement litigation . . . .”<sup>171</sup> Even just the possibility of increased damages increases the expected cost of litigation for a party.<sup>172</sup> Willfulness brings in additional issues beyond a strict liability infringement claim that opens up discovery in new ways and “often overshadows the rest of the litigation” because of the high stakes the treble damages provision offers.<sup>173</sup> Courts and parties would be able to “sav[e] substantial amounts of litigation costs over whether infringement was willful” if the requirement was adjusted.<sup>174</sup> Judge Kimberly Moore of the Federal Circuit once noted that “[w]illfulness evidence is among the most prejudicial and damages evidence among the most complex. Eliminating this evidence from the trial would greatly simplify the issues and the trial.”<sup>175</sup> Patent expert Donald Chisum summed up the difficulties arising from willfulness well: the “issue[] do[es] *not* focus on the technical or scientific questions . . . . [It] generate[s] uncertainty, breed[s] costly litigation, and allow[s] patent claimants and accused infringers to abuse the system.”<sup>176</sup>

The standard for willfulness under *Seagate* is an objective recklessness standard, which requires a showing by clear and convincing evidence, and the court must consider the totality of the circumstances.<sup>177</sup> The circumstances to be considered include several factors: (1) whether direct copying was involved, (2) whether the infringer “formed a good-faith belief that it was invalid or that it was not infringed,” (3) the infringer’s behavior in the lawsuit, (4) the infringer’s “size and financial condition,” (5) the “[c]loseness of the case,” (6) the length of time of the infringer’s misconduct, (7) any “remedial action” by the infringer, (8) the infringer’s “motivation for harm,” (9) and finally, whether the infringer

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169. See *supra* notes 27–28 and accompanying text.

170. See *supra* notes 126–27 and accompanying text.

171. PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 117.

172. JOHN W. SCHLICHER, SETTLEMENT OF PATENT LITIGATION AND DISPUTES: IMPROVING DECISIONS AND AGREEMENTS TO SETTLE AND LICENSE 53 (2011).

173. PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 118; see also *supra* notes 27–28 and accompanying text.

174. Donald S. Chisum, *The Harmonization of International Patent Law*, 26 J. MARSHALL L. REV. 437, 447 n.29 (1993) [hereinafter Chisum, *Harmonization*].

175. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 235 (2004).

176. Chisum, *Harmonization*, *supra* note 174, at 447.

177. 3 WHITE, *supra* note 146, at § 11.07[5]–[6].

## No. 5] WILLFUL INFRINGEMENT AND ENHANCED REMEDIES 2017

“attempted to conceal its misconduct.”<sup>178</sup> Most, if not all, of the factors used for the totality of the circumstances test are not involved in a strict liability determination of the infringement of a patent.<sup>179</sup> As a result, when willfulness is alleged, additional issues a court normally would not need to consider expand and prolong a trial.

Of the factors above, one of the most hotly disputed in a willfulness determination is number two: whether there is a “good-faith belief that [the patent] was invalid or that it was not infringed.”<sup>180</sup> This factor contains another multitude of considerations that are wholly unrelated to a strict liability claim of infringement: (1) whether infringer had any knowledge of the patent, (2) whether infringer sought legal advice regarding possible validity and infringement of the patent, (3) whether infringer attempted to develop a noninfringing device, (4) whether infringer willfully adopted the patent design, (5) whether infringer engaged in bad behavior during trial, such as asserting defenses in bad faith, (6) whether infringer started or continued infringing after learning of the patent, (7) “[t]he events and circumstances surrounding the license negotiation and agreement”, (8) “[t]he objective likelihood of success on any contentions of invalidity, unenforceability, or non-infringement”, (9) and “[w]hether there was a bona-fide disagreement regarding patent invalidity or infringement.”<sup>181</sup> Much evidence can be introduced and discovery conducted on willfulness issues and their related factors that are completely irrelevant to a decision on either patent validity or infringement. This greatly increases the costs of trial.

The costs of the willfulness doctrine are evidenced by patent infringement lawsuits, but the costs are also evident in how parties settle patent disputes. Settlements are very important for the patent system and should be encouraged.<sup>182</sup> Because of the high costs of patent litigation, if parties could not settle their disputes out of court, the patent system likely would not function.<sup>183</sup> In addition to costs, settlements are beneficial in other ways. A settlement is usually a more timely resolution of a patent dispute than a lawsuit.<sup>184</sup> Settlements also offer more certainty for the outcome of a lawsuit for the parties than going to court.<sup>185</sup> Finally, settlements offer better results to a patent dispute, in that the parties have more flexibility in remedies than a court, and the parties are experts in the field of the particular patent and may better assess issues of validity and infringement than a jury or a judge.<sup>186</sup>

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178. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992); *see also* 3 WHITE, *supra* note 146, at § 11.06[7].

179. *See supra* notes 27–28 and accompanying text.

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

181. 3 WHITE, *supra* note 146, at § 11.07[6].

182. SCHLICHER, *supra* note 172, at 4.

183. *Id.*

184. *Id.* at 5.

185. *Id.*

186. *Id.* at 5–6.

Due to the importance and advantages of settlement, looking at how costs of willfulness impact settlement agreements is worthwhile. Just the possibility of a claim for increased damages can “dramatically reduce the likelihood of settlement.”<sup>187</sup> Patent litigation expert and former professor John Schlicher explains this phenomenon:

The possibility of increased damages increases the minimum the patent owner will accept to settle and increases the maximum an infringer will pay based on their respective perceptions of the likelihood of an increased award, the damages multiplier, and the likely damages award. An action may not settle even where the parties agree on the probabilities of winning and losing on liability, the amount of damages, and the value of the cost of an injunction. If the parties disagree about the probability that damages will be increased, settlement may not occur. . . . The difference between the parties on the likelihood of increased damages may become a greater obstacle to settlement than the difference between the parties in the absolute amount of damages.<sup>188</sup>

In short, the existence of increased damages as a remedy can frustrate the utility of settlements for patent disputes by making settlements more difficult to reach. Additionally, parties cannot adequately mitigate these risks because enhanced damages for willful infringement are not usually covered by patent infringement liability insurance.<sup>189</sup>

### c. Willfulness Is Almost Always Alleged in Patent Litigation

Another reason willfulness has such a big impact on the costs of patent litigation is that willful infringement is almost always alleged in a patent suit. Judge Kimberly Moore, who now sits on the Federal Circuit, conducted an empirical study of willfulness claims. The study found “that willfulness claims are plaguing patent law.”<sup>190</sup> Her study examined 1721 cases and found willfulness alleged in the originally filed complaint of 92.3% of the cases.<sup>191</sup> The issue may be further propagated by a remarkably low pleading standard for willful infringement.<sup>192</sup> Judge Moore took the time to note that the patentees in these suits usually did not have sufficient factual basis for alleging willful infringement, because discovery had not yet been conducted.<sup>193</sup> The Supreme Court requires “a pleading equivalent to ‘with a knowledge of the patent and of his infringement.’”<sup>194</sup> Despite this already low pleading standard, Judge

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187. *Id.* at 166; *see also* Cotter, *supra* note 128, at 323.

188. SCHLICHER, *supra* note 172, at 53–55.

189. Catherine Rajwani, *Controlling Costs in Patent Litigation*, HARBOR L. GROUP (Harbor Law Grp., Shrewsbury, Mass.), Nov. 2008 at 3, *available at* <http://harborlaw.com/newsletters/november.pdf>.

190. Moore, *supra* note 175, at 232.

191. *Id.*

192. *See id.* at 232–33.

193. *Id.* at 232; *see also* Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. REV. 1421, 1443 (2009).

194. *Sentry Prot. Prods., Inc. v. Eagle Mfg. Co.*, 400 F.3d 910, 918 (Fed. Cir. 2005) (quoting *Dunlap v. Schofield*, 152 U.S. 244, 249 (1894)); *see also* 3 WHITE, *supra* note 146, at § 11.07[18].

Moore's analysis suggests that, in practice, the effective pleading standard is even lower: "Plaintiffs never plead specific facts that give rise to their beliefs regarding the defendant's willfulness. Their willfulness allegation is usually phrased in the prayer for relief as a demand for increased damages or enhanced damages and attorney fees."<sup>195</sup> Of willfulness cases examined by Cotropia and Lemley, only 31.1% of the cases studied had allegations that the defendant was even actually aware of the patent prior to the lawsuit.<sup>196</sup>

Judge Moore is not the only one to note the "plague" of willfulness claims. Cotropia and Lemley's study used a smaller, but more recent, data set in which they found willful infringement alleged in 81.3% of the cases, still an "overwhelming majority."<sup>197</sup> A study by the National Research Council articulated that "willfulness is asserted in most cases."<sup>198</sup> Barry Grossman, a patent attorney, characterized willfulness allegations as "boilerplate" for any infringement action.<sup>199</sup> He also said that if he were to "ask most District Court Judges, they [would] think that willful infringement is one word. I have never heard of an infringer called anything but willful."<sup>200</sup> One U.S. District Court judge, Judge Sue Robinson of the District of Delaware, found that in her District, in 1996, eighty-seven percent of the District's pending patent actions alleged willful infringement.<sup>201</sup> She also lamented that willful infringement played such a large role in trials; it ends up "running the entire case," and likened it to "the tail wagging the dog."<sup>202</sup>

Despite all this evidence of rampant willfulness allegations prior to 2007, many commentators believed the problem would be resolved after the Federal Circuit changed the willfulness requirements in *Seagate* in 2007 and raised the bar for a finding of willfulness.<sup>203</sup> Research, however,

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195. Moore, *supra* note 175, at 232; *see also* PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 118 ("There is no threshold test for having a charge of willfulness considered by the court, so the required level of pre-filing investigation by the plaintiff is relatively modest. Therefore, willfulness is asserted in most cases.").

196. Cotropia & Lemley, *supra* note 193, at 1442.

197. *Id.* at 1441.

198. PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 118.

199. Fourteenth Annual Judicial Conference of the U.S. Court of Appeals for the Fed. Circuit, 170 F.R.D. 534, 615 (1996).

200. *Id.*

201. *Id.*

202. *Id.* at 617.

203. Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 431 (2012) (citing JANICE M. MUELLER, PATENT LAW 511 (3d ed. 2009)) ("The *Seagate* standard significantly raised the bar on willfulness, making it more difficult for a patentee to establish than under the Federal Circuit's previous standard."); Don Daybell & Monte Cooper, *In re Seagate Revises Patent Law on Willfulness*, ORRICK LLP (Aug. 23, 2007), available at <http://www.orrick.com/Events-and-publications/Pages/in-re-seagate-revises-patent-law-on-willfulness-1246.aspx>; SIMPSON THACHER & BARTLETT LLP, *In re Seagate: A New Standard for Willful Patent Infringement* 12 (2007), available at <http://www.stblaw.com/content/publications/pub629.pdf>; *Waiving Under Willfulness*, THE PATENT PROSECUTOR (Aug. 22, 2007), [http://www.patenthawk.com/blog/2007/08/waiving\\_under\\_willfulness\\_1.html](http://www.patenthawk.com/blog/2007/08/waiving_under_willfulness_1.html); *see* Gene Quinn, *Why Open Source Stalls Innovation and Patents Advance It*, IPWATCHDOG (July 5, 2010, 6:23 PM), at <http://www.ipwatchdog.com/2010/07/05/open-source-stalls-innovation/id=11506>; *see also* Gerald J. Mossinghoff & Stephen G.

has shown a contrary conclusion. In a seminal study on willfulness post-*Seagate*, Professor Christopher Seaman found that there was an increase in willfulness decisions after *Seagate*, even if accounting for the relative number of patent suits filed during the pre- and post-*Seagate* periods.<sup>204</sup> In the sample of cases analyzed by Seaman, the number of cases with courts deciding the issue of willfulness surprisingly went up post-*Seagate*.<sup>205</sup> Seaman ultimately concluded that “the difference between willfulness decisions before and after *Seagate* was not statistically significant.”<sup>206</sup> Despite the change in *Seagate* for the standard of willfulness, Seaman points out that “[e]ven if the likelihood of success is relatively low, patentees will still allege and pursue willfulness claims. . . .”<sup>207</sup> Terrance McMahon, who represented *Seagate* in the landmark 2007 case, commented that he has not “seen a change” in the amount of filings of willful infringement post-*Seagate*.<sup>208</sup> McMahon even commented that it is “almost *de rigueur* to file for willful infringement.”<sup>209</sup> *De rigueur* means “strictly or rigorously obligatory.”<sup>210</sup>

#### d. Infringements Are Almost Never Found to Be Willful

The costs of adjudicating willfulness charges are great, and these costs may be justified if willful infringement is a serious problem and allegations of willful infringement are based on sufficient factual evidence. As shown previously, pleadings for willfulness are almost never based on sufficient factual evidence, reducing the likelihood of recovery.<sup>211</sup> Furthermore, infringement suits rarely lead to a finding of willfulness.<sup>212</sup> Patent expert Edward O’Connor has three humorous words for plaintiffs seeking a treble damages award: “forget about it.”<sup>213</sup> O’Connor believes that the “reality” of treble damages “is that they are almost impossible to obtain.”<sup>214</sup>

The data backs up O’Connor’s claims. Referring back to Judge Moore’s study, eight percent of the trials that resolved the willfulness issue actually increased the damages award.<sup>215</sup> Notably, the time period of the study was 1999 to 2000, long before the more stringent standard of

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Kunin, *The Need for Consensus on Patent Reform*, BUREAU OF NAT’L AFFAIRS’ PAT., TRADEMARK & COPYRIGHT J. 29 (Feb. 1, 2008), available at <http://www.oblon.com/sites/default/files/news/389.pdf>.

204. Seaman, *supra* note 203, at 443.

205. *Id.*

206. *Id.* at 471.

207. *Id.* at 443.

208. Eileen McDermott, *How Seagate Has Reshaped Patent Litigation Practices*, MANAGING INTELL. PROP., Feb. 2008, at 44, 47.

209. *Id.*

210. 4 OXFORD ENGLISH DICTIONARY 280 (2d Ed. 1989).

211. See *supra* notes 193–96 and accompanying text.

212. See O’CONNOR, *supra* note 1, at 163.

213. *Id.*

214. *Id.*

215. Moore, *supra* note 175, at 237.

*Seagate* had taken effect in 2007.<sup>216</sup> Furthermore, the cases that resolved willfulness represented only 2.1% of all the cases filed in that time period.<sup>217</sup> Only a small number of cases even decided the issue of willfulness because many suits are dropped or settle; thus, it is likely that the number of cases filed that actually justify a willfulness allegation is even lower than the eight percent figure above. As noted previously, the willfulness doctrine can serve to prevent settlement, so disputes that actually reach trial are more likely to be cases where an allegation of willful infringement is actually disputed by the parties and there is a chance, at least in one party's mind, that there is a possibility for recovery of treble damages.<sup>218</sup> Judge Mary Pat Thyng of the U.S. District Court of Delaware says that defendants "typically refuse to give credence to allegations of willful infringement."<sup>219</sup> So if parties can actually overcome their difference in opinion on the merits of a willfulness claim and settle a suit, it is likely there were not legitimate willful infringement charges.

### 3. *No Other Nation Has Enhanced Damages or Willful Infringement*

A final problem with treble damages and the willfulness standard is that the remedy is not found anywhere else in the world. Though the merits of such a trend are debated, the undeniable trend of intellectual property (IP) law, including patent laws, is toward global harmonization.<sup>220</sup> This has been embodied by international agreements like the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs),<sup>221</sup> as well as trends in lawmaking here in the United States to make our IP laws more like the IP laws around the world.<sup>222</sup> Despite goals of harmonization, an enhanced damages provision is not present in *any* other jurisdiction in the entire world.<sup>223</sup> The willfulness doctrine works against goals of global IP law harmonization.

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216. *Id.* at 230.

217. *Id.* at 234.

218. See *supra* notes 187–89 and accompanying text.

219. Powers & Carlson, *supra* note 20, at 101.

220. INTELLECTUAL PROPERTY RIGHTS, DEVELOPMENT, AND CATCH-UP: AN INTERNATIONAL COMPARATIVE STUDY 1–2 (Hiroyuki Odagiri et al. eds., 2010) [hereinafter INTERNATIONAL STUDY]; see also Lewis, *supra* note 156, at 59 ("There are international moves to harmonise IP laws and procedures.").

221. INTERNATIONAL STUDY, *supra* note 220, at 2.

222. See PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 5, 118, 124 ("Greater integration of or reciprocity among . . . major patent systems would reduce public and private transaction costs, facilitating trade, investment, and innovation. . . . [T]he United States, Europe, Japan, and other countries should continue to harmonize.").

223. See *id.* at 4 ("A second U.S. idiosyncrasy is the legal doctrine of willful infringement . . ."); Larry Cury, *C'est What? Saisie! A Comparison of Patent Infringement Remedies Among the G7 Economic Nations*, 13 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1101, 1118 (2003) ("The United States stands alone in awarding punitive damages for patent infringement based on the perceived willfulness of the defendant's conduct."); Paul M. Janicke, *Do We Really Need So Many Mental and Emotional States in United States Patent Law?*, 8 TEX. INTELL. PROP. L.J. 279, 287, 289 (2000) ("Looking at the patent law systems of our sample countries, i.e., Germany, Japan, Nigeria, Great Britain, and Chile, none of them provides for damages to be enhanced for any reason. . . . The U.S. thus stands alone in the analysis group as having a punitive damages option in patent cases, and for exercising that option

### III. ANALYSIS

Drawing from the recommendations of numerous commentators, the models of other nations, and available empirical data, this Part examines the options for modifying or eliminating the enhanced damages provision and the corresponding willful infringement doctrine. Section A discusses various ways that the current law could be modified, and touches on whether the law needs to be modified at all given recent adjustments to the willful infringement standard. Section B explores the possibility of eliminating the enhanced damages remedy completely, and whether doing so would adequately deter willful infringers.

#### A. *Modify Enhanced Damages and the Willfulness Standard?*

##### 1. *Does the Doctrine Really Need to be Modified After Seagate?*

Numerous commentators and experts have recommended adjusting the standard for enhanced damages and willfulness.<sup>224</sup> Many of these proposals were made prior to the Federal Circuit's decision in *Seagate*.<sup>225</sup> Because the decision heightened the standard for a finding of willful infringement,<sup>226</sup> several commentators now believe that the problems with enhanced damages and willful infringement have been solved.<sup>227</sup> Judge Newman's concurrence in *Seagate* itself recognized that the Federal Circuit hoped its decision would "reduce the opportunities for abusive gamesmanship . . . ."<sup>228</sup>

Despite assertions that *Seagate* relieved issues inherent to willful infringement, Professor Seaman's aforementioned study has suggested that the issues have not gone away.<sup>229</sup> Professor Seaman even explicitly stated that his "study calls into question some of the conventional wisdom regarding *Seagate*'s impact on willful patent infringement."<sup>230</sup> Specifically, he explains:

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based on the perceived reprehensibility of the defendant's conduct for not showing proper respect for the patentee's rights.").

224. See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1384 (Fed. Cir. 2007) (Gajarsa, J., concurring); BESSEN & MEURER, *supra* note 154, at 251; FTC REPORT, *supra* note 140, at ch. 5, 31; PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 119–20; Cotter, *supra* note 128, at 326–31; John F. Lynch, *Risky Business: Coping with A Charge of Willful Infringement*, 4 SEDONA CONF. J. 31, 45–46 (2003); Moore, *supra* note 175, at 240; Mueller, *supra* note 84, at 228; Powers & Carlson, *supra* note 20, at 106–112; Taylor & Von Tersch, *supra* note 128, at 741–48; Scott Bloebaum, Note, *Past the Tipping Point: Reforming the Role of Willfulness in the Federal Circuit's Doctrine of Enhanced Damages for Patent Infringement*, 9 N.C. J.L. & TECH. 139, 163–68 (2007).

