

IN THE SUPREME COURT OF THE UNITED STATES

PRIMERO CLEANER, INC., Petitioner,

v.

STANLEY STEELERS CORPORATION, Respondent.

The petition for a writ of certiorari is granted. The parties are directed to brief the following questions:

(1) Whether the court below improperly abrogated the plain meaning of 35 U.S.C. § 284 by forbidding any award of enhanced damages unless there is a finding of “willfulness” under a rigid, two-part test, when this Court rejected last term an analogous framework imposed on 35 U.S.C. § 285, the federal statute providing for attorneys’ fee awards in “exceptional cases;” and

(2) Whether a district court’s decision to award enhanced damages under 35 U.S.C. § 284 is entitled to deference on appeal.

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF WEST NEVADA**

PRIMERO CLEANER, INC.

v.

STANLEY STEELERS CORPORATION

**ORDER REGARDING PLAINTIFF’S POST-VERDICT
MOTION FOR ENHANCED DAMAGES**

Before the Court is Plaintiff Primero Cleaner, Inc.’s (“Primero”) post-verdict motion seeking enhanced damages against Defendant Stanley Steelers Corporation (“Stanley”) for willful infringement under 35 U.S.C. § 284. For the reasons set forth below, Plaintiff’s motion is GRANTED.

Factual Background

Primero and Stanley are the market leaders for orthopedic pulsed lavage equipment. An orthopedic pulsed lavage device is a combination spray-gun and suction-tube, used by medical professionals to clean wounds and tissue during surgery. In this case, Primero sued Stanley, alleging that Stanley’s line of “Mirror Plus” pulsed lavage devices infringed three of Primero’s patents: U.S. Patent No. 6,022,329 (“the 329 patent”), U.S. Patent No. 7,144,383 (“the 383 patent”), and U.S. Patent No. 6,179,807 (“the 807 patent”). After claims

construction and a round of summary judgment, one infringement claim and twenty-two invalidity defenses remained for trial.

After two weeks of trial—featuring hundreds of exhibits and more than a dozen witnesses—and multiple days of deliberation, the jury returned a verdict unequivocally in Primero’s favor. In particular, the jury found: (1) that the Mirror Plus products infringed claim 2 of the 329 patent; (2) that Stanley failed to establish any of its twenty-two invalidity contentions; and (3) that Primero was entitled to \$70 million in lost profits. The jury also found that Stanley willfully infringed the valid claims under the patents in suit.

The jury’s verdict for Primero means that the present post-verdict motion for enhanced damages must be evaluated against the prevailing narrative at trial. Here is a summary of that narrative. Through the proceedings, the jury learned that pulsed lavage devices had, for years, served an important function in surgical procedures: cleaning out wounds and removing necrotic tissue from wound sites. Early-model pulsed lavage devices were bulky and required a centralized power source. They had to be wheeled around a hospital, from one room to another. Primero solved the problems associated with the size and power needs of pulsed lavage devices by designing a portable, disposable, battery-powered, hand-held pulsed lavage device. Stanley’s manufacturing manager and Rule 30(b)(6) witness agreed that the Primero products were “pioneering.”

Stanley had no answer for Primero's new technology and saw its market share fall precipitously, to the point where Stanley's presence in the pulsed lavage marketplace was at risk. Rather than relying on its own engineers to develop an alternative, Stanley hired an independent contractor with no experience in pulsed lavage devices to design and manufacture a competing product. In essence, Stanley handed the independent contractor a copy of Primero's product and said, "Make one for us." Under those conditions, it is not surprising that the finished Stanley product turned out to look and function exactly like Primero's product. With its new device on hand, Stanley quickly placed its product in direct competition with Primero. In doing so, Stanley did not seek advice of outside patent counsel to assess any potential claims for patent infringement, or to opine on the validity of Primero's patents.

Once Stanley introduced its competing product, there was fierce, direct market competition between Primero and Stanley. Stanley constantly sought to lure customers away from Primero and had a fair amount of success in doing so with its new, nearly identical, product.

In due course, Primero filed this suit against Stanley, alleging infringement of the 329, 383, and 807 patents. Stanley lost every argument it advanced at claim construction, and subsequently lost most of the disputed claims on summary judgment. It lost all of its remaining claims at trial. At the time the jury announced

its verdict, Stanley had not changed its product design. This is consistent with both the market and litigation strategy that Stanley has followed for years.

Stanley chose a high-risk/high-reward strategy of competing immediately and aggressively in the pulsed lavage market and opted to worry about the potential legal consequences later, if ever. When Primero sued, Stanley's able counsel offered the most plausible defenses that were available to them.

