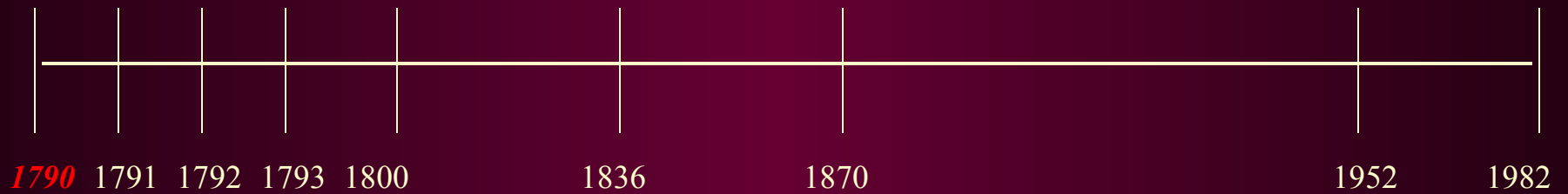


Willful Infringement Prior to the Federal Circuit: Statutes and Cases



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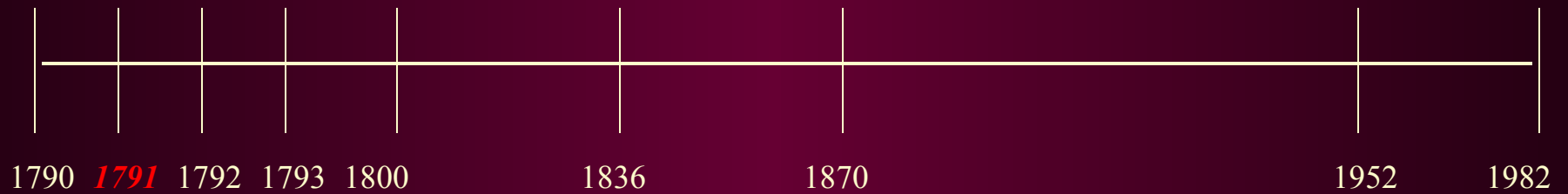


The first patent damage statute had two components:

1. Damages
2. Forfeiture

*And be it further enacted, that if any person or persons shall devise, make, construct, use, employ, or vend within these United States, any art, manufacture, engine, machine or device, or any invention or improvement upon any art, manufacture, engine, machine or device, the sole and exclusive right of which shall be so as aforesaid granted by patent to any person or persons, by virtue and in pursuance of this act, without the consent of the patentee or patentees, their executors, administrators, or assigns, forfeit and pay to the said patentee or patentees, his, her or their executors, administrators, or assigns such **damages** as shall be assessed by a jury, and moreover shall **forfeit** to the person aggrieved, the thing or things so devised, made, constructed, used, employed or vended, contrary to the true intent of this act, which may be recovered in an action on the case founded on this act.*

Patent Act of 1790, Ch. 7, 1 Stat. 109-112 (1790) at § 4 (emphasis added).

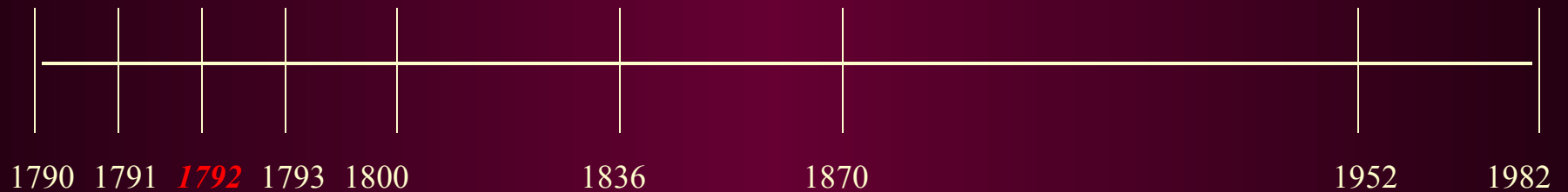


Because there was not a good method of categorizing patents and publishing them, a defense of innocent infringement was proposed.

