ENHANCED DAMAGES: HISTORICALLY, RECENTLY, AND WHY WILLFULNESS IS NOT A PREREQUISITE

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I. INTRODUCTION

Enhanced damages allow a court to award a prevailing patentee in an infringement suit with an additional monetary award, increasing the award for infringement up to three times the amount awarded by the jury or assessed by the court.\(^1\) Enhanced damages can devastate a business, costing hundreds of millions of dollars in addition to the damages awarded for patent infringement.\(^2\) In Stryker Corp. v. Zimmer Inc. (“Stryker”), the district court tripled a jury award of $70 million, resulting in an additional $210 million in enhanced damages.\(^3\) This award, although substantial, is justified by Congress’s desire to protect the property rights granted in patents.\(^4\)

Patent law grants a property interest in the form of intellectual property to protect an individual’s investment, thus promoting innovation and disbursement of such innovations into society through disclosure of the technology.\(^5\) To protect these property rights and prevent abuses of this disclosed technology, Congress granted courts broad discretion to award enhanced damages to a prevailing patentee in an infringement case through the enactment of 35 U.S.C. § 284.\(^6\) In section 284, a court is allowed awards up to three times the amount of damages found by the judge or jury for actual infringement, referred to as treble damages, or three times the amount assessed by the court if the jury found no damages.\(^7\)

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5. Id. at 1453.
After two centuries of judicial interpretation, the Supreme Court created a simpler two-step approach in *Halo Electronics, Inc. v. Pulse Electronics, Inc.* ("Halo"), which overruled many of the judicially created rules. It provided guidance for situations when enhanced damages are appropriate, which included that a grant of enhanced damages is extremely fact sensitive and should be decided in each individual case, rather than through arbitrary rules limiting the possibility for enhanced damages simply because the defendant’s actions do not meet a particular test. Thus, there is no longer an objective test for finding willfulness, which excludes many cases where the defendant was culpable but can prove his actions were objectively reasonable, and there are no longer outright defenses that prevent a court from awarding enhanced damages simply because the defense is reasonable.

Although *Halo* removed these limits on a court’s discretion and demonstrated the need for egregious behavior on the part of the defendant, a finding of willfulness is still required before a court awards enhanced damages. Thus, willful infringement is required for a court to determine if enhanced damages are appropriate and by what amount to enhance them. The willfulness requirement is an arbitrary limit on a court’s discretion because it constrains the court to awarding enhanced damages only in cases where the defendant acted with the requisite mindset, and should be

8. Jon E. Wright, Comment, *Willful Patent Infringement and Enhanced Damages-Evolution and Analysis*, 10 Geo. Mason L. Rev. 97, 101 (2001) ("In sum, the treble damages provision has been a part of American patent damages for over two hundred years.").


11. Id. ("[t]he Seagate test . . . mak[es] dispositive the ability of the infringer to muster a reasonable defense at trial, even if he did not act on the basis of that defense or was even aware of it.").


15. Id. at 1933 ("with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount.").

16. Alan N. Herda, *Willful Patent Infringement and the Right to a Jury Trial*, 9 Tex. Wesleyan L. Rev. 181, 185 (2003) ("The only way a jury’s finding on willfulness affects the trial judge is if the jury does not find willfulness. If this occurs, the trial judge cannot increase damages by any amount without a motion for a judgment notwithstanding the verdict.").
removed to allow district courts to determine if enhanced damages are appropriate. In addition to a finding of willfulness, the court created factors for determining how much to enhance damages. These factors were summarized in Read Corp. v. Portec, Inc. ("Read"), which include nine factors for determining whether and by how much to enhance damages. These factors, rather than a prerequisite of willfulness, should be the only instrument used in determining whether to enhance damages and what amount is appropriate.

This Comment provides a history of enhanced damages leading to the enactment of section 284, including an overly complex judicial doctrine for the application of the statutory grant of enhanced damages, and finishes with an explanation of why this doctrine should not include a requirement for a finding of willfulness. Part II covers the initial history and development of the doctrine of enhanced damages, including the statutory framework and the courts’ interpretation of that framework. Part III reviews two recent cases that drastically changed the award of enhanced damages. Finally, Part IV expands on both the history and recent decisions while explaining that a finding of willfulness should not be a prerequisite for a court to exercise its statutory discretion to enhance damages.

II. ENHANCED DAMAGES HISTORICALLY

The award of enhanced damages began in the 1700s but changed drastically throughout history. The policy reasons for awarding enhanced damages, however, have remained unchanged. This section sets out the background from the beginning of enhanced damages in the U.S., including statutory addition to the courts’ interpretation and application of those statutes.

A. The Addition of Enhanced Damages to Patent Law

Before the Patent Act of 1836, the amount of damages, enhanced or compensatory, was left completely to the jury after finding the defendant infringed a patent, “implying that the jury could award more if appropriate.” However, this was normally “the minimum award, and the basis for the damage amount was . . . the price for which the patentee had sold or licensed

17. Ira V. Heffan, Willful Patent Infringement, 7 Fed. Cir. B.J. 115, 121 (1997) (describing how the courts have introduced factors to consider when looking to enhance damages and as part of the “totality of the circumstances” courts are to consider when exercising their discretion.).
20. Id.
his invention to other people,” which was a reasonable royalty. Without adequate damages though, being charged a licensing fee is not much of a penalty. A business can take a patent, sell its own version, and if not caught infringing, profit greatly—never having to pay the licensing fee. If caught, the business would simply have to pay the same licensing fee others were already willing to pay to license the patent. Allowing the court to increase damages furthered the idea that infringing a patent would not merely result in an inconsequential award equal to licensing a patent and prevented individuals from choosing to circumvent the patent owner.

