



COMMENTARY: WILLFUL PATENT INFRINGEMENT AND THE FEDERAL CIRCUIT'S
PENDING EN BANC DECISION IN *KNORR-BREMSE V. DANA CORP.*

JANICE M. MUELLER

ABSTRACT

The Federal Circuit's recent sua sponte grant of rehearing en banc in *Knorr-Bremse v. Dana Corporation* has catalyzed a vocal debate concerning the nature and consequences of willful patent infringement. Subject to virtually unanimous condemnation is the Federal Circuit's "adverse inference" rule, which forces a party accused of willful infringement to choose between two unpalatable options: (i) disclosing privileged advice of counsel to mount a willfulness defense, or (ii) not disclosing such information and being subjected to an adverse inference that an exculpatory opinion was not or could not be obtained. This commentary concurs that the adverse inference rule should be abandoned, for its provenance is far from clear and the harm it works to attorney-client privilege is substantial. More broadly, this commentary questions whether the notion of willful infringement remains defensible in a patent system marked by significant uncertainties as to the boundaries of literal claim scope and the doctrine of equivalents. At a minimum, the question of willfulness should no longer be given to juries. The analyses of willfulness and damages enhancement are inextricably bound together and both should be decided by the courts. Practical benefits and policy considerations support this proposal and Seventh Amendment concerns do not preclude it.

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COMMENTARY: WILLFUL PATENT INFRINGEMENT AND THE FEDERAL CIRCUIT'S PENDING
EN BANC DECISION IN *KNORR-BREMSE V. DANA CORP.*

JANICE M. MUELLER*

The plethora of amicus curiae briefs filed in response to the U.S. Court of Appeals for the Federal Circuit's September 26, 2003 sua sponte grant of rehearing en banc in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*¹ evidences a strong consensus that the current U.S. law of willful patent infringement is badly in need of reform.² It is highly unlikely, however, that the Federal Circuit will use *Knorr-Bremse* as a vehicle to completely obliterate the existing framework for determining if an accused infringement was willful, and if so, whether the patentee's actual damages should be enhanced under 35 U.S.C. § 284. Some form of meaningful deterrent must be maintained as a check on those that would otherwise knowingly and recklessly copy patented innovation. Rather, we can likely expect the Federal Circuit to retain the "totality of the circumstances" analysis for determining willfulness,³ but (as the amici in *Knorr-Bremse* have almost unanimously urged)⁴ do away with the adverse inference rule that currently follows from an accused willful infringer's non-production of an exculpatory opinion of counsel.⁵ Many hope the court

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¹ 344 F.3d 1336 (Fed. Cir. Sept. 26, 2003) (order sua sponte granting rehearing en banc). The Federal Circuit's order requested briefing from the parties on four questions:

1. When the attorney-client privilege and/or work product privilege is invoked by a defendant in an infringement suit, is it appropriate for the trier of fact to draw an adverse inference with respect to willful infringement?
2. When the defendant has not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?
3. If the court concludes that the law should be changed, and the adverse inference withdrawn as applied to this case, what are the consequences for this case?
4. Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?

Id. at 1336–37. Amicus curiae were invited to file briefs addressing questions (1), (2) and (4). *Id.* at 1337.

² A list of the amicus curiae briefs filed in *Knorr-Bremse* is available at <http://www.ssjr.com/amicusbriefs.htm> (last visited Mar. 25, 2004).

³ See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (stating that "[t]he paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances"); *id.* at 827 (listing nine factors that courts appropriately have considered in determining whether damages should be enhanced).

⁴ During the oral argument in *Knorr-Bremse*, Circuit Judge Lourie noted that 29 out of 30 of the amici were in favor of eliminating the adverse inference. Oral Argument before *En Banc* Federal Circuit in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, Feb. 5, 2004 (audiocassette tape) (copy on file with author) (hereinafter "Oral Argument in *Knorr-Bremse*").

⁵ In addition to the amici in *Knorr-Bremse*, the Federal Trade Commission (FTC) also proposes a narrower willfulness doctrine. The FTC's October 2003 report recommends that "legislation be enacted requiring either actual, written notice of infringement from the patentee or deliberate

will go farther, by recognizing that an accused infringer establishes a complete defense to willfulness by mounting a substantial good faith defense of invalidity, unenforceability or noninfringement at the time of trial.