And any person making or selling the thing so invented without permission as aforesaid shall be liable to an action at law, and to such damages as a jury shall assess, unless he can show that the same thing was known to others before the date of the Treasurer's receipt and can show such probable grounds as the nature of a negative proof will admit that that knowledge was not derived for any party from, through or in whom the right is claimed or **unless he can show on like grounds that he did not know that there existed an exclusive right to the said invention**, or can prove that (the same is so unimportant and obvious that it ought not to be the subject of an exclusive right, or that) the description, model, specimen or ingredients deposited in the office of the Secretary of State do not contain the whole matter necessary to possess the public of the full benefit thereof after the expiration of the exclusive right, or that they contain superfluous matters intended to mislead the public, or that the effect pretended to cannot be produced by the means described.

H.R. 121, 1st Cong. (1791) (emphasis added).

The inability to search for patents existed until after 1836. In 1836, Senate Document 338 stated that the Patent Office was "crowded together in a manner unfavorable for exhibition or examination. In such a situation, it is impossible to give them any systematic or scientific arrangement." S. Doc. No. 338, 24th Cong., 2d Sess. at p. 7. As a result of the problems with the Patent Office in 1836, the Senate Document proposed that the Patent Office be reorganized, to "secure to it a character altogether above a mere clerkship." *Id.* at p. 4. As part of the reorganization of the Patent Office, the document called for the organization of the patent models and the patent literature to allow for searching of an invention's novelty and usefulness. Document 338 recommended a bill that required the patentee to submit specifications, drawings, and descriptions of the invention and it recommended that the Patent Office keep a record of issued patents "in books to be kept for that purpose." *Id.* at p. 10.



In 1792, another bill was introduced. It was similar to the 1791 bill. The 1792 bill was criticized heavily by Joseph Barnes. He believed that damages were insufficient under the 1790 patent statute. Mr. Barnes wrote...

'Tis a well-known fact, that the people, in the remote parts of the states, for *wont* of *right* information, are opposed to all patent rights, upon this principle that *they* conceive of them to be *monopolies*: in consequence of which, should one of their neighbors construct, for instance, [and improve mill] by which they are *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 *one dime* damages in favor of the patentee, as an *indication* for him, *not* to visit them again.

E. Walterscheid, *To Promote the Progress of Useful Arts: American Patent Law and Administration, 1785 to 1836*, 210 (1998) (underlining added).

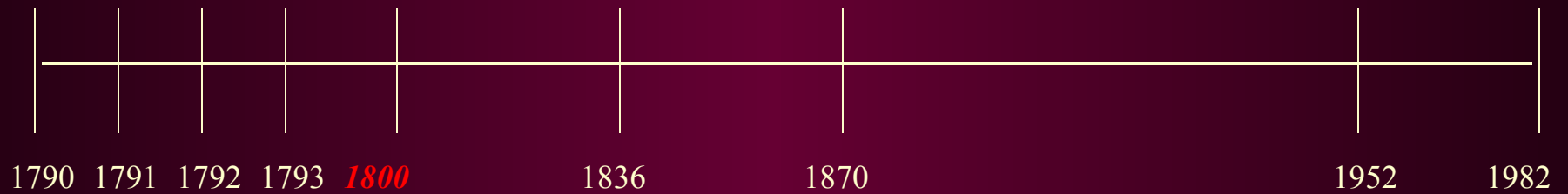


As a reaction to perceived parochialism, the statute was changed to increase damages to three times the patentee's selling price.

The seeds of the modern willfulness statute were planted...

And be it further enacted, that if any person shall make, devise, **and** use, or sell the thing so invented, the exclusive right of which shall, as aforesaid, have been secured to any person by patent, without the consent of the patentee, his executors, administrators or assigns, first obtained in writing, every person so offending, 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; which may be recovered in an action on the case founded on its act in the circuit court of the United States, or any other court having competent jurisdiction.