Subsequently, the Patent Act of 1836 took the authority to enhance damages away from the jury and gave the judge the authority to enhance them up to three times the amount found by a jury. Thus, it put “[t]he award of enhanced damages . . . completely within the discretion of the court.” At the time of the Patent Act of 1836, U.S. patent rights were developing and many sought to reinforce these rights by awarding enhanced damages to discourage infringement. Thus, enhanced damages was a greater threat than just the cost of licensing a patent in order to deter future infringement.

In addition, Congress “fear[ed] that it would be exceedingly difficult to collect damages if the decision were left solely to a jury” which “was likely to be hostile to the monopoly rights granted by the patent.”

B. The Court’s Addition of Willfulness

The framework for enhancing damages in the Patent Acts of 1793, 1800, 1836, and subsequent Patent Acts provided no test for determining when or exactly how much to enhance damages given the circumstances of the case, except that the maximum is three times the amount assessed by the

22. Wright, supra note 8, at 99; Powers & Carlson, supra note 6, at 62 (“The Act mandated that the amount of actual damages be, at minimum, trebled.”).
23. Wright, supra note 8, at 100 (“[w]ithout the fear of triple damages, potential infringers would have little incentive to seek a license.”).
25. Id.
26. Wright, supra note 8, at 100 (“Legislative history from the 1946 revision to the Patent Act indicates that ‘the present discretion to award triple damages, will discourage infringement of a patent by anyone thinking that all he would be required to pay would be a royalty.’” (quoting S. Rep. No. 79-1503, at 1387 (1946))).
27. Patent Act of July 4, 1836, ch. 357, § 14, 5 Stat. 117, 123 (repealed 1870) (“it shall be in the power of the court to render judgment for any sum above the amount found by such verdict . . . not exceeding three times the amount.”).
28. Wright, supra note 8, at 101.
30. Id. at 67 (“[t]he legislative history of the Patent Act of 1836, however, indicates that the goal of the patent laws, and thus, the object of the treble damages provision, is to combat ‘piracy and fraud.’”); see also Wright, supra note 8, at 101.
31. Wright, supra note 8, at 101.
To address this lack of legislative instruction, the judiciary created the willfulness doctrine.\textsuperscript{33} In \textit{Seymour v. McCormick} ("Seymour"), the Supreme Court specified the award of enhanced damages is limited to "wanton or malicious" behavior.\textsuperscript{34} This doctrine required a finding of willful infringement in order to enhance damages, thus becoming a form of punitive damages.\textsuperscript{35}

In \textit{Seymour}, the Supreme Court reversed an award of enhanced damages based primarily on the idea that infringement is similar to acquiring another’s property.\textsuperscript{36} The Court explained that the penalty for damage to other types of property is singular, resulting in a penalty equal to the cost of the damage and/or value of the property’s use.\textsuperscript{37} This displayed the Court’s unwillingness to punish an infringer by charging more than the actual price for the property obtained by infringing without some sort of culpability on the part of the infringer.\textsuperscript{38} In addition, "[t]he Court distinguished the actions of a defendant who acted in ‘ignorance or good faith’ from the defendant who was a ‘wanton and malicious pirate.’"\textsuperscript{39} This distinction stemmed from the "great injustice" wrought by the mandatory enhancement of damages required under the Patent Act of 1793, which continued until 1836, when courts were finally given the discretion to decide whether or not to enhance damages.\textsuperscript{40} Thus, "[t]he 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."\textsuperscript{41}

The Patent Act of 1870 re-codified this section without changing much of the language, except adding “according to the circumstances of the case,” and maintained the court’s ability to enhance damages.\textsuperscript{42} Thereafter, the Patent Act of 1952 ("Act of 1952"), which was codified as section 284, changed the wording but maintained the same ideals previously established

\textsuperscript{33} \textit{Id.} at 103 (explaining that the statute for enhanced damages lacks any definition of willfulness, the standard “is entirely a judicial creation” and “is a contentious issue.”).
\textsuperscript{34} \textit{Id.} at 105.
\textsuperscript{35} \textit{Id.} at 104.
\textsuperscript{36} \textit{Seymour} v. McCormick, 57 U.S. 480, 491 (1853).
\textsuperscript{37} \textit{Id.} at 489 (explaining that the penalty for “damages as to other property is single and actual damages.”).
\textsuperscript{38} Powers & Carlson, \textit{supra} note 6, at 68 (describing how the Court thought of the mandatory treble provisions in force prior to the Act of 1836 did a great injustice on the patent system by holding infringers accountable to the same degree regardless of culpability).
\textsuperscript{39} Wright, \textit{supra} note 8, at 101 (quoting \textit{Seymour} v. McCormick, 57 U.S. 480, 488 (1853)).
\textsuperscript{40} \textit{Seymour}, 57 U.S. at 488–89.
\textsuperscript{41} \textit{Id.} at 489.
\textsuperscript{42} Patent Act of July 8, 1870, ch. 230, § 59, 16 Stat. 198, 207 (repealed 1956) (“whenever in any such 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.”).
by the Legislature and has remained the same since. 43 Between Seymour in 1853 and the Act of 1952, other than the general idea of culpability set forth in Seymour, no other substantial limitations were added to the district court’s discretion to enhance damages. 44