The following remarks address the notion of willfulness generally, the adverse inference, and lastly, the question of who should decide willfulness—judge or jury. Assuming that in *Knorr-Bremse* the en banc Federal Circuit retains the doctrine of willful infringement in some form, I propose that the question of willfulness no longer be given to juries. Rather, the determination of willfulness, like the enhancement of damages that may result therefrom, should be made solely by the courts. Willfulness and enhancement are inextricably bound together and both should be determined by the trial court in the first instance. Practical benefits support this proposal and Seventh Amendment concerns do not preclude it.

I. WILLFULNESS *VEL NON*

At the outset it is worth questioning whether our patent system should even recognize a doctrine of willful infringement. As currently formulated by the Federal Circuit, willfulness is a question of fact, based on the culpability of the accused infringer's conduct.⁶ Willfulness attempts to discern the infringer's state of mind or bad intent.⁷ Older case law referred to it as "wanton" infringement, a slightly juicier adjective if no more precise than "willful."⁸

It is difficult and possibly misguided to deem particular accused activity "culpable" when the current standards for "proper" behavior are so uncertain. For example, one can reasonably question whether an accused infringer should ever be deemed to have willfully infringed if the only successful theory of liability is under the doctrine of equivalents. When liability is found under the doctrine of equivalents, we are by definition going beyond the literal scope of the claims and reaching into a judicially-created penumbra of the patentee's right to exclude. Can one ever willfully violate a penumbral boundary?

The uncertainty problem seems especially exacerbated in the realm of biotechnology, where we have a rapidly changing state of the art and a relatively undeveloped body of Federal Circuit authority on how to measure infringement (the classic function/way/result test for equivalency is ill-suited to substitutions of genetic nucleotides and amino acids).⁹

copying of the patentee's invention, knowing it to be patented, as a predicate for willful infringement." *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> at Ch. 5, p. 31 (last visited Mar. 25, 2004).

⁶ See *Biotec Biologische Naturverpackungen GmbH v. Biocorp, Inc.*, 249 F.3d 1341, 1356 (Fed. Cir. 2001) (stating that "'willful' [infringement] is quintessentially a question of fact, for it depends on findings of culpable intent and deliberate or negligent wrongdoing").

⁷ See *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1250 (Fed. Cir. 1989).

⁸ See III William C. Robinson, *THE LAW OF PATENTS FOR USEFUL INVENTIONS* § 1069 (1890) (and cases cited therein).

⁹ Given the rapidly-changing state of the art, as well as a relatively undeveloped body of Federal Circuit authority on how to measure infringement in the biotech context, biotechnology patents are rarely surrounded by "'bright line' perimeters and certain validity." Brief of Amicus

It is not even clear that one can be willful based on what is held in retrospect to be literal infringement, of which claim interpretation is so often dispositive. The latest figures show that for cases in which the Federal Circuit issued an opinion during the year 2003, the Federal Circuit's reversal rate on claim interpretation was 53%.¹⁰ If the federal district courts are getting literal claim scope wrong more than half the time (according to the Federal Circuit), how can a factfinder ever conclude with any certainty that an accused infringer "knowingly and recklessly" infringed?

One might argue that by maintaining the current willfulness doctrine based on an accused infringer's culpability, the patent system provides a rough balance in terms of advantage at trial with the accused infringer's defense of unenforceability based on alleged inequitable conduct by the patent owner. Both sides get an equal chance to paint the other as bad and deceptive. However, this balancing theory is questionable. Inequitable conduct requires a showing that the patentee intentionally deceived the PTO, violating the duty of candor in order to obtain a patent.¹¹ The duty of candor, including within it the duty of disclosure of known material prior art, is fairly well defined and a necessary incident of running our ex parte system of patent procurement without a meaningful opposition system as in Europe. There does not appear to be an equally clear rationale for recognizing the doctrine of willful infringement.

At the en banc oral argument in *Knorr-Bremse*, Circuit Judge Dyk asked why we should not square up willfulness doctrine with the antitrust immunity that patent owners enjoy when enforcing their patents.¹² As long as the infringement suit is not a "sham" under the *Profl Real Estate Investors* standard¹³ (or the patentee hasn't engaged in *Walker Process* fraud¹⁴), the Federal Circuit will find the patentee immune from an antitrust counterclaim under the Sherman Act § 2 based on the enforcement of its statutorily-authorized monopoly. Why not establish a similarly low threshold for avoiding willfulness – simply the accused infringer's assertion at trial of a non-frivolous defense? One might argue (as Circuit Judge Clevenger did at oral argument) that such a low standard essentially does away with willfulness charges. I'm not sure that is a bad result, especially in view of the social costs of recognizing willfulness that Professor Thomas Cotter has identified.¹⁵ It would also

Curiae Biotech Industry Organization in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, available at http://www.ssjr.com/brief_amicus4.pdf, at 12 (last visited Mar. 25, 2004).