Patent Act of 1793, Ch. 11, 1 Stat. 318 (1793) at § 5 (emphasis added).



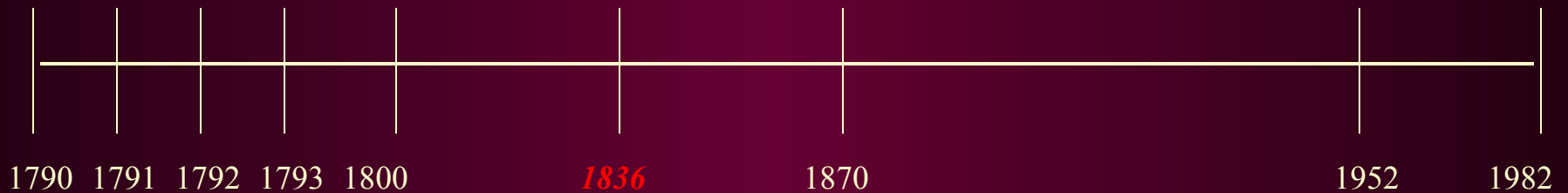
In reaction to the damage statute of 1793, courts found a loophole in it to avoid imposing the perceived harsh penalty it imposed.

One way courts avoided applying the statute was to interpret it to require that a patentee could only recover treble damages if the infringer made, used and sold the invention. This interpretation apparently was used to restrict the damages that Eli Whitney was able to recover on his cotton gin patent in 1796.

Congress closed the loophole in 1800...

In 1800, the damage provision was amended to provide for damages against those who "shall make, devise, [and] use **or** sell" the patented invention.

Act of April 17, 1800, Ch. 25, 2 Stat. 37 (1800) (emphasis added, deletion from 1793 statute bracketed).



After 1800, the loophole was closed but the harsh treble damage provision remained on the books.

In 1836, Congress gave courts the discretion to award some or all of the treble damages under the 1800 statute...

And be it further enacted, that whenever, in any action for damages for making, using, or selling the thing whereof the exclusive right is secured by any patent heretofore granted, or by any patent which may hereafter be granted, 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, 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 jurisdiction, to be brought in a name or names of the persons or persons interested, whether as patentees, assigns, or as grantees of the exclusive right within and throughout a specified part of the United States.

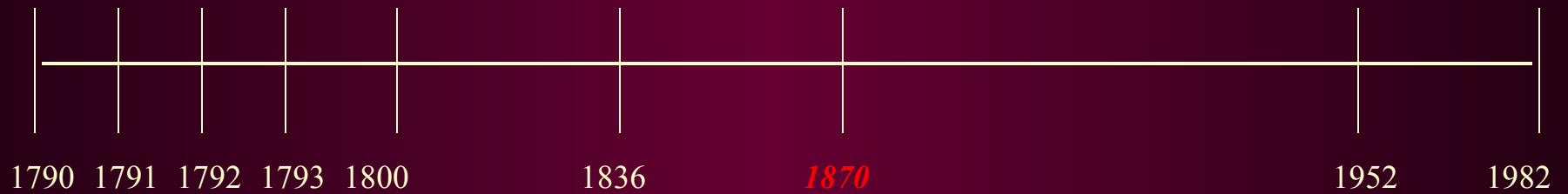
Act of 1836, Ch. 357, 5 Stat. 117 (1836) at § 14 (emphasis added).

The Supreme Court for the first time interpreted the damage statute of 1836 and set the stage for the concept of willful infringement:

“Experience has shown the very great injustice of a horizontal rule equally affecting all cases, without regard to their peculiar merits. The defendant who acted in ignorance or good faith ... was made liable to the same penalty with the **wanton and malicious pirate**. This rule was manifestly unjust. For there is no good reason why taking a man’s property in an invention should be trebly punished, while the measure of damages as to other property is single and actual damages. It is true, where the injury is **wanton or malicious**, a jury may inflict vindictive or exemplary damages, not to recompense the plaintiff, but to punish the defendant.