Ultimately, however, the trial demonstrated that this was not a close case. The relative quality of the expert testimony on liability was notably favorable to Primero. On damages, the quality of the expert testimony was closer, but still favored Primero. Stanley ultimately stuck with an "all or nothing" damages defense—rather than trying to chip away at Primero's proposed lost profit number or its alternative theory—and lost, as the jury's verdict demonstrates.

Analysis

Under section 284 of Title 35, damages may be enhanced up to three times the compensatory award. 35 U.S.C. § 284 (“[T]he court may increase the damages up to three times the amount found or assessed.”). Whether and to what extent enhanced damages should be awarded “remains firmly within the scope of the district court’s reasoned discretion, informed by the totality of circumstances.” *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 670 F.3d 1171, 1191 (Fed. Cir. 2012). “The paramount determination in deciding to grant enhancement

and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992). In evaluating the egregiousness of the defendant's conduct, courts typically rely on the nine *Read* factors, which are:

- (1) whether the infringer deliberately copied the patentee's ideas or design;
- (2) whether the infringer investigated the scope of the patent and formed a good faith belief that it was invalid or not infringed;
- (3) the infringer's conduct during litigation;
- (4) the infringer's size and financial condition;
- (5) closeness of the case;
- (6) duration of the infringing conduct;
- (7) remedial actions, if any, taken by the infringer;
- (8) the infringer's motivation for harm; [and]
- (9) whether the infringer attempted to conceal its misconduct.

Id. at 826–27. In this case, all nine *Read* factors favor substantial enhancement of the jury's award.

As to the first factor, multiple trial witnesses testified that Stanley deliberately copied Primero's patented inventions. On the second factor, Stanley presented no evidence that it investigated the scope of Primero's patents to form a good faith belief about invalidity or infringement, militating in favor of enhancement. The third factor also favors enhancement, to the extent Stanley

needlessly delayed in producing requested information concerning its Mirror Plus patent application. With respect to the fourth factor, Stanley is a multi-billion dollar corporation with reported annual profits in excess of a billion dollars. A \$70 million verdict sounds large in the abstract, but in context, it may not be enough, without enhancement, to deter infringing conduct.

As to the fifth factor, as the Court noted earlier and as reflected in the jury's verdict, this was not a close case. Every major decision—from claim construction through post-verdict motions—went against Stanley. On the sixth factor, Stanley's infringement spans more than a decade, from 2000 all the way through the present—a considerable amount of time. And, with respect to the seventh factor, at no point during its 15 years of infringement did Stanley take any remedial action to stop infringement or mitigate damages, including during the years covered by this litigation. In fact, to this very day, Stanley continues to manufacture and sell the infringing products.

The eighth factor counsels in favor of enhancement principally because Stanley and Primero are the only major competitors in the orthopedic pulsed lavage device market, so Stanley's infringement of Primero's patents can only have been motivated by a desire to harm Primero by depriving it of market share and increasing its own. Finally, on the ninth factor, although Stanley did not

attempt to hide the entirety of its misconduct, it did attempt to prevent Primero from discovering certain aspects of its infringement in the run up to trial.

Because the *Read* factors so overwhelmingly favor enhancement, the real question here is not whether enhancement is warranted, but how much enhancement is appropriate. Given the one-sidedness of the case and the flagrancy and scope of Stanley's infringement, the Court concludes that treble damages are appropriate here.

Accordingly, Plaintiff's Motion for Enhanced Damages is **GRANTED**. The Court awards Primero treble damages on the jury's \$70 million verdict.

IT IS SO ORDERED.

s/K. Ren

United States District Court Judge

**UNITED STATES COURT OF APPEALS
FOR THE PATENT CIRCUIT**

PRIMERO CLEANER, INC.,
Plaintiff-Appellee,

v.

STANLEY STEELERS CORPORATION,
Defendant-Appellant,

Before: ORGANA, SOLO, and SKYWALKER, Circuit Judges.

OPINION

L. ORGANA, Circuit Judge:

Appellant Stanley Steelers Corporation (“Stanley”) appeals from the final judgment of the United States District Court for the District of West Nevada that U.S. Patent Nos. 6,022,329 (“329 patent”), 6,179,807 (“807 patent”), and 7,144,383 (“383 patent”) were valid and willfully infringed. For the reasons stated below, we reverse the district court’s judgment that Appellant’s infringement was willful, and, accordingly, we vacate its award of treble damages.