¹⁰ See Timothy C. Meese, *If It Ain't Broke, Don't Fix It, But . . .*, in PROCEEDINGS OF THE 48TH ANNUAL CONFERENCE ON DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW (The John Marshall Law School, Feb. 27, 2004) (copy on file with author) (reporting that for a total of ninety-one precedential and non-precedential decisions issued by the Federal Circuit in 2003, the trial court's claim construction was reversed in forty-eight cases, resulting in a fifty-three percent reversal rate). The Meese study does not include summary affirmances under Fed. Cir. R. 36.

¹¹ See generally *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (partially en banc).

¹² Oral Argument in *Knorr-Bremse*, *supra* note 4.

¹³ See *Profl Real Estate Investors v. Columbia Pictures Indus.*, 508 U.S. 49, 60–61 (1991) (discussing two-part definition of sham litigation).

¹⁴ See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965).

¹⁵ See Thomas F. Cotter, *An Economic Analysis of Enhanced Damages and Attorneys' Fees for Willful Patent Infringement*, PROCEEDINGS OF THE SYMPOSIUM ON WILLFUL PATENT INFRINGEMENT, at 2 (The George Washington University Law School, Mar. 19, 2004) (copy on file with author) (contending that in many cases, the availability of enhanced damages based on

follow that attorney fees under 35 U.S.C. § 285 would rarely be available based on willfulness, but lowering willfulness standards would not exclude the possibility of attorney fees based on the accused infringer's misconduct in the litigation process or some other form of bad faith besides willfulness.

There is, of course, the valid argument that the patent system needs to maintain the possibility of enhanced damages as a deterrent against infringement by those who would otherwise be able to easily shield their piracy and remain undetected, possibly never being caught. This deterrent rationale makes sense, but it still leaves the threshold question of how to determine willfulness.

As Professor Cotter suggests, a finding of willfulness should have little to do with the maliciousness of the accused.¹⁶ Rather, a finding of willfulness is most likely justified in instances where the infringement is likely to be difficult to detect, as in cases when the infringer takes affirmative steps to hide its infringement.¹⁷ One example is the infringement of process patents,¹⁸ although the recognized difficulty of policing infringement of process patents is often cited as a reason that many firms choose trade secret protection rather than patenting. Another example might be the passing-off situation where the accused infringer marks its infringing product with the patentee's patent number¹⁹ (although we would expect those cases to be rare). In order to determine willfulness, the factfinder would need to be informed about the relative probability of detection of infringement.²⁰ Another relevant fact might be the length of time between the accused infringer's commencement of activity and the patent owner's first detection thereof.

II. THE ADVERSE INFERENCE

A critical factor in the current regime for determining willfulness is whether the accused infringer obtained a competent opinion of counsel prior to initiating its activity.²¹ Whether that opinion is produced in subsequent litigation is another matter. Given the existing set of legal rules for willfulness, the accused infringer is astride the horns of a dilemma. If she produces the opinion in the hopes of avoiding a finding of willfulness, she has triggered a waiver of attorney-client privilege of potentially devastating scope. On the other hand, if privilege is asserted and the

willfulness may give rise to undesirable social costs by "detering marginally lawful behavior" and by "detering others from taking advantage of the disclosure afforded by the patent system").

¹⁶ *Id.* at 16–17.

¹⁷ *Id.* at 16.

¹⁸ *Id.* at 19.

¹⁹ *Id.* at 20 n.100.

²⁰ *Id.* at 16.