C. Addition of the Affirmative Duty and Defenses to Willfulness

Soon thereafter, the doctrine of willfulness and the process for determining whether to enhance damages became more complicated than just assessing culpability. 45 The added complications included special considerations for “good faith” beliefs of non-infringement and invalidity, the impact of choosing to seek the advice of counsel on infringement, and an affirmative duty to utilize due care. 46

The Seventh Circuit has held that knowledge of a patent or the possibility of a patent was not automatically willful infringement in Union Carbide Corp. v. Graver. 47 In this case, the defendant sought counsel to determine if he would be infringing another’s patent, for which the court determined was indicative of “making a good faith effort to avoid infringement.” 48 Similarly, the Ninth Circuit, in Coleman Co. v. Holly Mfg. Co. (“Coleman”), affirmed the lower court’s decision to enhance damages based on the defendant’s failure to seek counsel to determine if its production of a heater was infringing another’s patent. 49 In Coleman, the defendant had made changes to the plaintiff’s device and was fully aware that the device was patented. 50 “[A]lthough it had notice of plaintiff’s patent, defendant did not exercise due care to ascertain whether or not it was infringing plaintiff’s patent prior to commencing the sale of the infringing devices.” 51

The next major change to patent law came with the creation of the Federal Circuit in 1982, which brought about additional requirements in

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43. Patent Act of July 19, 1952, ch. 950, § 284, 66 Stat. 792, 813 (current version at 35 U.S.C. § 284) (“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.”).
44. Powers & Carlson, supra note 6 at 68 (“Until 1983, courts consistently limited the application of increased damages to those cases where the accused party consciously and deliberately infringed the patent in suit.”).
46. Powers & Carlson, supra note 6, at 68–70.
48. Id.; Wright, supra note 8 at 97 (“Thus, because Lincoln’s reliance on counsel was an indicator that Lincoln had acted in good faith, the Seventh Circuit refused to award enhanced damages to Union Carbide.”).
50. Id.
51. Id.; Milgo Elec. Corp. v. United Bus. Commc’ns, Inc., 623 F.2d 645, 666 (10th Cir. 1980) (“Once [defendant] had actual notice of [plaintiff’s] patent rights, [defendant] was under an affirmative duty to exercise due care to determine whether or not it was infringing [plaintiff’s] patents.”).
awarding enhanced damages, but ultimately led to strengthening patent rights.\footnote{In 1983, the Federal Circuit made it an “affirmative duty to obtain a written opinion of counsel once it receives notice it may be infringing a patent” in \textit{Underwater Devices Inc. v. Morrison-Knudsen Co.} (“\textit{Underwater Devices}”). In addition to requiring a defendant to seek advice of in-house counsel, the Federal Circuit added that when “a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether he is infringing.” In \textit{Underwater Devices}, the defendant sought advice of its own in-house counsel, who was not a patent attorney. The Federal Circuit noted that defendant’s in-house counsel did not “take the steps normally considered to be necessary and proper in preparing an opinion,” and affirmed the district court’s finding of willfulness. Relying on the opinion of counsel eventually became a defense against willfulness, to be used at trial along with other defenses against infringement like patent validity and non-obviousness. However, asserting this defense led to a waiver of attorney-client privilege on certain materials. In order to prove a defendant sought and then relied on the advice of counsel, the defendant would have to provide its communication with that attorney during discovery proceedings, which could include many levels of communication with the attorney. In 2006 the Federal Circuit stated in \textit{In re EchoStar Wright, supra note 8, at 104. The author explained the change to patent law that came with the creation of the Federal Circuit, stating that “[a]ll appeals involving patent issues were to be brought before [it] . . . to stabilize patent law and ‘strengthen the United States Patent System . . . to foster technological growth and industrial innovation.’” \textit{Id.} (quoting H.R. Rep. No. 97-312, at 20 (1981)).

\footnotetext[52]{Wright, supra note 8, at 104. The author explained the change to patent law that came with the creation of the Federal Circuit, stating that “[a]ll appeals involving patent issues were to be brought before [it] . . . to stabilize patent law and ‘strengthen the United States Patent System . . . to foster technological growth and industrial innovation.’” \textit{Id.} (quoting H.R. Rep. No. 97-312, at 20 (1981)).}

\footnotetext[53]{Powers & Carlson, supra note 6, at 70 (explaining that an opinion of counsel consists of legal advice regarding doubt as to infringement).}

\footnotetext[54]{\textit{Underwater Devices Inc. v. Morrison-Knudsen Co.}, 717 F.2d 1380, 1389 (Fed. Cir. 1983).}

\footnotetext[55]{\textit{Id.} at 1390.}

\footnotetext[56]{\textit{Id.} (specifying that the opinions should have at least “contained within its four corners a patent validity analysis, properly and explicitly predicated on a review of the file histories of the patents at issue, and an infringement analysis that, \textit{inter alia}, compared and contrasted the potentially infringing method or apparatus with the patented inventions.”).}

