

Judge Albright Addresses Willfulness, FRAND, & Patentability on Judicial Panel

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On July 28, 2020, the [Federal Circuit Bar Association](#) and [Berkeley Center for Law & Technology](#), in cooperation with [The Sedona Conference](#), presented a [panel discussion](#) on hard issues in patent infringement litigation today: the current state of play for willfulness, patent eligibility, FRAND, and ways to manage the uncertainty of each.

Federal Circuit Appellate Judge Kathleen M. O'Malley and Federal District Court Judges Alan D. Albright (WDTX) and Cathy Ann Bencivengo (CASD) joined The Sedona Conference Patent Litigation Working Group Chairs Matt Powers and Eric Hutz for an engaging discussion on these issues.

Willfulness

After Matt Powers walked through the current state of play for willfulness, Judge Bencivengo and Judge Albright discussed when and how they are addressing the issue. Regarding the pleadings stage, Judge Bencivengo noted the complaint must include an accusation of awareness of the patent at issue and not the patent portfolio as a whole. Judge Albright discussed his practice of granting motions to dismiss claims of pre-suit willful infringement without prejudice. He indicated that he would still permit plaintiffs to take discovery on such issues after *Markman* (once discovery in his Court opens).

Mr. Powers noted that some have argued the Federal Circuit's decisions in *Eko Brands* and *SRI* created confusion in the law as to whether the willfulness analysis focuses on intentionality of the infringement or egregiousness of the infringement. Judge O'Malley, however, walked through how *Halo*, *WBIP*, *SRI*, and *Eko Brands* hang together, making clear that the concept of willfulness and the concept of egregiousness are separate. Similarly, both Judge Bencivengo and Judge Albright noted if they were to take the question of willfulness away from the jury, their analysis at summary judgment would focus on intentionality of the infringement as opposed to egregiousness. Judge Bencivengo noted that her focus is on the facts to support intentionality, even though she sees a lot of characterization in place of facts.

The panel then turned to bifurcation. At trial, Judge Bencivengo and Judge Albright were generally not in favor of bifurcating willfulness, but indicated they would consider the particular facts of the case. Judge O'Malley also noted that section 284 is for the district court judge, post-trial, which means there is a built-in bifurcation for the issue. The

jury's willfulness finding is not enough, and the district court may need additional evidence which can be heard outside the presence of the jury during or after trial. Rule 403 is there to the extent the alleged infringer believes that any evidence is only related to the issue of egregiousness. The panel agreed a lot of what gets presented is attorney argument, instead of facts.

The judges also discussed the language in Halo, "characteristic of a pirate." None of the judges are inclined to include "characteristic of a pirate" in their jury instructions. As for the genesis of this language, Judge O'Malley masterfully directed everyone to the Second Circuit case: *Brown Bag Filling Mach. Co. v. Drohen*.

FRAND

After Eric Hutz clearly and succinctly reviewed the current state of FRAND, the panel discussed that how FRAND issues are decided depends on how the FRAND issues are presented. Judge Bencivengo mostly sees FRAND presented in declaratory judgment actions where the parties are not willing to agree to interim measures such as paying royalties into escrow or paying a flat rate during the pendency of the case. Judge Bencivengo also noted it may make sense to address the infringement and validity issues before the FRAND issues, particularly when the case involves one patent and not a portfolio.

Judge O'Malley noted that FRAND issues often arise in the context of contract claims because the law recognizes that implementers are often beneficiaries of a patent owner's promise to adhere to FRAND obligations. Judge O'Malley commented that a number of district court FRAND analyses were extremely thoughtful, including the opinions of Judge Robart in *Microsoft Corp. v. Motorola, Inc.* and Judge Holderman in *In re Innovatio IP Ventures*, and are instructive on how to approach FRAND. Judge O'Malley further noted that until there is a complexity exception to the constitutional right to a jury trial, any FRAND defense to patent infringement will go to the jury.

Judge Albright added he is likely to follow Judge Holderman's approach of setting a rate early in the process (staying the merits of the case until the rate was set), given his experience with the *In re Innovatio IP Ventures* case when he was in private practice. Judge Albright noted the parties waived the right to a jury trial, allowing that process to proceed as it did.

Patent Eligibility

After Mr. Powers highlighted the finer points of the current state of patent eligibility, Judge Bencivengo discussed the evolution of the law and the filing of motions to dismiss on patent eligibility grounds. She discussed how patent eligibility has been used as a gateway motion to weed out "weak patents" early in a case and avoid expensive discovery. She explained that this has changed over time. Judge Bencivengo added that difficult questions surround patent eligibility with respect to patenting natural phenomena, and that damage can be done with broad-brush approaches.

Judge Albright indicated that he understood that the bar does not see him as very receptive to motions to dismiss on patent eligibility grounds. When he first took the bench, defendants filed motions to dismiss on patent eligibility grounds routinely. Now, Judge Albright sees fewer such motions, and those motions are worth working on.

Judge O'Malley added that patent eligibility, like other issues, is cyclical. She noted that with the USPTO's new guidance on subject matter eligibility, patents that are issued going forward will be fundamentally different. Judge O'Malley further noted that the best response to a patent-eligibility challenge is not whether there is an abstract idea, because at some level everything is abstract. Instead, the issue is whether the patent is specifically directed to the abstract idea. Mr. Powers commented the judiciary and the bar still have a lot of work to do on abstract idea issues in the context of software patents because software is at some level inherently abstract. As a result, good software patents are getting killed under the abstract idea analysis.

The Sedona Conference's efforts on these three challenging issues remain ongoing:

1. **Willful Infringement.** Sedona WG10 just published its Willful Infringement Chapter for public comment. Your review and comment are most welcomed. Sedona will host a webinar in conjunction with this publication on Tuesday, September 15 at 1 p.m. ET.
2. **SEP/FRAND.** Sedona WG9’s Framework for Analysis of SEP/FRAND Licensing and Royalty Issues (US Edition) will be brought to final/post-public comment publication in September or October 2020. Sedona will host a webinar in conjunction in October or November 2020. And Sedona WG9 has formed a follow-on “Global Edition” drafting team with target publication date of Q4 2021.
3. **Patent eligibility motions/early motions to dismiss.** Sedona WG10 is forming a commentary drafting team to tackle this issue, which is at the convergence of much of its efforts to develop Principles and Best Practice recommendations to the bench and bar on patent litigation over the past six years.

The Sedona Conference invites all dialogue, as securing the active participation of representatives from all key stakeholders in the patent litigation system is critical to its consensus, non-partisan mission. Please join the dialogue! If you are interested in participating, please contact Jim Ko at jwk@sedonaconference.org.

We are grateful to Judge O’Malley, Judge Albright, and Judge Bencivengo for joining the conversation! To stay apprised of Federal Circuit opinions, please sign up [here](#). For all things Waco, please see Winston’s WacoWatch [here](#) and sign up [here](#).

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