²¹ Although the absence of legal counsel's advice does not *mandate* a finding of willfulness, the affirmative duty of an accused infringer having actual notice of another's patent rights normally entails obtaining such advice. *See* Read Corp. v. Portec, Inc., 970 F.2d 816, 828 (Fed. Cir. 1992). Professor Moore's data affirm the criticality of an attorney opinion. Where willfulness was at issue, accused infringers who did not produce an opinion of counsel were found willful over 80% of the time. *See* Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, in PROCEEDINGS OF THE SYMPOSIUM ON WILLFUL PATENT INFRINGEMENT, at 13 (The George Washington University Law School, Mar. 19, 2004) (copy on file with author) (Table 1: "How Much Do Attorney Opinions Impact Willfulness?").

opinion is not produced, the trier of fact can draw the adverse inference that either no opinion was obtained or that an opinion that was obtained was not exculpatory.²²

I concur in the virtually unanimous rejection by the *Knorr-Bremse* amici of the adverse inference currently being drawn from non-production of an opinion of counsel. In addition to the obvious harm done to attorney-client privilege, the provenance of the adverse inference is far from clear. The Federal Circuit announced the adverse inference rule in *Kloster Speedsteel* (1986)²³ and reaffirmed it in *Fromson* (1988)²⁴ without *any* citation to authority. The pre-1982 regional circuit decisions on willfulness did establish the more general affirmative duty to proceed with due care once an infringer has actual notice of another's patent rights.²⁵ But the regional circuits never went so far as to recognize that that duty of due care absolutely required obtaining an opinion of legal counsel, and certainly never held that the failure to produce such opinion justified an adverse inference against the defendant. Rather, the regional circuit cases held that the production of a competent opinion letter was evidence going to the good faith of the accused.²⁶ Thus, in the pre-Federal Circuit world the opinion was a shield, not a sword.

Why then did the Federal Circuit transform a shield into a sword by creating the adverse inference rule? Perhaps it was an attempt by the court in its early days to shore up the respectability of patents, as Circuit Judge Newman suggested at the *en banc* oral argument in *Knorr-Bremse*.²⁷ A true cynic might be so bold as to suggest that the Federal Circuit provided the burgeoning patent bar with a guaranteed future demand for opinion-writing services. That certainly seems to have been the affect of the adverse inference rule.²⁸

An adverse inference is blunt instrument, particularly in the context of jury trials. Its use should be rare, rather than routine. Certainly if any such adverse inference is retained by the Federal Circuit in *Knorr-Bremse*, it should be treated only as an evidentiary presumption that can be completely rebutted by an accused infringer's submission of other evidence of good faith sufficient to raise a genuine

²² See *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986).

²³ *Id.*

²⁴ See *Fromson v. Western Litho Plate*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988).

²⁵ See *Milgo Elec. Corp. v. United Bus. Communications, Inc.*, 623 F.2d 645, 666 (10th Cir. 1980).

²⁶ See *Gen. Elec. Co. v. Sciaky Bros.*, 415 F.2d 1068, 1073 (6th Cir. 1969); *Continental Can Co. v. Anchor Hocking Glass Corp.*, 362 F.2d 123, 129 (7th Cir. 1966).

²⁷ Oral Argument in *Knorr-Bremse*, *supra* note 4.

²⁸ Professor Cotter suggests that the adverse inference rule is "at least superficially consistent with practices in other settings" of law, citing a criminal case in which the jury was instructed that it could draw an adverse inference from a party's decision not to call a material witness, and another case where the trier of fact was permitted to draw an adverse inference from a party's destruction of evidence. See Cotter, *supra* note 15, at 7. During the *en banc* argument in *Knorr-Bremse*, a Federal Circuit judge noted Supreme Court authority holding that an adverse inference can be drawn in a civil case when a defendant invokes her Fifth Amendment right against compelled self-incrimination. See Oral Argument in *Knorr-Bremse*, *supra* note 4. But the case of *Baxter v. Palmigiano*, 425 U.S. 308 (1976), involved a disciplinary hearing for a prison inmate, where important state interests other than criminal conviction were present. I am not sure that the Federal Circuit's adverse inference rule can be defended on the basis of these non-patent cases, which all seem rather quasi-criminal and did not involve assertions of attorney-client privilege as a reason for not producing evidence. These were not the "Hobson's Choice" situations frequently confronted in patent cases involving allegations of willful infringement.

issue of fact, as in the laches context.²⁹ The better outcome, however, would be a complete elimination of the adverse inference rule.

III. WHO SHOULD DECIDE--JUDGE OR JURY?

This part of my commentary concerns the identity of the willfulness factfinder. Assuming that in *Knorr-Bremse* the en banc Federal Circuit retains the doctrine of willful infringement in some form, I propose that the question of willfulness no longer be given to juries. Rather, the determination of willfulness, like the enhancement of damages that may result therefrom, should be made solely by the courts. The fact of willfulness and the enhancement of actual damages that can flow from willfulness are inextricably bound together.