\footnotetext[57]{Huddleson, supra note 32, at 108–09.}

\footnotetext[58]{\textit{Id.} at 109; Steelcase Inc. v. Haworth, Inc., 954 F. Supp. 1195, 1197 (W.D. Mich. Feb. 5, 1997) (discussing the extent to which attorney-client privilege is waived when using the defense of advice of counsel. This opened the defendant up to discovery of attorney documents regarding the subject matter of the suit in the possession of the defendant, but did not open communications between the attorney of the defendant and third parties).}

\footnotetext[59]{Kevin J. Kelly, \textit{Placing the Burden Back Where It Belongs: A Proposal to Eliminate the Affirmative Duty from Willful Infringement Analyses}, 4 J. MARSHALL REV. INTELL. PROP. L. 509, 510 (2005) ("A major problem with the affirmative duty was the ‘adverse inference’ rule, which forced an alleged infringer to waive the attorney-client privilege and disclose the legal advice obtained in order to disprove liability.").}

\footnotetext[60]{SRI Int’l, Inc. v. Advanced Tech. Labs., Inc., 127 F.3d 1462, 1465 (Fed. Cir. 1997); Fort James Corp. v. Solo Cup Co., 412 F.3d 1340, 1349–50 (Fed. Cir. 2005) (explaining the extent of waiver of attorney-client privilege, and that it would include the initial disclosure of the invention to the attorney); Herda, supra note 16, at 187–88 (noting that even though privilege supposedly exist,
Communications Corp. ("EchoStar"), that in determining how broad the waiver of attorney client privilege would extend when asserting the advice of counsel defense, "the waiver applies to all other communications relating to the same subject matter."61 In this case, the Federal Circuit even extended this waiver to the defendant’s in-house counsel, which the court stated that "although not a traditional opinion of counsel, constituted a legal opinion."62 If a defendant refused to share such communications during discovery, the adverse inference rule allowed the jury to assume the defendant did not seek the advice of counsel.63 This was applied even if the defendant had non-related reasons for protecting those communications.64

D. The Court’s Addition of the Totality of the Circumstances and the Read Factors

First, the Federal Circuit, in Read, set forth factors for courts to utilize in determining when and how much to enhance damages,65 which included:

1. Whether the infringer deliberately copied the ideas or design of another;
2. Whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed;
3. The infringer’s behavior as a party to the litigation.
4. Defendant’s size and financial condition;
5. Closeness of the case;
6. Duration of defendant’s misconduct;
7. Remedial action by the defendant;
8. Defendant’s motivation for harm; and
9. Whether defendant attempted to conceal its misconduct.66

"several courts have held that the “substantial need” exception was satisfied after the defendant asserted an advice of counsel defense, thereby allowing broad discovery of attorney work-product.")

61. In re EchoStar Commc’ns Corp., 448 F.3d 1294, 1298 (Fed. Cir. 2006).
62. Id.
63. Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565, 1580 (Fed. Cir. 1986) (explaining that the adverse inference rule allowed, without showing reliance on the advice of counsel, the jury to "conclu[de] that [the defendant] either obtained no advice of counsel or did so and was advised that its [actions] would be an infringement of valid U.S. patents.").
64. Wright, supra note 8, at 112.
In setting forth the Read factors, the Federal Circuit explained they were to be used for "determining when an infringer ‘acted in [such] bad faith as to merit an increase in damages awarded against him.’”67 Thus, because the Federal Circuit continued to require a finding of bad faith, it did not remove a finding of willfulness as a prerequisite for granting enhanced damages.68

As patent law continued to develop, the Federal Circuit required a finding of willfulness to come from “the totality of the circumstances” in 1997.69 This required a court to look at all the facts, as “[n]o single factor is determinative on its own.”70 Advice of counsel was “only one factor to be considered . . .” but still could be applied as a defense.71 When looking at whether the defendant adequately sought an opinion of counsel, and the adequacy of that opinion, the court determined that it would only be deemed adequate by considering the totality of the circumstances.72

III. RECENT CASE HISTORY

Starting in 2007 with the Federal Circuit’s decision in In re Seagate Tech., LLC (“Seagate”), the Federal Circuit and the Supreme Court changed the requirements for awarding enhanced damages.73 The Federal Circuit

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67. Read Corp., 970 F.2d at 828 (Fed. Cir. 1992) (quoting Bott v. Four Star Corp., 807 F.2d 1567, 1572 (Fed. Cir. 1986)) ("[A] finding of willful infringement does not mandate enhancement of damages, the . . . factors taken together assist the trial court in evaluating the degree of the infringer’s culpability and in determining whether to exercise its discretion to award enhanced damages and how much the damages should be increased."); Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc., 670 F.3d 1171, 1191 (Fed. Cir. 2012) (describing the Read factors as a tool for determining "whether an infringer has acted in bad faith" and thus warranting an award of enhanced damages).

68. Read Corp., 970 F.2d at 828; Thomas F. Cotter, An Economic Analysis of Enhanced Damages and Attorney’s Fees for Willful Patent Infringement, 14 FED. CIR. B.J. 291, 294 (2004) ("the Federal Circuit recommends a two-step process in determining whether to award enhanced damages. First, the trier of fact should ‘determine whether an infringer is guilty of conduct upon which increased damages may be based.’ Second, if the infringer is guilty of such conduct, the court then determines ‘whether, and to what extent, to increase the damages award given the totality of the circumstances.’").