225. See 497 F.3d 1360.

226. See *supra* notes 126–27 and accompanying text.

227. See, e.g., Brian Ferguson, *Seagate Equals Sea Change: The Federal Circuit Establishes A New Test for Proving Willful Infringement and Preserves the Sanctity of the Attorney-Client Privilege*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 167, 173 (2007); see also *supra* note 203 and accompanying text.

228. 497 F.3d at 1385 (Newman, J., concurring).

229. See *supra* notes 204–10 and accompanying text.

230. Seaman, *supra* note 203, at 471.



one would expect to see significantly *fewer* willfulness decisions in litigation after *Seagate*, as patentees would not pursue claims that might have succeeded under the old . . . standard but were no longer viable after *Seagate*. In fact, however, the dataset reveals the exact opposite—there was an *increase* in the number of willfulness decisions after *Seagate*.<sup>231</sup>

Seaman’s study reinforces that problems with willful infringement and enhanced damages still exist and that solutions to these problems should continue to be sought.

## 2. *Give Willfulness Determination Solely to Judges and Bifurcate the Trial*

One possible way to mitigate the issues posed by willful infringement and enhanced damages is to give the willfulness determination solely to judges.<sup>232</sup> In trials involving a claim of willful patent infringement, juries are able to weigh all relevant evidence on the issue.<sup>233</sup> If a patent is found to be infringed, then the jury makes a simple yes/no verdict on willfulness.<sup>234</sup> The judge then determines the actual award for willful infringement, and is free to apply any multiplier to the actual damages found by the jury.<sup>235</sup> The judge may even choose to not exercise discretion to increase damages despite a finding of willfulness by a jury.<sup>236</sup> If the jury finds no willfulness, the judge generally does not award enhanced damages, but may still do so by overturning the jury’s ruling on a motion for judgment as a matter of law.<sup>237</sup> Because of the “limited consequences” of the jury’s determination on willfulness, one suggestion to modify willfulness is to simply let judges determine willfulness and never allow the jury to decide the issue.<sup>238</sup>

It is unclear whether an alleged infringer has a constitutional right to a trial by jury on the issue of enhanced damages.<sup>239</sup> The Federal Circuit has faced the issue but resolved the issue on other grounds.<sup>240</sup> Before the creation of the Federal Circuit, the Fifth Circuit found that there was no right to a trial by jury on the question of enhanced damages.<sup>241</sup> Furthermore, allowing the jury to decide the issue seems to limit the statuto-

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231. *Id.* at 443.

232. Powers & Carlson, *supra* note 20, at 111; *see also* Mueller, *supra* note 84, at 227–28. The Federal Circuit has started to take steps in this direction. A recent decision made the First Prong of willfulness under *Seagate*, the objective determination of recklessness, to be a question of law decided only by the judge. *Bard Peripheral Vascular, Inc. v. Gore & Assocs., Inc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012).

233. *See* Powers & Carlson, *supra* note 20, at 109.

234. *Id.*

235. *Id.*

236. *Id.* at 109–10.

237. *Id.* at 110.

238. *Id.* at 109, 111.

239. *Id.* at 110.

240. *Transmatic, Inc. v. Gulston Indus., Inc.*, 53 F.3d 1270, 1279 (Fed. Cir. 1995).

241. *Swofford v. B & W, Inc.*, 336 F.2d 406, 412 (5th Cir. 1964).

ry authority given to the court to determine enhanced damages.<sup>242</sup> As a result, it does not seem that removing the question of willfulness from the jury would violate any constitutional right to a trial by jury of parties seeking to enforce their patents.

There are significant benefits that can be derived from reserving the willfulness determination for judges. The first major benefit is that this modification would help decrease the costs attributable to willfulness claims in litigation.<sup>243</sup> If the jury no longer decided willfulness, there is no longer a need to present evidence related to willfulness to the jury, so issues at trial can be restricted to infringement and actual damages.<sup>244</sup> This could also reduce prejudice, because willfulness evidence has the potential to confuse other issues and discredit an alleged infringer.<sup>245</sup> Even more benefits can be derived from this approach if willfulness is decided by the judge after the trial, and the issue may even be decided after liability for infringement is conclusively determined on appeal.<sup>246</sup> This would allow courts to stay discovery on willfulness until an appeal on liability for infringement has been decided.<sup>247</sup> As a result, many trials would never reach the issue of willfulness because many patent infringement suits result in a finding of no infringement or patent invalidity.<sup>248</sup> This method may also give parties additional incentive to settle before courts reach the determination on willfulness, because parties will know the outcome of the infringement action before willfulness is even addressed.<sup>249</sup> This could result in even fewer willfulness decisions, saving more money for parties and courts.<sup>250</sup> This method of bifurcating the infringement and willfulness portions of the trial could thus have a significant positive impact for two reasons. First, willfulness will no longer have to be decided in many patent infringement actions.<sup>251</sup> Second, a jury does not need to be recalled for the second portion of the trial because the issue could be decided solely by the judge.<sup>252</sup>

Difficulties with this modification of willfulness remain. Even though costs of willfulness allegations would decrease, the costs would not completely disappear because plaintiffs may still allege and procure a decision on the willfulness issue. Additionally, it is unclear how this adjustment would impact the intentional ignorance of patents.<sup>253</sup> Some parties may reason that a willfulness claim no longer allows abusive discov-

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242. Powers & Carlson, *supra* note 20, at 111.

243. *Id.*; see also *supra* Part II.C.2.

244. Powers & Carlson, *supra* note 20, at 111.

245. *Id.*; see also *supra* notes 175–76 and accompanying text.

246. Powers & Carlson, *supra* note 20, at 111; see also PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 120 (discussing the possibility of limiting “inquiry into willful infringement to cases in which the defendant’s infringement has already been established”).

247. Powers & Carlson, *supra* note 20, at 111.

248. See *id.*

249. *Id.*

250. *Id.*

251. *Id.*

252. *Id.* at 112.

253. See *supra* Part II.C.1.

ery practices and the potential to prejudice a jury, and therefore may not fear allegations of willfulness. This change would not completely do away with willfulness, so parties may still fear willfulness charges and thus frustrate the policy goals of disclosure for the patent system.<sup>254</sup> Finally, keeping willfulness and enhanced damages as a matter solely for the judge continues to frustrate goals of global intellectual property law harmonization.<sup>255</sup> Because no other jurisdiction has willful infringement or enhanced damages provisions, the United States would continue to be the lone provider of such a remedy.<sup>256</sup>

### 3. *Require Actual Notice From the Patent Owner to Alleged Infringer*

A second proposal for modifying willfulness requires alleged infringers to have actual notice from the patent owner that a particular patent may be infringed before an alleged infringer can be subject to a willfulness claim.<sup>257</sup> A version of this proposal was even adopted in the House of Representatives in 2007.<sup>258</sup> The bill stated, in relevant part:

A court may find that an infringer has willfully infringed a patent only if the patent owner presents clear and convincing evidence that . . . after receiving written notice from the patentee . . . alleging acts of infringement . . . the infringer, after a reasonable opportunity to investigate, thereafter performed one or more of the alleged acts of infringement . . .<sup>259</sup>

As the bill indicates, the proposal would insulate infringers from willful infringement liability unless those defendants have actual notice from the patentee.<sup>260</sup>

This change could have certain advantages over the current system. First, it may decrease the costs of patent litigation and the prejudice of a willfulness claim by incentivizing more parties not to make the claim of willful infringement.<sup>261</sup> Second, the change would likely restore the disclosure function of patents, allowing patent owners to search and read patents without fear that they are unintentionally putting themselves on notice for patent infringement.<sup>262</sup>

Certain elements of this proposal make it problematic. Most notably, the proposed statute requires that an infringer have a “reasonable opportunity to investigate” before being liable for a willful infringement

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254. *See supra* notes 143–45 and accompanying text.

255. *See supra* Part II.C.3.

256. *Id.*

257. FTC REPORT, *supra* note 140, ch. 5, at 31; Taylor & Von Tersch, *supra* note 128, at 741; Bloebaum, *supra* note 224, at 163–64.

258. Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); *see also* Bloebaum, *supra* note 224, at 140.

259. H.R. 1908 § 5(c)(2)(A).

260. *See id.*

261. Taylor & Von Tersch, *supra* note 128, at 743.

262. *Id.* at 742.

claim.<sup>263</sup> Courts may very well struggle to create rules as to what a “reasonable opportunity to investigate” really is. The proposed statute mandates that there would be three ways an alleged infringer can show a “good faith belief that the patent [is] invalid or unenforceable” after receiving actual notice of infringement from a patent owner: “(i) reasonable reliance on advice of counsel; (ii) evidence that the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or (iii) other evidence a court may find sufficient to establish such good faith belief.”<sup>264</sup> Options two and three do not give much specific guidance on how an alleged infringer can actually show they have a good faith belief the patent was invalid or unenforceable. How might a court interpret options two and three and what would a “reasonable opportunity to investigate” be for a major corporation, an independent inventor, or a university professor? The most certain way alleged infringers could escape willfulness liability is by relying on the advice of counsel, option one in the statute. If alleged infringers pursued this route, problems of our patent law past would likely resurface.