The question of judge versus jury is clearly of interest to the Federal Circuit as indicated by the court's questions during the *en banc* argument in *Knorr-Bremse*. However, the issue is outside the facts of *Knorr-Bremse*, which did not include a Seventh Amendment issue, and was not included in the questions that the en banc court set forth for briefing. It is therefore unlikely that the Federal Circuit will change the law on this point in *Knorr-Bremse*. Nevertheless, it would not be surprising for the court to express its views on the matter in dicta, as it has recently done with respect to prosecution history estoppel in *Festo*.³⁰ Such views might motivate litigants in subsequent willfulness cases to squarely raise the issue on appeal.

The question of judge-versus-jury for determining willfulness is an open one, for the Federal Circuit has never clearly ruled on whether there is a Seventh Amendment right to a jury determination on willfulness. The court was confronted with the issue in 1995 in *Transmatic, Inc. v. Gulton Indus.*, but was able to resolve that case on alternative grounds without reaching the Constitutional issue.³¹

I do not believe that the Seventh Amendment³² provides a right to a jury determination of willfulness, for reasons similar to those set forth by the Supreme Court in *Markman v. Westview Instruments, Inc.*,³³ in which the court held that claim interpretation is for the court, not the jury. Both the historical record and "functional" or policy-based considerations support this conclusion.

²⁹ See *Aukerman v. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*).

³⁰ See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359, 1369 (Fed. Cir. 2003) (*en banc*) (initially stating that discussion of each of the three criteria for rebutting a *Festo* presumption of complete estoppel "is best left to development on a case-by-case basis," but proceeding to "provide . . . general guidance . . . regarding the application of the three rebuttal criteria").

³¹ 53 F.3d 1270, 1279 (Fed. Cir. 1995).

³² U.S. CONST., Amend. VII (providing that "[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved").

³³ 517 U.S. 370 (1996).

A. *The Historical Record*

What does the historical record tell us about juror involvement in determination of willfulness? It is clear that English juries were hearing patent infringement suits as actions at law in 1791, when the Seventh Amendment was ratified.³⁴ But what those cases looked like, and what issues were at stake, is much less clear. Recall that at the end of the 18th century, jury practice was in a “primitive state” and juries were “still new to the field” of patent litigation generally.³⁵

Based on my research thus far, it is unlikely that English juries in 1791 were being asked to determine first, whether there was infringement, and second, whether that infringement was willful. The early English cases discussed by the *Markman* Court do not suggest that the notion of willfulness even existed in 1791.³⁶ For example, in the famous case of *Liardet v. Johnson*, tried to a jury before Lord Mansfield in 1778, the plaintiff had alleged that in addition to “making, using, and putting into practice” the plaintiff’s patented stucco composition, the defendant was “counterfeiting, imitating and resembling” it,³⁷ which sounds like an allegation of knowing copying and hence willful infringement. But Lord Mansfield’s charge to the jury merely said that to prevail, the plaintiff had to make out the ground that “the defendant did use that which the plaintiff claims to be his invention.”³⁸ No mention was made of willful or wanton use.

The contemporaneous U.S. patent law did not speak of willfulness. The first U.S. patent statute, the Patent Act of 1790, provided merely that an adjudged

³⁴ See *id.* at 380.

³⁵ *Markman*, 517 U.S. at 380.