69. SRI Int’l, Inc. v. Advanced Tech. Labs., Inc., 127 F.3d 1462, 1468 (Fed. Cir. 1997) (affirming a district court’s finding of willful infringement based on "the entirely of the circumstances.").

70. Heffan, supra note 17, at 121.


72. SRI Int’l, Inc., 127 F.3d at 1465 ("The totality of the circumstances may include not only such aspects as the closeness or complexity of the legal and factual questions presented, but also commercial factors that may have affected the infringer's actions.").

73. See In re Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (making the finding of willfulness a two-part test); Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1928 (2016) (removing the two-part test for a finding of willfulness and emphasizing the need for egregious behavior for an award of enhanced damages).
overcomplicated the issue of determining enhanced damages by emphasizing that the decision of whether and how much to award enhanced damages should be based upon an objective reasonableness standard, limiting the discretion of the district courts. The Supreme Court greatly simplified the determination of enhanced damages by returning to a subjective willfulness standard to the courts, but required a court to determine that the “infringer engaged in ‘egregious’ activity ‘beyond typical infringement.’” This section describes the changes made to the standard for awarding enhanced damages by the Federal Circuit’s decision in In re Seagate and the Supreme Court’s decision in Halo and briefly reviews reasoning for both decisions.

A. In re Seagate Tech., LLC and the Two-Part Test

In 2007, the Federal Circuit again changed the standard for awarding enhanced damages in its decision in Seagate, which raised the bar and “ma[de] enhanced damages dramatically harder to obtain.” In this case, the defendant tried to prevent discovery of certain documents normally protected by attorney-client privilege. The defendant had retained a patent attorney to advise whether the defendant’s patent infringed upon the plaintiff’s product. The patent attorney worked independently from the defendant’s trial attorneys and issued three opinion letters regarding the status of the defendant’s patents. The defendant later notified the plaintiff that it intended to use the letters as the basis for its defense against willful infringement and disclosed the patent attorney’s work product. However, the plaintiff was not satisfied with receiving just the patent attorney’s work product and requested “communications and work product” from defendant’s other attorneys, including defendant’s trial attorneys. The district court

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74. Huddleson, supra note 32, at 124–25. “After Seagate, the objective recklessness standard dramatically increases the risk of false negative results (relative to a nominal corresponding decrease in false positives), thereby letting willful infringers evade enforcement. As a result, any potential benefit of an objective recklessness standard is likely to be offset by an increase in total error probability, which negatively impacts efficiency. This increase in total error probability will ‘prevent socially optimal levels of innovation’ and disclosure, lower the expected monetary value of patent rights, decrease patentee leverage in licensing and settlement negotiations, and ultimately undermine the incentive to patent at its very core.” Id. (quoting Benjamin H. Diessel, Trolling for Trolls: The Pitfalls of the Emerging Market Competition Requirement for Permanent Injunctions in Patent Cases Post-eBay, 106 MICH. L. REV. 305, 333 (2007)).


76. Huddleson, supra note 32, at 103 (Exclaiming that the decision “overruled decades of prior precedent, limited the waiver of attorney-client privilege, and significantly raised the threshold for proving willful infringement.”).

77. In re Seagate Tech., LLC, 497 F.3d at 1365.

78. Id. at 1366.

79. Id.

80. Id.

81. Id.
ordered the defendant to include “trial counsel opinions relating to infringement, invalidity, and enforceability of the patents, and . . . depositions of [defendant]’s trial counsel.”82 This came after the trial court determined that the defendants had waived attorney-client privilege.83 The Federal Circuit stayed the order, “abandon[ed] the affirmative duty of due care,” which overruled Underwater Devices, and created an “objective recklessness” standard for finding willful infringement.84

To make a determination of willfulness, the Court in Seagate set out a two-part test, the first part of the test being objective and the second part of the test being subjective.85 “[A] patent owner must first ‘show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.’”86 “Second, the patentee must demonstrate, again by clear and convincing evidence, that the risk of infringement ‘was either known or so obvious that it should have been known to the accused infringer.’”87

For the first part of the test, “[t]he state of mind of the accused infringer is not relevant to this objective inquiry.”88 Accordingly, the Federal Circuit instead required a finding of objective recklessness for willful infringement, which is an objective standard to establish willful infringement for enhanced damages.89 The overall test required courts to satisfy the first objective prong “predicate[d on] the jury’s consideration of the subjective prong.”90 This required courts to consider the defendant’s actions and possible defenses to make a determination as to whether these actions or use of such defenses was
objectively reckless, and if not, then “it [could not] send the question of willfulness to the jury.”91 However, if any part of the objective prong is factually based, such as actions taken or reliance on a defense, then the individual question must be addressed by the jury prior to the court ruling the objective prong.92 “In a close case, the likelihood of enhanced damages decreases and therefore the risk of infringement decreases” because it is less likely that a court will find objective recklessness before ever sending the second part to the jury.93