Our patent laws on willful infringement have felt the ill effects in the past of the affirmative duty of care requiring opinion letters, and requiring a negative inference if a party does not procure or choose to disclose an opinion on patent validity and infringement.<sup>265</sup> This was a huge problem because it forced potential infringers to procure incredibly expensive opinions.<sup>266</sup> Opinion letters typically cost \$20,000 to \$100,000,<sup>267</sup> yet have very unpredictable reliability.<sup>268</sup> Bessen and Meurer recount the story of Francis T. Carr, a leading patent expert who advised Kodak on patent clearance for a new product.<sup>269</sup> He reviewed patents for “seven years before a commercial product was introduced,” and spent three years reviewing fifty embodiments of the actual process Kodak was developing to make sure it would not infringe existing patents.<sup>270</sup> Carr wrote sixty-seven opinions, and, despite all this work, Kodak was eventually found to infringe twenty claims in seven different patents.<sup>271</sup> The court concluded that even though Carr did everything he was supposed to do in analyzing the patents, his “advice simply turned out to be wrong.”<sup>272</sup>

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263. H.R. 1908 § 5(c)(2)(A).

264. *Id.* at § 5(c)(3)(B).

265. *See supra* notes 119–22 and accompanying text.

266. BESSEN & MEURER, *supra* note 154, at 55.

267. *Id.*

268. *Id.* at 51, 55.

269. *Id.* at 50–51.

270. *Id.* at 50.

271. *Id.*

272. *Polaroid Corp. v. Eastman Kodak Co.*, No. 76-1634-MA, 1990 WL 324105, at \*77 (D. Mass. Oct. 12, 1990).

## No. 5] WILLFUL INFRINGEMENT AND ENHANCED REMEDIES 2027

Bessen and Meurer ultimately conclude that it is difficult to “unambiguously determine the scope and validity of a set of patents.”<sup>273</sup> Litigated patents are found to be invalid somewhere between twenty-nine percent and thirty-six percent of the time.<sup>274</sup> Even when a district court judge makes a ruling on the boundaries of a patent, the Federal Circuit reverses the judgment 34.5% of the time, and this number has been rising.<sup>275</sup> As a result, “innovators cannot quickly and easily obtain a reliable judgment on whether prospective technology infringes on others’ patents.”<sup>276</sup>

Because it is so unreliable and expensive to “investigate” patents, it is a very poor idea to impose such a requirement on any party that receives a notice letter of alleged infringement. To be forced by this actual notice proposal to spend great sums of money for an opinion that may or may not be accurate seems to be a lot of trouble just to avoid a charge of willful infringement. While the proposal may reduce costs of patent litigants,<sup>277</sup> it would likely be balanced by increased costs associated with “investigating” patents.<sup>278</sup>

Other problems with the actual notice exist. First, the proposal could produce spurious or excessive notice letters from patentees.<sup>279</sup> This outcome would compound the problems of cost and inaccuracy of patent validity and infringement opinions. Secondly, it would counter balance the advantage this proposal has in reducing the number of willful infringement claims in litigation. If patent owners sent out numerous unmerited notice letters, the proposal would render no real change to who could and could not bring a willful infringement claim.

Finally, the actual notice proposal fails to help the U.S. patent laws achieve harmony with the rest of the world. In fact this provision would codify willfulness, instead of the current system where willful patent infringement is merely a judicial doctrine.<sup>280</sup> Codifying willfulness would actually make U.S. patent laws less like other patent law regimes throughout the world.<sup>281</sup>

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273. BESSEN & MEURER, *supra* note 154, at 51.

274. Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 392 (2000).

275. Kimberly A. Moore, Markman *Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 239, 246 (2005).

276. BESSEN & MEURER, *supra* note 154, at 56.

277. *See supra* note 261 and accompanying text.

278. *See supra* notes 266–76 and accompanying text.

279. *See* FTC REPORT, *supra* note 140, ch. 5, at 31.

280. *See supra* Part II.A.3; *supra* notes 257–60 and accompanying text.

281. *See supra* Part II.C.3.

#### 4. *Require Actual Copying of a Patented Invention*

A complementary proposal of actual notice is to require actual copying of a patented invention for an infringer to be subject to enhanced damages for willful infringement.<sup>282</sup> This proposal has generally been made in tandem with the proposal for requiring actual notice, so that an alleged infringer would be subject to willful infringement if they are provided with actual notice or actually copy a patented invention.<sup>283</sup> The House of Representatives made the proposal of actual copying part of the bill passed in 2007: “A court may find that an infringer has willfully infringed a patent only if the patent owner presents clear and convincing evidence that . . . the infringer intentionally copied the patented invention with knowledge that it was patented . . . .”<sup>284</sup> This provision focuses on copyists that are knowingly copying patented inventions.

There are many benefits to requiring actual copying as a predicate for a claim of willful infringement. First, the patent laws’ disclosure function would be somewhat restored.<sup>285</sup> Because requiring actual copying is a higher standard than willfulness under the current patent laws, it would likely decrease willfulness claims and encourage more patent owners to read and research patents.<sup>286</sup> Second, since it could decrease the number of willfulness claims, it would also help save judicial and private party resources.<sup>287</sup>

Drawbacks persist with the copying standard for willfulness. Since the copying standard is most often combined with the actual notice proposal, all of the problems with actual notice would be present.<sup>288</sup> Next, the copying standard would not have much of an impact because very few cases actually reach a decision that find copying of a patented product.<sup>289</sup> A study by Cotropia and Lemley found that only 1.76% of patent infringement suits result in a finding of copying.<sup>290</sup> Although there may be more copying than is represented in trials, particular instances of copying may not reach trial because infringement is more likely and infringing parties will have incentive to settle.<sup>291</sup> If situations like that are being resolved outside of the court, adjusting the law to reflect what private parties are already doing fixes none of the current problems with willful infringement. Combining the problems of the actual notice proposal and the likely lack of impact of adding the copying provision to willfulness

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282. FTC REPORT, *supra* note 140, ch. 5, at 31; Mark A. Lemley, *Should Patent Infringement Require Proof of Copying?*, 105 MICH. L. REV. 1525, 1533 (2007); Taylor & Von Tersch, *supra* note 128, at 741; Bloebaum, *supra* note 224, at 163–64.

283. Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 5(c)(2) (2007).

284. *Id.*

285. Taylor & Von Tersch, *supra* note 128, at 742.

286. *Id.*

287. *Id.* at 743.

288. *See supra* Part III.A.3.

289. Cotropia & Lemley, *supra* note 193, at 1451.

290. *Id.*

291. *Id.* at 1457.

means the copying proposal likely has a net negative impact. Lastly, this provision, like the actual notice provision, assists in codifying willfulness, which works contrary to global intellectual property law harmonization.<sup>292</sup>

### B. *Eliminate Enhanced Damages and the Willfulness Standard?*

Another suggestion to solve the problems enhanced damages and willfulness create is to abandon the doctrine altogether.<sup>293</sup> This proposal has many advantages to solve the problems posed by willfulness,<sup>294</sup> but it would also frustrate the willfulness doctrine's deterrence purpose, and that drawback cannot be taken lightly.<sup>295</sup>

#### 1. *How Will Abolishing Enhanced Damages and Willfulness Help?*

##### a. *History Suggests Abandoning Enhanced Damages and Willfulness*

The first reason the willfulness doctrine should be abandoned is that, by examining the history of the enhanced damages and willful infringement doctrines, one notices a dubious history and questionable present utility of the enhanced damages provision.<sup>296</sup>

The first issue with the enhanced damages provision is that it was unconstitutional as passed in its original embodiment. The first enhanced damages provision for patent infringement appeared in 1793.<sup>297</sup> It provided that any infringer “shall forfeit and pay to the patentee, a sum, that shall be at least equal to three times the price, for which the patentee has usually sold or licensed to other persons, the use of the said invention.”<sup>298</sup> This provision set the *minimum* damages at three times the price that the patent owner sold his product for.<sup>299</sup> The provision provided exactly how damages were to be calculated and intentionally circumvented the jury from being involved in any patent infringement damages calculation.<sup>300</sup>

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292. See *supra* Part II.C.3.

293. PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 7 (“The committee believes that significantly modifying or eliminating [the willfulness doctrine] would increase the predictability of patent dispute outcomes without substantially affecting the principles that these aspects of the enforcement system were meant to promote.”); FTC REPORT, *supra* note 140, ch. 5, at 30 (“In light of the many concerns it raises, some of the panelists called for abolishing the willfulness doctrine.”); Cotter, *supra* note 128, at 327 (“One possible way to implement the preceding insights would be to abandon the willfulness inquiry altogether . . . .”); Lemley & Tangri, *supra* note 128, at 1109 (“The simplest way to solve the problems . . . would be to abolish the doctrine of willfulness altogether.”).

294. See *infra* Part III.B.1.

295. See *infra* Part III.B.2.

296. See generally *supra* Part II.B. (noting a dubious history and questionable present utility of the enhanced damages provision).

297. See *supra* notes 78–82 and accompanying text.

298. Patent Act of 1793, ch. 11, § 5, 1 Stat. 318, 322.

299. *Id.*

300. See *id.*

This first enhanced damages provision was heavily influenced by the steamboat lobbyist Joseph Barnes, who openly wrote about his distrust of juries to adequately calculate and award just damages for patent infringement suits.<sup>301</sup> Barnes apparently believed that juries, particularly uneducated jury members from rural areas, were not capable of rationally upholding patent laws and calculating actual damages in a patent suit.<sup>302</sup> Barnes went so far as to say such a jury would shirk its duties and “would bring in a verdict of *one dime* damages in favor of the patentee, as an *indication* for him, *not* to visit them again.”<sup>303</sup>

This distrust of juries runs contrary to the explicit instructions of the Seventh Amendment of the U.S. Constitution, which ensures that “[i]n Suits at common law . . . the right of trial by jury shall be preserved.”<sup>304</sup> Although the constitutionality of the mandatory damages calculation under the 1793 Act was never challenged, the Supreme Court recognized in 1876, after the mandatory minimum provision had been changed, that juries were *required* to find actual damages in a patent infringement suit.<sup>305</sup> Because today’s enhanced damages and willful infringement doctrines are not mandatory and do not supplant actual damages calculations, the provisions are constitutional. Despite that, the necessity of the current doctrine should be questioned because it had its origins in an unconstitutional system.