³⁶ *Calthorp v. Waymans*, 3 Keb. 710, 84 Eng. Rep. 966 (K.B. 1676) (an “action upon the case by patentee . . . against defendant for setting up and working another like [device],” but not mentioning the notion of wanton or willful infringement), *cited in Markman*, 517 U.S. at 380; *Dollond’s Case*, 1 Carp. P. C. 28 (C.P. 1758) (action for patent infringement, not mentioning willfulness), *cited in Markman*, 517 U.S. at 380; *Turner v. Winter*, 1 T.R. 602, 99 Eng. Rep. 1274 (K.B. 1787) (involving “an action on the case brought against the defendant for infringing the plaintiff’s patent,” but making no mention of willful or wanton infringement), *cited in Markman*, 517 U.S. at 381; *Arkwright v. Nightingale*, Dav. Pat. Cas. 37 (C.P. 1785) (action for patent infringement, not mentioning willfulness), *cited in Markman*, 517 U.S. at 379; *Bramah v. Hardcastle*, 1 Carp. P. C. 168 (K.B. 1789) (action on the case for patent infringement, not mentioning willfulness), *cited in Markman*, 517 U.S. at 377; *Huddart v. Grimshaw*, Dav. Pat. Cas. 265 (K.B. 1803) (action brought to recover damages for the violation of a patent, not mentioning willfulness), *cited in Markman*, 517 U.S. at 379; *Bovill v. Moore*, Dav. Pat. Cas. 361, 362, 369 (C.P. 1816) (action for patent infringement including allegations that defendant had “pirated” or “imitated” plaintiff’s patent, but not mentioning willfulness), *cited in Markman*, 517 U.S. at 382; *Russell v. Cowley & Dixon*, Webs. Pat. Cas. 457 (Exch. 1834) (trial at law for patent infringement, not mentioning willfulness), *cited in Markman*, 517 U.S. at 382; *Haworth v. Hardcastle*, Webs. Pat. Cas. 480, 482 (1834) (jury verdict that “there has been an infringement of the [plaintiff’s] patent,” but not mentioning willfulness), *cited in Markman*, 517 U.S. at 382.

³⁷ See Edward C. Walterscheid, *The Early Evolution of the United States Patent Law: Antecedents (Part 3)*, 77 J. PAT. & TRADEMARK OFF. SOC’Y 771, 795–96 (1995) (discussing facts of *Liardet v. Johnson* and quoting historical accounts of same).

³⁸ *Id.* at 796.

infringer would pay the patentee “such damages as shall be assessed by a jury which may be recovered in an Action on the Case founded on this Act.”³⁹

The Patent Act of 1793 substantially changed damages assessment. Setting forth a formula for the jury to compute a minimum floor amount of damages, the Act provided that an infringer would “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, which may be recovered in an action on the case founded on this act, in the Circuit Court of the United States, or any other Court having competent jurisdiction.”⁴⁰ There was no separate mention of any role for the judge to enhance the jury amount. Edward Walterscheid has written that the 1793 language was greatly influenced by Joseph Barnes, a publisher and pamphleteer who was a sort of patent system gadfly. Barnes had “objected strenuously to the idea of having a jury determine damages for patent infringement, on the not unreasonable grounds that in many parts of the country a jury of the infringer’s peers would be most unlikely to award other than nominal damages.”⁴¹

By 1836, though, it seems that concerns had shifted in the opposite direction, i.e., that juries were too much inclined to inflate damages in favor of the patentee in order to punish the infringer. The Patent Act of 1836 is the first time we see the concept of enhancement of actual damages, and that enhancement determination is assigned exclusively to the judge. The 1836 Act provided that in any action for damages for violation of patent rights where

a verdict shall be rendered for the plaintiff in such action, it shall be in the power of the Court to render judgement 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, according to the circumstances of the case, with costs; and such damages may be recovered by action on the case, in any Court of competent jurisdiction⁴²

Professor William Robinson’s influential 1890 treatise on patent law confirms the view that because juries were too easily swayed into inflating their verdict on actual damages in order to punish an infringer, the decision to enhance damages in cases of “wanton” infringement would be reserved exclusively for the judge:

In order to provide for cases in which a verdict for the actual damages sustained would not afford complete redress to the plaintiff, the law empowers the court to increase the award of the jury to an amount not exceeding three times that fixed by the verdict. *This is distinctively the province of the court, and confers no authority upon the jury, on any ground, to transcend the limits of the actual damages which have been*

³⁹ Patent Act of 1790, § 4, *reprinted in* Edward C. Walterscheid, TO PROMOTE THE PROGRESS OF USEFUL ARTS: AMERICAN PATENT LAW AND ADMINISTRATION, 1798–1836 (Rothman 1998) (hereinafter “Walterscheid 1998”), at App. V.

⁴⁰ Patent Act of 1793, § 5, *reprinted in* Walterscheid 1998, *supra* note 39, at App. VIII.

⁴¹ Walterscheid 1998, *supra* note 39, at 228.