Thus, the objective prong of the willfulness standard is a low threshold, which the court sought to limit the number of instances the jury was able to analyze willfulness.94 This would prevent the court from ordering a breach of attorney-client privilege when the plaintiff was not able to at least meet the minimum threshold for willfulness.95 Therefore, the defendant is not prevented from utilizing the advice of counsel defense, but stays the requirement to do so unless willfulness is established by at least an objectively reckless standard.96

As stated above, all factual questions of the objective prong go to the jury.97 In addition, the entire second, subjective part of the test is to be addressed by the jury.98 It is said that the second part goes to the jury because it is subjective and “examines whether the infringer had the required intent to justify enhanced damages.”99 Therefore, the jury decides all factual questions of the test unless “no reasonable jury could have found that [defendant’s] conduct fell under either Seagate prong.”100

“Part of the rationale underlying the Court’s decision [in Seagate] was a desire to align the meaning of willfulness in patent law with its meaning in

91. Id. at 1236.
93. Prati, supra note 88, at 63–64.
94. Ronald James Schutz & Brenda L. Joly, Proving Willful Infringement Post-Seagate: Don’t Divorce the Willfulness Analysis from Its Tort Foundations as an Intention Inquiry, 10 SEDONA CONF. J. 187, 189 (2009) (“Seagate’s primary holding that willful infringement requires ‘at least a showing of objective recklessness’ merely defines what the minimally culpable state of mind needs to be, or the minimally sufficient evidence of intent that need be shown to prove willful infringement.”).
95. Vera M. Elson & Mary B. Boyle, The Waiver of Attorney-Client Privilege & Use of Non-Liability Opinions After In re Seagate, 9 SEDONA CONF. J. 33, 46 (2008) (“The standard should be whether the complaint contains sufficient factual allegations of objective recklessness to render a willful infringement claim plausible in view of the clear and convincing burden of proof. If the plaintiff cannot state a claim, or if the plaintiff cannot make an adequate showing of objective recklessness, then the plaintiff should not be entitled to any discovery.”).
96. In re Seagate Tech., LLC, 497 F.3d 1360, 1372–74 (Fed. Cir. 2007) (Discussing the scope of waiver required “from an advice of counsel defense asserted in response to a charge of willful infringement.”).
97. Prati, supra note 88, at 63–64.
98. Id.
99. Id. at 63.
100. Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1310 (Fed. Cir. 2011).
The Court looked to tort law, for instance, to describe the addition of a recklessness standard, noting “that ‘the term reckless is not self-defining.’”

“It is [a] high risk of harm, objectively assessed, that is the essence of recklessness at common law.”

This shift away from the affirmative duty of care and the duty to seek advice of counsel was a positive transition for patent law, “because there is no longer a duty of due care, the burden of proof for the willfulness inquiry is no longer effectively on the infringer.”

In addition, without a requirement of due care, “failure to . . . obtain[] an exculpatory opinion of counsel before commencing infringing activity is not of itself probative of willful infringement . . . .” However, the two-part test eventually led to abuses by many who managed to muster an objectively reasonable test when the parties went to trial.

B. Halo Elecs., Inc. v. Pulse Elecs. and Stryker Corp. v. Zimmer, Inc.

In 2016, the Supreme Court addressed many of the standards created by courts over the years, simultaneously ruling on two Federal Circuit cases, Halo and Stryker.

In Halo and Stryker, the Federal Circuit addressed opposing applications of the objective reasonable test by the district courts. In Halo, the district court chose not to award enhanced damages despite the jury’s finding of willful infringement because the court found that the defendant’s defense was not objectively baseless, or a “sham.” “Thus, the court concluded, Halo had failed to show objective recklessness under the first step of Seagate.” However, in Stryker, the district court upheld the jury’s finding of willful infringement, imposed triple the total amount of damages and awarded the plaintiff over $228 million.

101. Huddleson, supra note 32, at 103.
104. Powers & Carlson, supra note 6, at 105 (explaining that the affirmative duty rule will likely cause lawyers to be “less free to counsel their clients, at least in writing, about the risks of their conduct”).
107. Czanik, supra note 92, at 289–90 (“[T]his objective prong is not satisfied when an alleged infringer relies on a reasonable defense of non-infringement. Similarly, the first prong is not sufficiently satisfied when a reasonable conclusion could be reached that there was no infringement. As a result, the question on appeal is often whether an alleged infringer's defense was reasonable.”).
109. Id. at 1931.
110. Id.
111. Id.
112. Id.
Ultimately, the Federal Circuit affirmed the denial of enhanced damages in *Halo*, but vacated the award of enhanced damages in *Stryker*, finding that the defendant’s defenses were reasonable.\(^{113}\)

In one opinion, the Supreme Court vacated the Federal Circuit’s decisions in both cases.\(^{114}\) The Federal Circuit had previously explained that “enhanced damages were permitted only if the patentee showed by clear and convincing evidence that the infringer acted with both objective recklessness and subjective knowledge of wrongdoing.”\(^{115}\) The Supreme Court rejected the two-step test in *Seagate* for a finding of willfulness, and pointed out that defenses were available to patent infringers under an objective test simply because of the objectiveness of the test.\(^{116}\) The Supreme Court pointed out that many culpable infringers would not meet the objective standard simply because their defense was reasonable, even if formed during litigation.\(^{117}\) So, the Supreme Court explained that there is no need to show objective recklessness, and that “[t]he subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.”\(^{118}\) “The [Supreme] Court also rejected the Federal Circuit’s clear-and-convincing-evidence standard, observing that ‘patent-infringement litigation has always been governed by a preponderance of the evidence standard,’ and ‘[e]nhanced damages are no exception.’”\(^{119}\)