The second reason history suggests we should abandon the enhanced damages and willful infringement doctrine is that a private party lobbyist was the primary influence for the doctrine when it was first introduced.<sup>306</sup> Joseph Barnes wrote a pamphlet a short time before the Patent Act of 1793 was passed.<sup>307</sup> The pamphlet contained a recommendation for how patent infringement damages should be calculated.<sup>308</sup> Barnes’ recommendation for damages was identical to the provision passed by Congress in the Patent Act of 1793.<sup>309</sup> Barnes had also actually petitioned Congress to change the current patent laws.<sup>310</sup> Barnes is thus attributed with being the influence and source of the original enhanced damages provision, which required that a prevailing patent owner receive a minimum of three times the price for which the patent owner sold the patented item.<sup>311</sup>

While it is surely acceptable for individuals to impact legislative process just as Barnes did here, the circumstances surrounding this instance are sinister. Barnes was the brother-in-law, patent agent, and

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301. See *supra* notes 83–98 and accompanying text.

302. BARNES, *supra* note 85, at 27.

303. *Id.*

304. U.S. CONST. amend. VII.

305. *Birdsall v. Coolidge*, 93 U.S. 64, 70 (1876).

306. See *supra* Part II.B.2.

307. See *supra* note 85 and accompanying text.

308. See *supra* note 98 and accompanying text.

309. See *supra* notes 98, 297–300 and accompanying text.

310. See *supra* note 97 and accompanying text.

311. See *supra* note 299 and accompanying text.



partner of prominent inventor James Rumsey, who was working on technology that would help bring about the first steamboat.<sup>312</sup> Rumsey had been in a heated battle for the rights to his technologies for some time before the Patent Act of 1793, and Barnes was looking to change their fortunes by making it easier to protect Rumsey's inventions in the future.<sup>313</sup> Barnes was likely looking out for the best interests of his client and relative while recommending a new damages provision. As a result, the patent owner's interests are certainly served by Barnes recommendation, but any potential infringer's interests may have been underrepresented in Congress when this new law passed. Furthermore, Barnes clearly had clout in the political sphere. Rumsey was a personal favorite of George Washington, and Thomas Jefferson was friends with Rumsey and looked after Barnes several occasions.<sup>314</sup> Since our present day enhanced damages and willful infringement remedy is a direct descendant of the recommendations of a clearly biased private lobbyist, the current remedy should be looked at with a healthy amount of skepticism.

The final reason history suggests abandoning the enhanced damages and willful infringement standard is that conditions in patent law have changed dramatically from the time the remedy was initially instituted to the present day. In 1790 when the United States' first patent laws were passed, the Patent Act of 1790 designed the system to have three patent examiners.<sup>315</sup> At the end of the U.S. Patent and Trademark Office's 2011 fiscal year, there were 6780 patent examiners.<sup>316</sup> Most would agree that the landscape and importance of our nation's patent laws has changed dramatically since 1790. Technology has also seen huge changes over that time period. What was a relevant and efficient patent system in 1790 is not automatically a relevant and efficient patent system today.

More importantly, the scope of patent remedies has changed over that time period as well.<sup>317</sup> The original enhanced damages provision introduced in 1793 was fairly simple. A patent owner could recover any infringing goods, and whatever the patent owner sold the goods for was at minimum tripled to calculate the damages for infringement in an action at law.<sup>318</sup> The Patent Act of 1800 changed the damage award to a sum equal to three times the actual damage suffered by the patent owner.<sup>319</sup> The Patent Act of 1836 further changed the damage calculation to give courts discretion to increase actual damages up to three times the actual damages found "according to the circumstances of the case."<sup>320</sup> At

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312. See *supra* notes 86–87 and accompanying text.

313. See *supra* notes 90–91 and accompanying text.

314. See *supra* notes 88–89 and accompanying text.

315. See *supra* notes 66–67 and accompanying text.

316. UNITED STATES PATENT AND TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT FISCAL YEAR 2011, at 10 (2011).

317. See *supra* Parts II.A–B.

318. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1377 (Fed. Cir. 2007) (Gajarsa, J., concurring).

319. *Id.*

320. Patent Act of 1836, Ch. 357, sec. 14, 5 Stat. 117, 123 (July 4, 1836).

this time courts could also now grant injunctions, which were previously only available in actions at equity.<sup>321</sup>

The last big change to patent damages occurred with the Patent Act of 1952, which changed significantly the way actual damages were to be calculated. According to the legislative history, the purpose of the adjustment to the way damages are calculated was “to make the basis of recovery in patent-infringement suits general damages, that is, any damages the complainant can prove, not less than a reasonable royalty . . . rather than profits and damages.”<sup>322</sup> This was done to remove accounting of a patent owner’s profits as a way to calculate damages.<sup>323</sup> Accounting of profits was referred to as a “great evil” in the Congressional hearings.<sup>324</sup> The reason an accounting was limited in the new laws was because products using patents were becoming more complex, and it was becoming more and more difficult for courts to determine what percentage of a company’s profits were actually due to the patent at issue.<sup>325</sup> In other words, as technology has advanced, patent infringement remedies have had to adjust to accommodate these advances. The current ways to calculate actual damages under the current regime are limited to a reasonable royalty and any lost profits that can be proved (which is a distinct calculation from an accounting of the patent owner’s profits).<sup>326</sup> The 1952 Act effectively got rid of the accounting portion of the original enhanced damages provision in the 1793 Act.<sup>327</sup> For some reason, however, the enhanced damages provision was left in as an available patent remedy, despite there now being several other ways for patent owners to be compensated. While the enhanced damages may have been useful in 1793 when it was the only remedy, the availability of injunctions, recovery of attorney’s fees, recovery of a reasonable royalty, and recovery of lost profits diminish the necessity of an enhanced damages provision.<sup>328</sup>

b. Abandoning Willfulness Removes Intentional Ignorance and Restores the Function of Patent Disclosure

The second reason enhanced damages and willful infringement should be abandoned is that the function of patent disclosure can be restored by encouraging innovators to look at the prior art and do patent searches.<sup>329</sup> Because direct patent infringement is a strict liability offense, issues of what a defendant knew or objectively should have known would

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321. Sec. 17, 5 Stat. at 124.

322. Vincent P. Tassinari, *Compiled Legislative History of 35 U.S.C. § 284: The Patent Compensation Statute*, 31 UWLA L. REV. 45, 80 (2000).

323. *See id.* at 68.

324. *Id.*

325. *Id.*

326. *See supra* Part II.A.3.

327. *See supra* notes 322–25 and accompanying text.

328. *See supra* Part II.A.

329. Lemley & Tangri, *supra* note 128, at 1109; *see also supra* Part II.C.1.

## No. 5] WILLFUL INFRINGEMENT AND ENHANCED REMEDIES 2033

no longer be at issue.<sup>330</sup> Innovators and their employees would thus be free to search patents to accomplish many purposes. They would be free to educate themselves on recent inventions to learn more about a certain technology. Clearance searches to see if their own inventions would infringe others' patents would no longer be dangerous. Patent applicants could freely search for patents to see if their own inventions may be precluded from patent protection. All of these things could be done without fear that the action would be equivalent to being put on notice of a patent for purposes of willful infringement and enhanced damages.<sup>331</sup>

c. No Willfulness Preserves Judicial and Private Resources

Another positive of getting rid of enhanced damages and willful infringement getting is that it would preserve a huge amount of judicial and private party resources.<sup>332</sup>

Judicial resources would be preserved because patent trials would be greatly simplified. This Note has already shown that willful infringement allegations greatly complicate a patent infringement suit.<sup>333</sup> It introduces more issues into trial that are much different than the infringement issue already being tried.<sup>334</sup> If courts no longer have to worry about willfulness, the trial will be shorter and easier to manage, saving courts valuable time and money. In addition to direct costs involved in patent litigation, removing the willfulness doctrine may help the judicial branch preserve resources by encouraging parties to settle out of court and not litigate patents. Parties settling their disputes outside of the courtroom is generally positive.<sup>335</sup> This Note has previously demonstrated that willful infringement claims serve to prevent settlements because a difference in opinions of parties on their chances of winning enhanced damages is exacerbated by the fact that enhanced damages can be up to triple the amount of actual damages.<sup>336</sup> Without a willful infringement doctrine, it is more likely that some parties will reach an agreement before going to trial, which would preserve judicial resources.

Encouraging parties to settle by getting rid of willful infringement and enhanced damages would also save the parties a considerable amount of resources. Patent litigation is very expensive and avoiding it is a worthwhile goal.<sup>337</sup> This is particularly important because, as Bessen and Meurer have pointed out, "patent litigation does *not* simply transfer wealth from the defendant to the patentee. The combined wealth of the two sides to the lawsuit decreases."<sup>338</sup> Furthermore, when a patent owner

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330. See *supra* notes 27–28 and accompanying text.

331. See *supra* Part II.C.1.

332. See *supra* Part II.C.2.

333. See *supra* notes 169–81 and accompanying text.

334. See *supra* notes 178–81 and accompanying text.

335. See *supra* notes 182–86 and accompanying text.

336. See *supra* notes 187–89 and accompanying text.

337. See *supra* Part II.C.2.a.

338. BESSEN & MEURER, *supra* note 154, at 137.

prevails in litigation, “losses to the defendant do not necessarily reappear as patent profits realized by plaintiff firms.”<sup>339</sup> As a result, no matter who wins in a patent suit, the aggregate social wealth is decreased, so any time parties can settle their disputes out of the courtroom private parties are preserving resources that can be put to better use than in a costly patent litigation.