⁴² Patent Act of 1836, § 14, *reprinted in* Walterscheid 1998, *supra* note 39, at App. XV (emphasis added).

established by the evidence. The court exercises this power principally in cases of wanton infringement, or where the defendant has compelled the plaintiff to resort to needless and expensive litigation.⁴³

In checking a number of the cases from the 1800s that are cited by Robinson, I did not find any in which the jury was specifically asked to determine if infringement was wanton or willful. Willfulness simply was not part of the jury charge. Rather, the willfulness determination seemed to be inextricably part of the judge's decision to enhance or not enhance the amount of actual damages.

For example, in *Schwarzel v. Holenshade*⁴⁴ the plaintiff was assignee of the exclusive right to sell patented machines for separating grain in a certain five-county region of Ohio. The defendant held the exclusive right to sell the patented machine in six other counties. The lawsuit was filed after the defendant sold some infringing machines to customers in the plaintiff's territory. The plaintiff presented evidence in a jury trial that the defendant sold seven infringing machines for separating grain, and that the plaintiff's lost profit on each sale was fifteen dollars. The jury returned a verdict for one-hundred five dollars (the product of seven times fifteen). After the jury verdict, the patentee made a motion to the court for treble damages, on the ground that the infringement was "wanton and willful," which the court denied. The court stated that "the only question for the court is, whether from these facts a case is made for the exercise of the discretion of the court in ordering a judgement to be entered for three times the amount of damages returned by the jury."⁴⁵ The court concluded that based on the text of 1836 Act, there were certainly cases in which trebling might be appropriate, but this case was not one of them. "The facts did not justify the jury in giving a verdict for vindictive or exemplary damages; nor do they warrant the court in trebling the damages."⁴⁶ So we see in *Schwarzel* the court drawing its own factual conclusions about the nature of the infringement and whether it was wanton enough to justify trebling. This is consistent with the other cases cited by Robinson from throughout the 1800s.

Lastly, nothing in the current text of the 1952 Patent Act mandates that juries determine the question of willfulness. In fact, the language of 35 U.S.C. § 284 strongly supports the contrary position. Although the statute provides that "damages" may be found by a jury, the only actor with authority to "increase the damages up to three times the amount found or assessed" is the court.⁴⁷ Section 284 does not speak of "willfulness." The finding of facts concerning the culpability of the accused infringer's conduct is better viewed as integrally part of the enhancement determination, which the statute reserves exclusively for the court.

⁴³ Robinson, *supra* note 8, at § 1069 (emphasis added).

⁴⁴ 21 F. Cas. 772 (S.D. Ohio 1866).

⁴⁵ *Id.* at 773.

⁴⁶ *Id.*

⁴⁷ 35 U.S.C. § 284 provides in part that "[w]hen the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. . . ." 35 U.S.C. § 284 ¶ 2 (2000).

B. Functional Considerations

In addition to the historical record, there are important functional and practical considerations that support assigning the willfulness determination to the judge rather than the jury. Empirical data compiled by Professor Kimberly Moore⁴⁸ suggest that under the current willfulness framework, there is a significant difference in result depending upon the identity of the trier of fact, i.e., whether judge or jury makes the finding of willfulness. In Professor Moore's data set of all patent cases tried in the U.S. from 1983–2000, willfulness was decided in 657 cases.⁴⁹ Of these 657 cases, willfulness was found in 68.1% of the cases tried to a jury but in only 53.7% of bench trials.⁵⁰ This fourteen percent disparity suggests either that juries are more easily swayed by “bad actor” portrayals of accused infringers or perhaps simply that the standard for willfulness is amorphous enough to permit juries to be swayed so frequently.

Of course one cannot fault the juries entirely for their propensity to find willful infringement. Willfulness, like inequitable conduct, has become a standard charge in almost every patent infringement lawsuit. In Professor Moore's data set of 1717 patent cases terminated in 1999–2000, willfulness was alleged in the originally filed complaint in 92.3% of cases.⁵¹ The “plague on the system” charge that has been leveled against defendants' almost automatic assertions of inequitable conduct by patentees seems equally applicable to patentees charging willfulness.

Professor Moore also suggests that in many cases, judges are refraining from enhancing damages under 35 U.S.C. § 284 as a means of checking juries that are finding willfulness too often.⁵² If judges have to manipulate the enhancement decision in order to check juries on the finding of willfulness, are juries the appropriate fact finder to begin with? Or is the legal framework fundamentally flawed?