Since the Patent Act of 1870, “[the Supreme Court has] continued to describe enhanced damages as ‘vindictive or punitive,’ which the court may ‘inflict’ when ‘the circumstances of the case appear to require it.’”\(^{120}\) "Awards of enhanced damages under the Patent Act over the past 180 years establish that they are not to be meted out in a typical infringement case, but are instead designed as a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior.”\(^{121}\) The Supreme Court explained that a court’s discretion to award enhanced damages has been limited to “egregious cases of culpable behavior” over the last “two centuries.”\(^{122}\)

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113. *Id.*
114. *Id.*
117. *Id.* at 1932.
118. *Id.* at 1933.
121. *Id.* at 1932.
122. *Id.* (citing Henry J. Friendly, *Indiscretion About Discretion*, 31 EMORY L.J. 747, 772 (1982)).
IV. THE PROPER INTERPRETATION OF ENHANCED DAMAGES

Section 284 states that “the court may increase the damages up to three times the amount found or assessed” 123 and has never contained language requiring the court to consider specifics in assessing these enhanced damages. 124 Therefore, the addition of willfulness and many other requirements were all judicially created. 125 For example, Seagate added the two-part test for a finding of willfulness, constraining the ability of the “district courts to punish the full range of culpable behavior.” 126 Although the requirement for willfulness has existed for some time, 127 it lacks a statutory basis. 128 This part briefly explores the statutory interpretation of section 284 and how it should be applied to patent infringement cases.

A. Statutory Interpretation

To be held liable for patent infringement, the defendant needs only to have infringed the patent, regardless of whether the defendant knew or should have known of the infringement. 129 Courts have determined that the trier of fact must determine whether the defendant acted willfully and then the court can exercise its discretion to enhance damages. 130 The finding of willfulness is what enables the court to issue enhanced damages under Section 284. 131

1. Section 284

First, according to the plain meaning of section 284, there is no specific behavior listed that the court is required to consider in assessing an award of

124. See supra Section II.B.
125. Ryan Crockett, Balancing Burdens for Accused Infringers: How In re Seagate Got It Right, 58 DePaul L. Rev. 1047, 1047–48 (2009) (“In the past few decades courts have read the willfulness, affirmative duty, and broad waiver rules into the damages statute and more consistently referred to these rules when awarding enhanced damages. Yet, it is unclear whether such judicially introduced rules are consistent with the letter and intent of patent legislation.”).
126. See supra Section II.A.; Halo, 136 S. Ct. at 1933–34 (“Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the Seagate test.”).
127. See supra Section II.B.
128. Cotter, supra note 68, at 294 (“The current statute provides that ‘the court may increase the damages up to three times the amount found or assessed,’ but it specifies no criteria for deciding whether to make such an award.” (emphasis omitted)).
130. In re Seagate Tech., LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (“we have held that an award of enhanced damages requires a showing of willful infringement.”) (citing Beatrice Foods Co. v. New England Printing & Lithographing Co., 923 F.2d 1576, 1578 (Fed. Cir. 1991)).
131. Cotter, supra note 68, at 294 (noting that the two-step process requires a prevailing patentee to prove willfulness before the court then determines “whether, and to what extent, to increase the damages award given the totality of the circumstances.”).
enhanced damages.\textsuperscript{132} In addition, no factors are set out that would result in
a presumption that the infringer met the statutory mindset required.\textsuperscript{133}
Without a statutory requirement that the defendant act with a particular
mindset, the statute essentially grants district courts complete discretion to
enhance damages.\textsuperscript{134} The district court may find it suitable to enhance
damages for reasons other than punitive, such as compensating the plaintiff
when the jury’s award is not adequate.\textsuperscript{135} However, as the Federal Circuit
has explained, “the appropriate route for a patentee who feels
undercompensated is an appeal, not an enhancement of actual damages.”\textsuperscript{136}
“In theory, punitive damages could compensate for opportunity costs and any
other harm that is otherwise uncompensable . . . .”\textsuperscript{137}

Simply put, the statute does not limit the district court’s discretion to
willful patent infringement, or other terms like bad faith, wanton or malicious
behavior.\textsuperscript{138} The ambiguity in the statute and lack of a standard provided by
Congress should lead to a more flexible judicial approach when deciding to
enhance damages, rather than specifying and limiting the behaviors which
warrant enhanced damages.\textsuperscript{139} “[S]tataes lacking clear statements generally
have been interpreted as giving courts broad equitable discretion to award
enhanced damages on a case-by-case basis.”\textsuperscript{140}