In order to obviate this injustice, the Patent Act of 1836 confines the jury to the assessment of ‘actual damages.’ **The power to inflict vindictive or punitive damages is committed to the discretion and judgment of the court within the limit of trebling the actual damages found by the jury.”**

Seymour v. McCormick, 57 U.S. 480, 489 (1853).



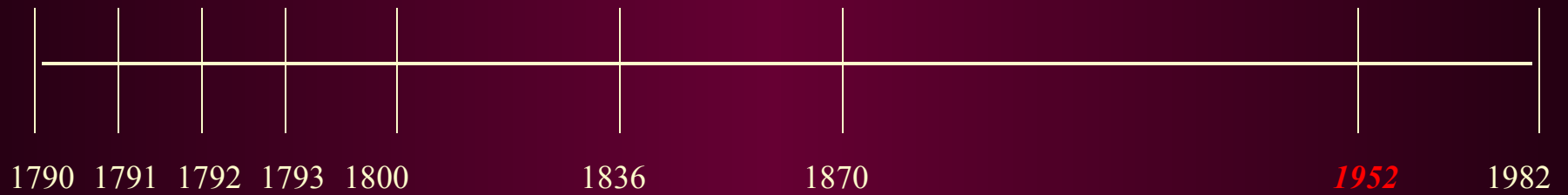
In 1870 the damage statute was redrafted but it was not substantially changed.

[W]henever in any [patent infringement] action a verdict shall be rendered for the plaintiff, the court may enter judgment thereon 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, together with the costs.

Ch. 230, § 59, 16 Stat. 198, 207 (1870).

In 1915, the Supreme Court again commented on the damages statute, this time on the damages statute of 1870. The earlier concept of “wanton and malicious” infringement became “wanton” and “wilful [sic]” infringement. *Dowagiac Mfg Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915).

The modern terminology for “willful infringement” was born.



In 1952, the statute was again rewritten without substantial change....

When 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

The present statute, which was enacted in 1952, simply “consolidates the provisions relating to damages” from the previous version of the patent law.

S. Rep. No. 82-1979, at 29 (1952); H.R. Rep. No. 82-1923, at 29 (1952).

1953

In *Bristol Labs Inc. V. Schenley Labs, Inc.*, 117 F. Supp. 67 (S.D. Ind. 1953), a patent covering injectable penicillin was at issue.

- The defendant had not thought of making penicillin injectable prior to seeing the plaintiff's product.

- The defendant had done substantial research on other penicillin forms but had essentially failed in those efforts.

- When the market adopted the injectable product, defendant copied it and abandoned its old form of penicillin.

- The defendant's conduct was found to be "intentional, willful and deliberate" infringement.

1954

“[The defendant] had before him and copied Plaintiff’s soldering gun Model WS-200. ... This constitutes aggravated infringement not present in the usual patent infringement suit.

Weller Mfg. Co. v. Wen Products, Inc., 121 F. Supp. 198 (N.D. Ill. 1954).

1960

-Patent on an automatic record changing spindle.

-The court found that the predicate for trebling damages was present in the case but reserved the issue until after damages had been determined:

“While it is true, as we found, that defendant’s officials finally reached the place where they instructed their engineering staff to copy plaintiff’s patent if necessary in order to expedite the situation in which they found themselves, we are of the opinion that trebled damages if awarded thereon should be determined after and not before an accounting....”

Zenith Radio Corp. v. Admiral Corp., 190 F. Supp. 41 (W.D. Okla. 1960).

1966

Willful infringement was considered a very serious transgression and even direct copying might not have been punished as willful:

“Notwithstanding the finding and conclusion that Atlas copied and infringed claims 3 and 4 of the plaintiff’s patent, it is my conclusion that the infringement is not and has not been deliberate, willful and wanton.”

M&W Elect. Mfg. Co. v. Gatto Elect. Supply Co., 260 F. Supp. 891 (N.D. Ill. 1966).