Another practical reason that willfulness should be removed from the jury is that it may taint the jury's finding on the threshold question of liability. As patent litigators Matthew Powers and Steven Carlson have pointed out, in cases where the accused infringer has raised a substantial good faith defense, permitting a patentee to paint an accused infringer as a “bad actor” with malicious intent to free-ride on the patented invention is very likely to prejudice the jury's finding on the threshold question of infringement liability.⁵³

Significant advantages flow from assigning the determination of willfulness exclusively to the courts. For example, as Powers and Carlson also have suggested, district courts could withhold determination of willfulness until after the Federal

⁴⁸ Moore, *supra* note 21.

⁴⁹ *Id.* at 11.

⁵⁰ *Id.*

⁵¹ *Id.* at 5.

⁵² *See id.* at 11 (reporting that among all patent cases tried from 1983–2000, judges awarded penalties of enhanced damages and/or attorney fees in 92.2% of the cases where the judge found willfulness but in only 58.9% of the cases where the jury found willfulness).

⁵³ *See* Matthew D. Powers and Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 111 (2001) (citing *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991)).

Circuit had blessed a jury's determination of liability and actual damages.⁵⁴ Consistent with the procedure for seeking attorney fees under 35 U.S.C. § 285, the patent owner who prevailed on appeal of the liability and actual damages issues could move, post-appeal, for enhanced damages based on willfulness under 35 U.S.C. § 284.⁵⁵ A losing infringer would thus have a strong incentive to settle the case before the district court could potentially enhance damages.⁵⁶ Moreover, discovery on willfulness could be postponed until after the appeal, and the waiver problems currently associated with production of an opinion of counsel by the accused infringer would be removed from the original trial.⁵⁷

The proposal that courts, not juries, exclusively determine the fact of willfulness as integral to the damages enhancement determination admittedly adds to the current and significant weight of responsibilities carried by U.S. district judges in patent cases. The combined judicial responsibilities of determining willfulness (as proposed herein), in addition to the district courts' existing claim interpretation responsibilities imposed by *Markman* and the prosecution history estoppel responsibilities that follow from *Festo*,⁵⁸ strongly militate for specialized patent trial courts. A number of commentators have called for the creation in the U.S. of specialized patent trial courts, in addition to the specialized appellate review already provided by the Federal Circuit.⁵⁹ Such patent-specialized trial courts already exist in several foreign countries.⁶⁰

U.S. patent policy makers would do well to revisit patent specialization at the trial level, in order to give the federal district courts the time and resources they deserve to deal with these complex issues in a meaningful way. Specialization at the trial level was considered but rejected in favor of forming the Federal Circuit in 1982.⁶¹ But 22 years later, the U.S. patent litigation landscape looks fundamentally different, both in terms of dramatic changes in substantive and procedural law and in the much greater number of patent cases being filed each year.⁶² A reevaluation of proposals to create specialized patent trial courts is in order.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359, 1367 (Fed. Cir. 2003) (en banc) (determining that rebuttal of presumption of prosecution history estoppel is a question of law for the court, not the jury, to decide).

⁵⁹ See, e.g., Arti K. Rai, *Specialized Trial Courts: Concentrating Expertise on Fact*, 17 BERKELEY TECH. L.J. 877 (2002); John B. Pegram, *Should There Be a U.S. Trial Court With a Specialization in Patent Litigation?*, 82 J. PAT. AND TRADEMARK OFF. SOC'Y 766 (2000).

⁶⁰ See Pegram, *supra* note 59, at 773–80 (discussing specialized patent adjudication in England and Japan and proposals for the creation of a "Community IP Court" in Europe).

⁶¹ See James Davis, *Formation of the Federal Circuit*, 11 FED. CIR. B.J. 547, 547 (2001) (identifying specialized patent trial courts as one of several approaches that were considered in response to perceived instability problems with patent law, but noting that "[i]n the end, the merger of the CCPA [Court of Customs and Patent Appeals] and Court of Claims turned out to be the only possible solution politically").

⁶² See Administrative Office of the U.S. Courts, *Judicial Facts and Figures*, Table 2.2 ("Civil Cases Filed by Nature of Suit"), available at <http://www.uscourts.gov/judicialfactsfigures/table2.02.pdf> (last visited Mar. 28, 2004) (reporting that for fiscal year 1988, 1,226 patent cases were filed in the U.S. district courts and that this number had risen to 2,700 by fiscal year 2002, representing a 120% increase).