DISCUSSION

In order to collect enhanced, punitive damages under 35 U.S.C. § 284 a patentee must show that the infringer willfully infringed. Establishing willful infringement of a valid patent requires a two-prong analysis entailing an objective

and a subjective inquiry. First, “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc). “The state of mind of the accused infringer is not relevant to this objective inquiry.” *Id.* Second, if the “threshold objective standard is satisfied, the patentee must also demonstrate 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.” *Id.* Objective recklessness, however, will not be found where the accused infringer’s “position is susceptible to a reasonable conclusion of no infringement.” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1310 (Fed. Cir. 2011). Further, objective recklessness, even though “predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review.” *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1006-07 (Fed. Cir. 2012).¹

¹ The dissent argues that the plain text of § 284 commits the determination of whether to award enhanced damages to the discretion of the district court. But even if that were true, discretion does not mean that *all* aspects of a damages award are reviewed the same way on appeal. A district court’s factual findings are reviewed for clear error, but the Supreme Court has repeatedly held that questions of law, such as objective recklessness (which may require deciding claim construction—a purely legal question), are reviewed *de novo*. *See, e.g., Miller v. Fenton*, 474 U.S. 104 (1985). This is true even where legal questions are resolved as part of a larger issue left to the district court’s discretion.

In the present case, the district court completely failed to undertake an objective assessment of Stanley’s specific defenses to Primero’s claims. An objective assessment of the case shows that Stanley presented reasonable defenses to all of the asserted claims of Primero’s patents. Our *de novo* and independent review of the record below shows the following:

First, with respect to the ’329 patent, the motor in the Stanley’s Mirror Plus is located in the nub at the rear of the barrel of its pistol-shaped device. Primero’s infringement case relied on first persuading the district court to broadly construe the claim term “handle” to include the barrel of a pistol-shaped device—even though the patent specification only describes the handle and barrel separately. Then, Primero had to persuade the jury that the barrel nub was a part of the device “designed to be held by hand,” even in light of prosecution history in which Primero distinguished between the location of the motor in the handle as opposed to the barrel. Though Primero ultimately prevailed, Stanley’s arguments were not *unreasonably* founded on the plain meaning of “handle” in the context of a pistol-shaped device, the specification’s exclusive disclosure of pistol-shaped devices, and the prosecution history—all on which it could have relied to provide notice of what the patent claims covered.

Second, with respect to the ’807 patent, the specification only disclosed female nozzles on the front end of the device and male nozzles on the removable

tip, which would be consistent with the claim requiring that the front end “receive” the tip. Stanley’s devices had the exact opposite configuration: tapered male nozzles on the front end and female nozzles on the tip. Furthermore, the prior art “Super Clean” devices included all of the asserted claims’ limitations except one. In light of the district court’s claim construction, Primero’s defense to Stanley’s argument relied on persuading the jury that even though the tip’s nozzles could fit into the hand piece and be held in place through friction with internal housing grooves, that did not mean they were “secured or fastened.” Again, though Primero prevailed, Stanley’s defenses were not *unreasonable*.

Third, with respect to the ’383 patent, Stanley’s obviousness argument relied on a combination of references that was also raised by a PTO examiner during Primero’s prosecution of a related patent application—in an office action that occurred during discovery in this litigation. Stanley’s reliance on this combination was not without reason, in particular since the references related to pressured water irrigation systems used in hospitals and clinics. Therefore, even if Stanley’s defenses failed at trial, it still made a *reasonable* case that the ’383 patent’s asserted claims were obvious and thus invalid.

In sum, we find that Stanley’s defenses to the infringement of each patent claim that Primero asserted were not *objectively unreasonable*, and, therefore, it did not act recklessly. Accordingly, enhanced damages are not appropriate.

Our dissenting colleague argues that the Supreme Court’s decisions last term in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) and *Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014) influence this case and command a different result. They do not. This case and *Octane Fitness/Highmark* involve different statutes—Sections 284 and 285, respectively—that serve very different purposes and have very different effects. The issue in *Octane Fitness* and *Highmark* was the proper test and standard of review for awarding attorneys’ fees for exceptional cases under Section 285. The issue here is enhanced damages under Section 284. Those issues are fundamentally different and dictate different governing tests and standards of review.

The key distinction is simple, but critical. Attorneys’ fees are *compensatory*. Enhanced damages are *punitive*. In *Octane Fitness*, the Court explained that compensatory attorneys’ fees may be awarded under Section 285 for merely “unreasonable” litigation conduct. *Octane Fitness*, 134 S. Ct. at 1755-57. Unreasonable conduct is not enough, however, for enhanced damages under Section 284. Rather, as the Supreme Court explained over 160 years ago, punitive or enhanced damages require willful infringement. *Seymour v. McCormick*, 57 U.S. 480, 488-89 (1853). Willfulness requires reckless behavior, which the Court has held requires “conduct violating an objective standard.” *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 68-69 (2007); *Seagate*, 497 F.3d at 1370-71 (citing *Safeco* for

the proposition that recklessness is judged against an objective standard). *Safeco*, and the objective standard it requires, were neither expressly nor implicitly overruled by *Octane Fitness* or *Highmark*. Accordingly, the revised test that the Court established in *Octane Fitness* for attorneys’ fees does not and should not apply to the analysis for enhanced damages under Section 284.