1969

“Both the special master and district court found that appellants ‘faithfully copied’ appellee’s machine and that appellants ‘willfully trespassed upon plaintiff’s patent rights with deliberation and knowledge.’ This finding is consistent with the opinion of this court calling attention to appellant’s decision ‘to make a facsimile of the Amco machine “and take our chances,”’ and our holding that because ‘joined with improper and deceitful marketing methods the making of the Chinese copies becomes unlawful, in the absence of the taking of reasonable and proper steps by (appellants) to distinguish their machines from the Amcos.’”

American Safety Table Co. v. Joseph Schreiber, 415 F.2d 373 (2d Cir. 1969).

1975

An attorney opinion precludes a finding of willfulness:

We find no substantial evidence to support the finding that infringement was willful and wanton. ... The record does not indicate that Calgon was aware of the patent until Gaddis called this fact to its attention in the spring of 1969. Gaddis was thereafter promptly informed that it was the opinion of Calgon's staff that the Gaddis patent was not valid and therefore not infringed. Calgon's reliance on non-validity was buttressed by the opinion obtained from its independent Pittsburgh patent counsel on July 30, 1969. ... There is no suggestion in the record to indicate that the Pittsburgh patent law firm opinion was not a bona fide one or that Calgon did not act in good faith in requesting it.

Gaddis v. Calgon Corp., 506 F.2d 880 (5th Cir. 1975).

1975

In *Feed Service Corp. v. Kent Feeds*, the invention related to a livestock feed supplement with added ethanol.

-Defendant told the Plaintiff that it did not infringe the patent based on its testing. The Defendant would not produce the testing and at trial it turned out that it had no testing.

-Defendant admitted at trial that it had no prior art.

-Defendant's own legal expert disagreed with some of the non-infringement positions of Defendant's management.

-Defendant argued that it did not have ethanol and used "fermented molasses" instead, but its literature said its product contained ethanol.

-The court found willful infringement.

Feed Service Corp. v. Kent Feeds, Inc., 185 USPQ 745 (N.D. Ill. 1975).

1977

The invention related to fetal monitoring.

- Defendant sold its version of a fetal monitor prior to seeing Plaintiff's
- After seeing Plaintiff's monitor, Defendant copied it and discontinued its old monitor
- Defendant discontinued manufacturing the copied monitor when it was able to convince the supplier of Plaintiff's monitor to make one for Defendant.
- "Defendant has willfully, deliberately and intentionally infringed the patent in suit, justifying punitive damages and reasonable attorney's fees."

Corometrics Medical Systems, Inc. v. Berkelyey Bio-Engineering, Inc., 193 USPQ 467 (N.D. Cal. 1977).

1980

The “duty of care” standard starts to come forward.

“UBC’s copying activities evidenced that its conduct in manufacturing and selling infringing modems after [the patent issued] was intentional and deliberate, in willful disregard of Milgo’s rights, rather than merely accidental or negligent. UBC’s copying activities belie its contention that it proceeded to manufacture and sell modems with a good-faith belief that there was no infringement. ... Once UBC had actual notice of Milgo’s patent rights, UBC was under an affirmative duty to exercise due care to determine whether or not it was infringing Milgo’s patents. ... UBC did not heed the suggestion of its vice president ... that its modems might be infringing, and made no effort to secure an opinion from patent counsel. ... Many courts have held that faithful copying of a patented product shows an intentional disregard for the patent owner’s rights and supports an award of increased damages....”

Milgo Elect. Corp. v. United Bus. Comm. Corp., 623 F.2d 645 (10th Cir. 1980)

Pre Federal Circuit

- Willfulness damages were generally limited to knowing, wonton infringement.
- Most cases involved at least slavish copying and often also had other bad facts.
- Just prior to the formation of the Federal Circuit, the “affirmative duty of due care” language was introduced into the case law and was adopted by the Federal Circuit.

The End

