

MARCH/APRIL 2022  
VOLUME 28 NUMBER 2

DEVOTED TO  
INTELLECTUAL  
PROPERTY  
LITIGATION &  
ENFORCEMENT

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and Charles W. Grimes*

# IP *Litigator*®



# Damages

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## District Court Decisions Put Willful Infringement and Enhanced Damages Issues at Center Stage

Forum shopping among patent owners pursuing claims for patent infringement is widespread. Recent decisions by district courts relating to the issues of willful infringement and enhanced damages may influence a patent owner's decision on where to file an infringement complaint. A pair of orders highlights a split among district courts—one the Federal Circuit has yet to address—on the question of whether the filing of a complaint serves as notice to an alleged infringer for claims of willful infringement. In another case, the judge held that a finding of willful infringement is not necessary to an award of enhanced damages. This article discusses these developments.

The question of what constitutes appropriate notice for a willful infringement assertion is important, as complaints alleging patent infringement often include claims for enhanced damages based on willful infringement. For such claims to survive a motion to dismiss, each must state that the accused infringer had notice both of the asserted patent and of the making, use or sale of infringing products or systems. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 579 U.S. 93, 104 (2016).

In some cases, the patent owner will satisfy the requirement of

pleading notice by contending that sometime before filing the lawsuit it sent a letter to the accused infringer notifying it of the asserted patent and the products or systems that supposedly infringe that patent.

In cases where the patent owner has not sent the other party a letter in advance of the filing of the complaint, it attempts to meet the notice requirement for claims of willful infringement by alleging that the service of the complaint provides the necessary notice. Indisputably, a plaintiff asserting notice with the filing of the complaint would not be entitled to pre-filing enhanced damages for willful infringement. But would it be entitled to those damages for purported willful infringement that occurs after the filing of the complaint? District courts (and in some cases the judges within a district) are split, and neither the Federal Circuit nor the Supreme Court has addressed the issue.

The majority of judges who have considered the issue have concluded that a plaintiff cannot pursue claims of enhanced damages for willful infringement based only on the filing of a complaint alleging such claims. Two recent cases can be added to the majority tally. First, in *ZapFraud, Inc. v. Barracuda Networks, Inc.*, 528 F.Supp.3d 247 (D. Del. 2021), Judge Connolly granted Barracuda's motion to dismiss ZapFraud's claims for willful infringement where knowledge of the claims was based solely on the filing of the complaint. *Id.*, at 252.

In a thoughtful opinion, Judge Connolly noted the split between courts and included in his decision an extensive list of cases on both sides of the issue. He chose to

follow courts that found post-suit claims untenable, reasoning that “[t]he purpose of a complaint is to obtain relief from an existing claim and not to create a claim” and that “[t]he policies that govern our patent system make the requirement of pre-suit knowledge of the asserted patents especially warranted for enhanced damages claim [because] [d]irect infringement is a strict liability tort.” *Id.*, at 251 (internal quotation marks and citations omitted.)

Even more recently, Judge Klausner of the Central District of California dismissed a claim of enhanced damages based on willful infringement where the complaint alleged knowledge from the filing of the complaint. *Ravgen, Inc. v. Quest Diagnostics Incorporated*, slip opinion, case no. 2:21-cv-9011-RGK (C.D. Cal. Jan. 18, 2022). Tackling the matter of enhanced damages first, Judge Klausner also noted that different courts have come to different conclusions on the issue, but sided with those courts that held the filing of a complaint could not be the basis of willful infringement. *Id.*, at 4. He then reasoned: “It seems beyond the pale to expect every patent defendant to cease all allegedly infringing conduct once a complaint is filed to force them to avoid enhanced damages for willful infringement.” *Id.* (internal quotation marks and citations omitted.) (Of additional interest, both Judge Connolly and Judge Klausner said the same reasoning applied to the notice required for claims of indirect infringement.)

The link between enhanced damages and willful infringement was considered in another recent case from the District of Delaware, in which Judge Andrews separated willful infringement and enhanced damages, granting the defendant's motion to dismiss the plaintiff's willful infringement allegations but allowing claims of enhanced damages to proceed. *iFit, Inc. v. Peloton*

*Interactive, Inc.*, slip opinion, case no. 1:21-cv-00507-RGA (D. Del. January 28, 2022). The ruling begins by concluding that iFit could not pursue an action for willful infringement because, among other reasons, it did not allege a legally plausible theory of pre-suit knowledge of the asserted patents. Judge Andrews, therefore, granted Peloton’s motion to dismiss the claim of willful infringement. *Id.*, at 3–4.

Judge Andrews went on, however, to analyze independently iFit’s assertion of enhanced damages. He declared he was “not prepared to say that a finding of willfulness at trial is an absolute prerequisite to an award of enhanced damages,” noting that the Supreme Court has said only that enhanced damages may apply in “egregious cases typified by willful misconduct.” *Id.* at 4–5, quoting from *Halo Elecs.*, 579 U.S. at 106 (emphasis of Judge Andrews). As to the kind of “egregious” conduct outside of willful infringement that might give rise to an award of enhanced damages, Judge Andrews hypothesized about a witness perjuring himself in deposition or at trial, but otherwise did not elaborate as to what may or may

not support enhanced damages. *Id.*, at 5. Finally, Judge Andrews pointed out that Peloton had not cited any cases stating that claims for enhanced damages must fail in the absence of willful infringement, but notably did not similarly discuss that iFit had also not cited any cases to support its contrary position. *Id.* Although Judge Andrews’s decision in *iFit* is somewhat unusual, it should be noted that it is not inconsistent with the statute that provides for enhanced damages, 35 U.S.C. § 284, which does not actually contain the term “willful infringement.”

These are important issues on the subjects of willful infringement and enhanced damages. Hopefully the Federal Circuit will weigh in on them in the near future, particularly as to the notice issue because of the split among district courts. With respect to the notice requirement, a particular district court’s position on post-filing claims of indirect and willful infringement may influence a patent owner’s choice of forum. A defendant should early on become familiar with the position of the court in which it has been sued (or even the judge to which the case has been assigned) on the issue of

post-filing willful infringement liability. It could have a profound effect on the defendant’s exposure and, ultimately, the value of the case.

In contrast, while important, Judge Andrews’s ruling in *iFit* will not likely have far-reaching implications. The opinion only permits iFit to proceed with its assertion of enhanced damages at the motion to dismiss stage, and iFit will have to overcome significant evidentiary hurdles to preserve such claim through trial. The existence of facts in any case (including the *iFit* case) evidencing actions by the defendant that might qualify as “egregious conduct” and support a claim of enhanced damages in the absence of willful infringement is probably rare. Nevertheless, if other courts choose to follow Judge Andrews’s reasoning, accused infringers will have a harder time knocking out claims for enhanced damages at the pleadings stage.

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