Discovery costs, which are a huge part of trial expenses and patent litigation expenses in particular, could also be reduced by allowing courts to prevent parties from conducting discovery on any issue related to willful infringement.<sup>340</sup> Interestingly, Lemley and Tangri have even suggested that getting rid of enhanced damages may discourage entities from litigating patents that the entities are not actually using.<sup>341</sup> These entities, often called “patent trolls,” would want to litigate less often because enhanced damages would not be available, and lost profits are not an option for an entity that is not profiting off of a patent because of their non-exploitation of said patent.<sup>342</sup> This would result in a net social benefit, what Lemley and Tangri entitle “efficient infringement.”<sup>343</sup> The net social benefit is that the most efficient party at exploiting the invention is doing so, without that party having to face huge litigation costs as a result of impending litigation and treble damages.

The scope of these potential judicial and private party savings is large. As this Note has previously demonstrated, willful infringement is almost always alleged in patent infringement suits.<sup>344</sup> Furthermore, willful infringement is almost never found in patent infringement suits.<sup>345</sup> Because of this data, the potential savings of abandoning the enhanced damages and willful infringement doctrines are significant.

d. No Enhanced Damages Remedy Harmonizes the United States  
With the Rest of the World

The final positive reason to get rid of enhanced damages and willful infringement is that it will help the United States harmonize its patent laws with the rest of the world.<sup>346</sup> Even if other positive justifications did not exist, harmonization is valuable just for harmonization’s sake.<sup>347</sup> Harmonizing patent laws has the potential to remove barriers to trade caused by differences in patent systems.<sup>348</sup> Under this rationale, it would be beneficial to remove enhanced damages and willful infringement even

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339. *Id.* at 138.

340. *See supra* notes 178–82 and accompanying text.

341. Lemley & Tangri, *supra* note 128, at 1112–13.

342. *Id.*

343. *Id.* at 1113.

344. *See supra* Part II.C.2.c.

345. *See supra* Part II.C.2.d.

346. *See supra* Part II.C.3.

347. Chisum, *Harmonization*, *supra* note 174, at 444.

348. *Id.*

if there was nothing else wrong with the doctrine.<sup>349</sup> Many countries, including the United States, have worked toward synthesizing global patent laws.<sup>350</sup> No other nation in the world has an enhanced damages remedy or a willful infringement doctrine.<sup>351</sup> In fact, the enhanced damages provision is punitive in nature, and the United States is the only nation in the world with a punitive damages option for patent infringement.<sup>352</sup> One may question why exactly the United States perceives a need for punitive damages in patent law while no other nation in the world perceives that need. By eliminating these nuances of U.S. patent law, the goals of worldwide patent law harmonization are furthered.

## 2. *The Big Hurdle to Abolishing Willfulness: Deterrence*

Despite the advantages of abandoning enhanced damages and willful infringement, there is a major difficulty with doing so. Getting rid of the provisions would frustrate the main purpose of enhanced damages, to deter willful infringement.<sup>353</sup> Cotter synthesizes the potential need for enhanced damages eloquently: “if compensatory damages do not reflect the full extent of the private or social harm caused by the offender’s conduct, punitive damages might be necessary to ensure that the offender will internalize all of the consequences of its action.”<sup>354</sup> Lemley and Tangri submitted that abolishing willfulness altogether would allow companies to “be more willing to infringe a patent.”<sup>355</sup> Indeed, if the willfulness doctrine is achieving its purpose, removal of the doctrine would result in more willful infringement.<sup>356</sup> For the removal of deterrence to be a valid concern, however, an inquiry must be made as to whether the willfulness doctrine is really achieving its purpose to deter willful infringement.

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349. *See id.*

350. *See supra* notes 220–22 and accompanying text.

351. *See supra* note 223 and accompanying text.

352. Janicke, *supra* note 223, at 289.

353. *See supra* notes 103, 116–18 and accompanying text; *see also* PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 137, at 118 (“Providing enhanced damages is premised on a principle of deterrence, similar to the rationale for an award of punitive damages in tort litigation.”); Cotropia & Lemley, *supra* note 193, at 1464 (stating that the goal of willfulness law is “to deter intentional conduct”); Cotter, *supra* note 128, at 295 n.15; Janicke, *supra* note 223, at 286 (explaining that the “the remedy is supposed to have a deterrent effect”); Lemley & Tangri, *supra* note 128, at 1112–13 (“[W]ere willfulness to be abolished altogether, it seems likely that companies would . . . be more willing to infringe a patent. . . . [T]he possibility of treble damages for willful infringement provides some additional deterrence to unscrupulous copyists who might otherwise decide to infringe a patent deliberately . . . .”); Powers & Carlson, *supra* note 20, at 57 (“Courts justify imposing increased damages as a means to deter the deliberate infringement of valid patents . . . .”); Seaman, *supra* note 203, at 421 (quoting *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987)); (“The Federal Circuit has explained that willfulness serves as ‘an economic deterrent to the tort of infringement.’”) Taylor & Von Tersch, *supra* note 128, at 727 (“[E]nhanced damages in patent cases serve to deter future willful infringement.”).

354. Cotter, *supra* note 128, at 312.

355. Lemley & Tangri, *supra* note 128, at 1112.

356. *Id.* at 1110.

a. The Willfulness Doctrine Does Not Actually Deter Infringement

Enhanced damages and willful infringement do not work well to deter willful patent infringement. This Note has already demonstrated that willful infringement is alleged in almost every patent litigation suit.<sup>357</sup> Willful infringement is barely ever found in patent suits.<sup>358</sup> This low number indicates that willful infringement does not happen very much, and therefore the doctrine may not be needed to deter future willful infringers. Furthermore, anyone who is copying another's patented product is more likely to settle early on in the litigation process and not go to trial.<sup>359</sup> Bessen and Meurer point out that almost all parties found to be infringers in a patent suit are inadvertent infringers, so at least the litigants reaching trial are not ones that need the deterrent of enhanced damages to prevent them from infringing.<sup>360</sup>

Cotropia and Lemley recently studied whether patent law functioned to punish and prevent the copying of patented inventions, and whether patent defendants are better characterized as "unscrupulous copyists or independent developers."<sup>361</sup> Only 1.76% of the cases they studied found copying.<sup>362</sup> They also point out that most claims of willful infringement do not involve actual knowledge of the alleged infringer's intent.<sup>363</sup> Ultimately, Cotropia and Lemley conclude that "that there is very little 'theft' of patent rights going on right now . . . . Virtually every case filed . . . involve (sic) not theft or even copying with a legitimate effort to design around but independent development by the defendant."<sup>364</sup> Patent defendants thus cannot be characterized as "unscrupulous copyists" or "thieves."<sup>365</sup> Cotropia and Lemley reasoned that based on their data, the patent system was not functioning to actually prevent copying, because it is virtually never found in patent infringement suits.<sup>366</sup> The system is really only acting to give patent owners control over third parties who independently come up with the same invention.<sup>367</sup> Although actual copying is not the only way to show willfulness, it is a good way to show willfulness, so this study still serves as more evidence that the patent system is not actually deterring willful infringement.<sup>368</sup>

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357. See *supra* Part II.C.2.c.

358. See *supra* Part II.C.2.d.

359. BESSEN & MEURER, *supra* note 154, at 126.

360. *Id.*

361. Cotropia & Lemley, *supra* note 193, at 1421–22.

362. *Id.* at 1424.

363. *Id.* at 1443.

364. *Id.* at 1459.

365. *Id.*

366. See *supra* note 290 and accompanying text; see also Cotropia & Lemley, *supra* note 193, at 1466.

367. See *supra* note 360 and accompanying text; see also Cotropia & Lemley, *supra* note 193, at 1466.

368. See Cotropia & Lemley, *supra* note 193, at 1454.

There is also evidence that the current system that allows enhanced damages for willful infringement may actually overdeter certain positive behaviors in certain situations. Thomas Cotter presents a great study exploring this unique impact of enhanced damages.<sup>369</sup> He envisions a very common scenario in the technology world, where a first party (the user) is making a product.<sup>370</sup> A patent owner (the owner) sends the user a cease and desist letter and claims that the user is infringing the owner's patent.<sup>371</sup> If the user were to initiate a suit to determine patent validity and infringement, he could risk being subject to enhanced damages. These treble damages can provide a disincentive to some user initiated litigation that would have eventually resulted in a finding of patent invalidity or noninfringement.<sup>372</sup> This situation could get worse. An owner may, in certain circumstances, even be able to leverage this potentially invalid patent to induce a settlement from the user.<sup>373</sup> Worse still, the threats from the owner may induce the user not to make the product any more at all.<sup>374</sup>

Cotter argues that this is not only bad for the user, but also for the public.<sup>375</sup> The public has a right to the invention if it cannot stand up in court, and enhanced damages, in this limited setting, is preventing the patent from being litigated in court.<sup>376</sup> He ultimately concludes "that the prospect of incurring treble damages liability *can* have negative consequences of some magnitude. . . . [T]he risk that enhanced damages awards will induce these consequences is not worth taking."<sup>377</sup> As a result, not only is the enhanced damages provision failing to deter willful infringement, enhanced damages may even be overdetering certain positive behaviors.

#### b. Other Infringement Remedies Effectively Deter Infringement

An additional reason the loss of enhanced damages will not result in a loss of deterrence for willful infringers is that other patent infringement remedies adequately deter infringement. If other remedies are adequately deterring willful infringement, there is no reason to keep the doctrine around.

The first and most commonly awarded remedy for patentees is a reasonable royalty.<sup>378</sup> A reasonable royalty is the minimum monetary award a patent owner will receive if his patent is infringed.<sup>379</sup> Even

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369. Cotter, *supra* note 128.

370. *Id.* at 319.

371. *Id.*

372. *Id.* at 323.

373. *Id.* at 325.

374. *Id.*

375. *Id.* at 325–26.

376. *Id.*

377. *Id.* at 326.

378. *See supra* notes 43–46 and accompanying text.