CONCLUSION

For all the foregoing reasons, we **REVERSE** the district court’s determination of willful infringement and **VACATE** its award of trebled damages.

SOLO, Circuit Judge, dissenting:

This case raises important questions of law that implicate the key aims of the patent system: promoting and protecting innovation while deterring wholesale copying of patented inventions. The Patent Act provides, in simple and discretionary terms, that district courts “may increase . . . damages up to three times the amount found or assessed.” 35 U.S.C. § 284. But this Court has effectively stripped district courts of the discretion to enhance patent damage awards for prevailing patentees by imposing a rigid “willfulness” framework on top of this otherwise flexible statute—even when, as the present case amply demonstrates, the infringer brazenly stole its competitors’ “pioneering” intellectual property. It is time to reevaluate the standard for the imposition of enhanced

damages in light of the Supreme Court’s recent decisions in *Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014) and *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

Contrary to the majority opinion’s decree, Supreme Court precedent does not require a finding of willfulness before a district court may award enhanced damages under Section 284. *See Seymour v. McCormick*, 57 U.S. 480, 489 (1853) (recognizing that “wanton or malicious” injury *could* support “punitive damages” under the then-existing enhancement statute). Indeed, the plain language of Section 284 is silent as to willfulness. Nevertheless, before even considering the propriety of enhanced damages, the majority requires patentees to prove, by clear and convincing evidence no less, that an infringer’s defenses were objectively unreasonable, and if so, that the infringer acted in subjective bad faith. The Court then conducts a *de novo* review of the objective reasonableness of an infringer’s defenses, giving no deference to the district court’s assessment of an infringer’s positions. But just last term, the Supreme Court wholly rejected an analogous framework imposed by the Federal Circuit on the discretionary statute governing attorneys’ fee awards in patent cases.

In *Octane Fitness*, the Supreme Court rejected a similar two-part test because it “superimposes an inflexible framework onto statutory text that is inherently flexible,” has “no roots in the text of § 285,” and “is so demanding that

it would appear to render § 285 largely superfluous.” *Octane Fitness*, 134 S. Ct. at 1756-58. The same is true here. Section 284, like Section 285, is a flexible provision that imposes no mechanical prohibitions on when district courts can enhance damages. In fact, Section 284 is even more flexible than Section 285, because Section 284’s text imposes no limits on the district court’s discretion to enhance damages, while Section 285 restricts fee-shifting to “exceptional” cases.

This Court’s current willfulness framework undermines the intended deterrent effect of Section 284 by immunizing infringers from enhanced damages so long as they present at least one plausible or “reasonable” defense at the post-trial appellate stage. In other words, under this Court’s rule, an adjudged infringer can copy a direct competitor’s pioneering invention in bad faith but escape punitive damages simply by engaging skilled counsel to advance an unsuccessful but ultimately credible defensive argument on appeal, regardless of whether the infringer relied on or even knew about that defense prior to engaging in its infringing acts. This is wrong. It emboldens would-be infringers to steal intellectual property for their own commercial gain and discourages firms (like *Primero*) from investing the resources to solve seemingly intractable problems.

And, in all events, even if willfulness is properly a prerequisite for enhanced damages in patent cases—which it is not—district courts should have discretion to consider all relevant evidence (objective, subjective, or anything in between) in

making willfulness determinations, and to weigh that evidence accordingly. The Federal Circuit has already devised a multi-factor, discretionary test for enhanced damages that accounts for the relevant willfulness considerations. Under existing jurisprudence, the so-called *Read* test assists a district court in considering whether and by how much to enhance damages. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-28 (Fed. Cir. 1992). That is what the district court properly did below and its judgment should be entitled to deference now. *See Highmark*, 134 S. Ct. at 1748 (“Because § 285 commits the determination whether a case is ‘exceptional’ to the discretion of the district court, that decision is to be reviewed on appeal for abuse of discretion.”); *compare* 35 U.S.C. § 285 (“The *court* in exceptional cases may award reasonable attorney fees to the prevailing party”), *with* 35 U.S.C. § 284 (“the *court* may increase the damages up to three times the amount found or assessed.”) (emphases added).

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For these reasons, I respectfully dissent.