379. *Id.*

though this is the smallest award a patentee can get, even it can deter willful infringement. Courts, particularly the Federal Circuit, have shown a willingness to grant reasonable royalties that are well beyond previously negotiated royalty rates. In *Monsanto Co. v. Ralph*, in 2004, the Federal Circuit affirmed a jury award of a reasonable royalty five to ten times the price Monsanto normally licensed its technology for.<sup>380</sup> The court reasoned that anything less than that award would result in a de facto loss of control of Monsanto's invention.<sup>381</sup> In *Golight, Inc. v. Wal-Mart Stores, Inc.*,<sup>382</sup> the court affirmed a reasonable royalty of \$31.80 per unit to be paid by defendant Wal-Mart, in spite of Wal-Mart's projected profit per unit to be a comparably paltry \$8.00.<sup>383</sup> Finally, the Federal Circuit, in *Monsanto Co. v. McFarling*, affirmed a reasonable royalty award of six times the actual royalty Monsanto normally charged for use of their technology.<sup>384</sup> Courts have increasingly awarded larger reasonable royalties, in part because of a need to deter infringement.<sup>385</sup> As a result reasonable royalties can be effective as a useful deterrent for patent infringement. Because the other methods of calculating compensatory damages—lost profits and price erosion—are usually even larger than a reasonable royalty award, they too can serve as a deterrent.<sup>386</sup>

Another patent remedy that can greatly deter willful infringement is an injunction.<sup>387</sup> Paul Heald has convincingly argued that injunctions are well suited to function just like punitive damages.<sup>388</sup> Heald argues that since an injunction is extra-compensatory, it can be a means by which courts deter inefficient behavior for when compensatory damages are not adequate to accomplish that task.<sup>389</sup> According to Lemley and Tangri, “infringers generally will not want to make substantial investments in assets specific to the infringing technology if they know that they will ultimately be enjoined from using that technology after trial.”<sup>390</sup> Judge Mary Pat Thyng, of the U.S. District Court of Delaware, has mediated approximately 120 patent disputes, and offers a unique perspective on the deterrence value of injunctions.<sup>391</sup> She explains that settlement discus-

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380. 382 F.3d 1374, 1379 (Fed. Cir. 2004).

381. *Id.* at 1383–84.

382. 355 F.3d 1327, 1329 (Fed. Cir. 2004).

383. *Golight, Inc. v. Wal-Mart Stores, Inc.*, 216 F. Supp. 2d 1175, 1182, 1184 (D. Colo. 2002) *aff'd*, 355 F.3d 1327 (Fed. Cir. 2004); Amy L. Landers, *Let the Games Begin: Incentives to Innovation in the New Economy of Intellectual Property Law*, 46 Santa Clara L. Rev. 307, 350 (2006).

384. 488 F.3d 973, 980–81 (Fed. Cir. 2007).

385. Cotropia & Lemley, *supra* note 193, at 1461; Lemley & Tangri, *supra* note 128, at 1111.

386. *See supra* notes 48–49 and accompanying text.

387. *See generally* BURK & LEMLEY, *supra* note 136, at 139 (explaining how courts favor defendants when deciding whether to issue an injunction because they “will shut down not merely the infringing technology, but a much larger set of noninfringing technologies attached to it.”).

388. Paul J. Heald, *Permanent Injunctions as Punitive Damages in Patent Infringement Cases 1* (Ill. Pub. Law and Legal Theory Research Papers Series, Working Paper No. 10-38, 2011); *see also* FTC REPORT, *supra* note 140, at ch. 5, 30 n.208.

389. Heald, *supra* note 388, at 1–2.

390. Lemley & Tangri, *supra* note 128, at 1111.

391. Powers & Carlson, *supra* note 20, at 100



sions focus heavily on the threat of a permanent injunction.<sup>392</sup> Threats to an alleged infringer to shut down their business with a court order are a very powerful deterrent that prompts the settlement of disputes.<sup>393</sup> Judge Thyng even explains that, in her experience, willful infringement and enhanced damages do not serve as a deterrent in settlement negotiations at all compared to an injunction.<sup>394</sup> Powers and Carlson posit that, “[i]n light of Judge Thyng’s observations, it seems likely that the law of willful infringement provides a superfluous remedy to the patentee.”<sup>395</sup> If injunctions already serve as a better deterrent for willful infringement than the willful infringement doctrine itself, the necessity of such a doctrine is clearly in doubt.

Finally, even the prohibitive costs of patent litigation may serve as a deterrent for infringement.<sup>396</sup> In addition to the costs of litigation itself, a losing party may even get stuck with the costs of the opposing party’s litigation through the award of attorney’s fees.<sup>397</sup> Attorney’s fees can also serve as a deterrent to willful infringement.<sup>398</sup> According to Powers and Carlson, the threats of an injunction, the costs of litigation, and attorney’s fees “dwarf the threat of increased damages.”<sup>399</sup> Because of the other remedies available in patent infringement suits, enhanced damages are simply not needed to adequately deter willful infringement.

c. Other Nations Do Not Need the Willfulness Doctrine to Deter

Given that no other nation in the world has an enhanced damages provision or a willful infringement doctrine,<sup>400</sup> they apparently believe that enhanced damages are not necessary to deter infringement. As a result, other nations’ patent laws may offer valuable insight into how to adequately deter infringement without the provision. The countries examined in this Subsection have been selected for their diversity of geographic location, importance to the global economy, and helpfulness in analyzing deterrence of patent infringement without using enhanced damages. Analyzing these other nations offers further evidence that a willful infringement doctrine is not needed in the United States. Repeated themes around the world show that other nations are using very basic remedies to deter infringement, or that willful infringement is not even worth deterring.

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392. *Id.*

393. *Id.* at 100–01.

394. *Id.* at 101.

395. *Id.*

396. *See supra* Part II.C.2.a; *see also* Lemley & Tangri, *supra* note 128, at 1111.

397. *See supra* Part II.A.2.

398. Powers & Carlson, *supra* note 20, at 101.

399. *Id.*

400. *See supra* Part II.C.3.

i. United Kingdom and Germany

The United Kingdom and Germany both have a similar approach for dealing with deterrence of patent infringement: both nations seem to be largely unconcerned with deterring willful patent infringement. In the United Kingdom, damages are recovered by calculating the lost profits of the patentee or disgorgement of the infringer's actual profits.<sup>401</sup> In Germany, damages are calculated using the infringer's profits or a reasonable royalty.<sup>402</sup> Surprisingly, in both the United Kingdom and Germany, these damages can be *decreased* if there is evidence that the infringement was innocent.<sup>403</sup> This is a stark contrast to the U.S. system, where instead of rewarding innocent infringement, willful infringement is punished. In patent infringement suits in Germany and the United Kingdom, however, the losing party is usually assessed at least a portion of the winning parties fees and costs.<sup>404</sup> Thus, attorney's fees can serve as a deterrent to willful infringement in the United Kingdom and Germany.

ii. France

France offers several types of patent remedies to help deter infringement. The standard remedy of lost profits of the patentee is available, as well as what French law calls "inconvenience damages."<sup>405</sup> "Inconvenience damages" are available for "intangible consequences of infringement."<sup>406</sup> This can include price erosion and a unique French remedy: compensation for an inability to license the patent because of the infringement.<sup>407</sup> Attorney's fees are also awarded in France, and the decision to award costs is within the discretion of the court, much like in the United States.<sup>408</sup> France offers one more unique remedy for a finding of infringement: a court-ordered publication of a decision of infringement in a widely distributed news outlet, to be paid for by the infringer.<sup>409</sup>

iii. Canada

Canada approaches patent infringement damages a little differently than most countries. According to Larry Coury, any "damages should be assessed liberally and discrepancies in the assessment should favor the patentee."<sup>410</sup> The scope of damages in Canada can be wide ranging, allowing calculations of lost profits, unjust enrichment, or price erosion.<sup>411</sup>

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401. Coury, *supra* note 223, at 1125.

402. *Id.* at 1137.

403. *Id.* at 1125–26, 1138.

404. *Id.* at 1126, 1138.

405. *Id.* at 1156.

406. *Id.* at 1157.

407. *Id.*

408. *Id.*

409. *Id.*

410. *Id.* at 1130.

411. *Id.*

Canada also allows patentees to elect pursuing the infringer's profits, instead of seeking their own lost profits as damages.<sup>412</sup> The nature of patent infringement remedies in Canada is fairness and equity, so in Canada "it is now accepted that the trial judge has considerable latitude in assessing the merits of both the remedy and the associated accounting methods."<sup>413</sup> In Canada, it seems that judges have the ability to use the available remedies to essentially punish infringers that may be deemed to need deterrence for their infringement for some reason. A patentee in Canada is also generally awarded fees upon winning a patent infringement case.<sup>414</sup>

#### iv. Japan

Japan, like the United Kingdom and Germany, allows courts to reduce damages awarded to a patentee in situations where the infringer's culpability is lower for some reason.<sup>415</sup> Japan, like many of the others, will award attorney's fees to the prevailing party.<sup>416</sup> There are two unique features of Japan's patent infringement damages. First, awards for damages can actually be increased upon a showing that the patentee's business reputation was harmed.<sup>417</sup> Second, the Japanese patent laws are specifically designed to allow the government, and not individuals, to have sole responsibility for punishment and deterrence of patent infringement.<sup>418</sup> As a result, Japanese patent damages are designed only to compensate a patentee for losses, and not to punish or deter infringement in any way.<sup>419</sup> Again, like United Kingdom and Germany, Japan seems wholly uninterested in having their patent laws deter any sort of willful infringement.

#### v. China

In China, patentees can recover the patentee's lost profits due to the infringement, the infringer's profits resulting from the infringement, a reasonable royalty, or a set amount of statutory damages.<sup>420</sup> The statutory amount is to be used when the other methods yield no ascertainable damages, and can be anywhere in between about \$605 and \$36,275.<sup>421</sup> There are no explicit provisions allowing for recovery of attorney's fees, but courts in China generally recognize these costs as part of the actual

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412. *Id.* at 1131–32.

413. *Id.* at 1132.

414. *Id.* at 1133.

415. *Id.* at 1143.

416. *Id.*

417. *Id.* at 1144.

418. Toshiko Takenaka, *Patent Infringement Damages in Japan and the United States: Will Increased Patent Infringement Damage Awards Revive the Japanese Economy?*, 2 WASH. U. J.L. & POL'Y 309, 318 (2000).

419. *See id.* at 318–19.

420. DOUGLAS CLARK, *PATENT LITIGATION IN CHINA* 154 (2011).

421. Zhang, *supra* note 49, at 61.

damages incurred because of the patent infringement.<sup>422</sup> Courts may also order an infringer to publicly apologize for the infringement.<sup>423</sup>

#### IV. RESOLUTION

The best way to deal with the issues presented by willful infringement is to abandon and eventually abolish willful infringement and enhanced damages. This proposal can be adopted with certain considerations in mind that will assist in deterring willful infringement, which is the biggest concern for losing the doctrine.<sup>424</sup> We can look to our current remedies and patent laws from other countries for other ways to adequately deter willful infringement.

Willful infringement is a judicially created doctrine for when to prescribe enhanced damages allowed by Congress.<sup>425</sup> In order to completely get rid of enhanced damages, Congress should eliminate the statutory provision allowing enhanced damages. This would help solve the problems of intentional ignorance of patents, high costs associated with willful infringement, and harmonization with the rest of the world's patent laws.<sup>426</sup> Abandoning enhanced damages raises concerns of deterrence of willful infringement.<sup>427</sup> These concerns can be addressed by using other methods to deter.

Our current remedies, such as injunctions, reasonable royalty, price erosion, and lost profits, offer significant deterrence of willful infringement.<sup>428</sup> We can also take clues from other nations on how to better deter infringement.<sup>429</sup> Every other country studied in this Note regularly allows a prevailing patent owner to recover costs for litigation from the infringer.<sup>430</sup> Additionally, the United States has a remedy to recover attorney's fees, but it is not used that often.<sup>431</sup> If judges in the United States would grant attorney's fees more often in lieu of enhanced damages, the remedy could serve a similar deterrent purpose. The other basic remedies for money damages, reasonable royalty, price erosion, and lost profits, could even better deter infringement if a more liberal calculation of damages was used, as in Canada.<sup>432</sup> In Canada, patent infringement "damages [are] assessed liberally and discrepancies in the assessment should favor the patentee."<sup>433</sup>

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422. *Id.* at 62.

423. CLARK, *supra* note 420, at 159.

424. *See supra* Part III.B.2.

425. *See supra* Parts II.A.3, II.B.6.

426. *See supra* Part III.B.1.

427. *See supra* Part III.B.2.

428. *See supra* Part III.B.2.b.

429. *See supra* Part III.B.2.c.

430. *Id.*

431. *See supra* Part II.A.2.

432. *See supra* Part III.B.2.c.iii.

433. CORY, *supra* note 223, at 1130.

Despite the advantages of eliminating the enhanced damages provision, we do not need to wait for Congress to amend it. The next best thing is to give the willfulness determination solely to judges and bifurcate the trial.<sup>434</sup> Under this arrangement, no action from Congress is necessary to adjust the doctrine in a favorable way. This also allows courts to not worry about willfulness allegations until after infringement and validity are settled matters. Judges could even wait until after appeal to determine willfulness.<sup>435</sup> This would save valuable resources at trial and result in willfulness being decided in vastly fewer cases, because the underlying case would have to find a valid patent and actual infringement before even considering the issue of willfulness. Additionally, parties may settle the issue of willfulness based on the findings of infringement and validity. Because the willful infringement doctrine is judicially added to the statutory enhanced damages provision, judges could essentially eliminate the willful infringement standard without the enhanced damages provision being affected. According to the statute, judges have full discretion in whether to award enhanced damages, and the statute does not list criteria judges are to use in exercising their discretion.<sup>436</sup> As a result, the willful infringement doctrine could be effectively eliminated by judges without needing to amend any statute. This should ultimately be viewed as a temporary fix until Congress can get around to amending the statute, because this method still completely harmonizes the U.S. patent laws with the rest of the world.<sup>437</sup>

This method is a better temporary fix than other proposed options, such as requiring actual notice to the infringer or requiring actual copying of patents before being subject to liability for willful infringement.<sup>438</sup> Requiring actual copying would hardly impact patent suits as they currently stand, because almost no alleged infringers that end up in court are actual copiers.<sup>439</sup> As a result, following this doctrine would not meaningfully impact any of our concerns about willfulness, namely that we encourage patent law's disclosure function, preserve judicial and private resources, and harmonize our patent laws with the rest of the world. Requiring actual notice would likely have a negative effect on our patent system.<sup>440</sup> The actual notice proposal would incentivize sending out mass quantities of notice letters to any potential infringers.<sup>441</sup> The potential infringers would in turn have to respond by getting professional opinions rendered by patent attorneys to protect themselves from willfulness lia-

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434. *See supra* Part III.A.2. The Federal Circuit has started to take steps in this direction. A recent decision made the first prong of willfulness under *Seagate*, the objective determination of recklessness, to be a question of law decided only by the judge. *Bard Peripheral Vascular, Inc. v. Gore & Assocs., Inc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012).

435. *See supra* Part III.A.2.

436. *See supra* Part II.A.3.

437. *See supra* Part II.C.3.

438. *See supra* Part III.A.3–4.

439. *See supra* notes 290–92 and accompanying text.

440. *See supra* Part III.A.3.

441. *See supra* note 279 and accompanying text.

bility. This consequence is extremely negative, because opinions are very expensive, and are of questionable real value, since opinions are also often unreliable.<sup>442</sup>

To synthesize this Note's recommendation, judges should exercise more discretion in determining enhanced damages and should bifurcate trials until such time when Congress can amend the statute to eliminate the enhanced damages provision. By exercising more discretion, this Note really exhorts judges to rarely, if ever, award enhanced damages for any reason, but most notably for willful infringement. As detailed previously, this recommendation raises concerns with deterring willful infringement.<sup>443</sup> This concern should be tempered by a few factors. First, this Note has shown that the current willful infringement doctrine is not actually deterring any willful infringers anyway, and that the willful infringement doctrine is therefore unneeded to deter willful infringement.<sup>444</sup> Second, if we treat deterrence as a serious concern, other effective ways to deter infringement are present in the U.S. patent laws, and are much better at deterring willful infringement than the current willful infringement doctrine.<sup>445</sup> Injunctions, reasonable royalty, lost profits, price erosion, and attorney's fee remedies can adequately deter infringement in the vast majority of cases.<sup>446</sup> Judges can particularly look to injunctions as deterrents, because shutting down a significant business operation can be very costly for a company, with costs well beyond just losing the sales of the potentially infringing product.<sup>447</sup> Finally, we can look around the world to determine, if deterrence is a serious concern, how to best deter willful infringement based on other models.<sup>448</sup>

The first thing to notice among other nations around the world is that many other countries, including all the countries analyzed in this Note, routinely grant attorney's fees to the winner of a patent dispute.<sup>449</sup> As judges decline to use their discretion to award enhanced damages, judges may increasingly exercise their discretion to award attorney's fees to increase deterrence. This remedy is advantageous over enhanced damages because it does not require any additional findings of willfulness or other mental states. Attorney's fees can be awarded for any reason or no reason at all, so extensive inquiries into a party's mental state never need to be addressed in court. Secondly, calculating attorney's fees is much easier than enhanced damages. Parties will not be able to dispute the amount of attorney's fees to be awarded because it will be a discrete value.

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442. See *supra* notes 266–78 and accompanying text.

443. See *supra* Part III.B.2.

444. See *supra* Part III.B.2.a.

445. See *supra* Part III.B.2.b.

446. *Id.*

447. See *supra* notes 387–95 and accompanying text.

448. See *supra* Part III.B.2.c.

449. See *supra* Parts III.B.2.c.i–v.

The next thing to gather from the patent policies around the world is that we might not need enhanced damages to deter willful infringement. Furthermore, the patent laws of the United Kingdom, Germany, and Japan suggest that deterring willful infringement may not be a worthwhile concern at all.<sup>450</sup> All three of those nations have provisions for lowering *actual* damages awarded if the infringer's acts were not willful. If other nations can have a functioning patent law system while blatantly incentivizing (or at least incentivizing as compared the U.S. laws) willful patent infringement, it may not be totally necessary for our patent laws to be so concerned with deterring willful infringement.

France and China offer unique remedies for infringement which basically amount to a public apology by the infringer.<sup>451</sup> Since the monetary impact of such a remedy is minimal, it is hard to imagine what sort of deterrent impact a public apology remedy might have in the United States. As such, it is not recommended that United States adopt such a provision absent evidence that such a remedy would have a substantial beneficial effect.

The final conclusion we should draw from other nations comes from Canada. If deterrence is a serious concern, we can use other remedies to help deter. Canada is more liberal than the United States in allowing varying actual damages calculations, and favors the patentee in those calculations.<sup>452</sup> Courts can use this more liberal damages approach as a method for deterring potential willful infringing behavior.

## V. CONCLUSION

The current enhanced damages provision and the corresponding willful infringement doctrine not only undermines the disclosure function of the patent system, but also unjustifiably costs litigants and courts a fortune. This unique remedy also frustrates global intellectual property law harmonization and has less than ideal historical origins. Modifications to the provision will not adequately address these concerns. Critics worry that removing the provision will lead to rampant willful infringement. Because the remedy does not currently deter willful infringement, and because there are other adequate remedies already in place to deter willful infringement, getting rid of the provision will alleviate the problems caused and will not result in an increase of willful infringement.

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450. See *supra* Parts III.B.2.c.i, III.B.2.c.iv.

451. See *supra* Parts III.B.2.c.ii, III.B.2.c.v.

452. See *supra* Part III.B.2.c.iii.