2. Copyright’s Statutory Damages

Other statutes outside of patent law also include provisions for the court
to enhance damages if there is some violation of an individual’s civil rights
or interest in their intellectual property, however, they include behavioral
requirements or list specific actions for the court to consider when

\begin{itemize}
\item \textsuperscript{132} See 35 U.S.C. § 284 (2012).
\item \textsuperscript{133} See id.; Section 284 “allow[s] the court to increase damages up to three times the amount initially
found or assessed. However, the statute is silent upon when an award of enhanced damages is
appropriate.” Czanik, supra note 92, at 285.
\item \textsuperscript{134} See Cotter, supra note 68, at 302 (noting that in an award of attorney’s fees “[t]he court alone
determines whether a case is exceptional”).
\item \textsuperscript{135} Id. at 317.
\item \textsuperscript{136} Crockett, supra note 125, at 1055.
\item \textsuperscript{137} Cotter, supra note 68, at 317 (emphasis omitted).
\item \textsuperscript{138} Id. at 292; see also Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1931 (2016).
\item \textsuperscript{139} See generally Joseph A. Grundfest & A.C. Pritchard, Statutes with Multiple Personality Disorders:
(discussing the battle within the legislature to compromise and predict how courts will interpret
statutory language).
\item \textsuperscript{140} Scott Bloebaum, Past the Tipping Point: Reforming the Role of Willfulness in the Federal Circuit’s
(stating that “[c]ourts expect such clear statements from Congress when limiting recovery for patent
infringement.”).
\end{itemize}
Copyright law, for example, also accounts for the infringement of its users’ intellectual property rights, including various remedies similar to remedies available in patent law. For instance, copyright law has a provision for enhancing damages, called statutory damages in 17 U.S.C. § 504 (“section 504”). However, it contains many other provisions for the court to consider. It specifies that if the plaintiff proves the infringer acted willfully, the court “may increase the award of statutory damages to a sum of not more than $150,000.” So, this statute specifies that an increase can only be due to willfulness, while containing similar language limiting the award. In addition, the same provision accounts for situations where the infringer lacked knowledge of the copyright or “had reasonable ground for believing that his or her use of the copyrighted work was a fair use.”

These additions demonstrate Congress’s desire to limit statutory damages to certain circumstances. It also shows that Congress intended for these statutory damages not to be obtainable in circumstances where there was an objectively reasonable defense to the copyright infringement, similar to the test in Seagate. However, unlike the judicially created Seagate test created pursuant to section 284 by the Federal Circuit, Congress specified this reasonable test, not the courts.

Congress further provided that

it shall be a rebuttable presumption that the infringement was committed willfully . . . if the violator . . . knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the infringement.

Through this section, Congress detailed behavior it specifically wanted to deter. Accordingly, if Congress desired to specifically deter bad-faith, malicious, and wanton behavior in patent infringement, it could have

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141. See 17 U.S.C. § 504(c)(2) (2012) (specifying that, when “infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000.”).
142. Bloebaum, supra note 140, at 154.
143. 17 U.S.C. § 504(c).
144. Id.
145. Id. § 504(c)(2).
146. Id.
147. Id. (allowing the court to reduce statutory damages where the infringer proved a lack of knowledge of the copyright and providing circumstances to completely remit statutory damages when the infringement was believed to be fair use).
specified so like in this Act. Furthermore, Congress could have imposed a duty of care or duty to seek advice of counsel upon becoming aware of a copyright within section 504. However, they did not add these requirements to the statutory text, as they did not do so in patent law’s section 284.

Although in patent law, evidence of malicious intent or the reasonable steps taken to avoid infringement are used to determine if enhanced damages are warranted, they are not prerequisites or defenses to enhanced damages, because Congress did not indicate this in the statutory language to section 284. Likewise, Congress did not define the type of behavior that warrants enhanced damages for copyright infringement; nor did they set out other specifics like good-faith, advice of counsel, or an objectively reasonable standard.

B. Similarities with Octane Fitness

In Octane Fitness, LLC v. ICON Health & Fitness, Inc. ("Octane Fitness"), the Supreme Court addressed the issue of awarding attorney’s fees under 35 U.S.C. § 285, which allows “[t]he court in exceptional cases [to] award reasonable attorney fees to the prevailing party.” The Court addressed the application of another Federal Circuit test for determining when and how a district court should exercise its discretion in granting such statutory damages. The Court focused on the text of the statute, and decidedly limited the award of attorney’s fees to “exceptional cases,” which is the only limiting language in section 285.

In Halo, the Supreme Court pointed to Octane Fitness and explained that “the Federal Circuit’s test ‘is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts.’” The Justices clearly found the Federal Circuit’s preferred regime too high a barrier to enhanced damages, but some of them apparently worried that a wholly unconstrained regime would leave patent defendants subject to arbitrary and inappropriate enhancements.” Hence, the Supreme Court limited the award of enhanced damages to egregious cases of misconduct.

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151. 35 U.S.C. § 285 (1952) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”).
152. Octane Fitness, 134 S. Ct. at 1752-53 (Limiting the issue to whether the Federal Circuit’s framework for determining a case is exception in Brooks Furniture was “consistent with the statutory text.”).
153. Id. at 1755–56 (Stating that section 285 “imposes one and only one constraint on district courts’ discretion to award attorney's fees in patent litigation: The power is reserved for ‘exceptional’ cases.”).
154. Mann, supra note 13.
155. Id.
beyond typical infringement, maintaining the willfulness requirement for enhanced damages.\footnote{156}

Section 285 and section 284 both allow for additional damages outside of those assessed by a jury and use broad language in delegating this discretion to the courts.\footnote{157} If the statutory limitations in section 285 are sufficient to guide a district court in awarding attorney’s fees, the statutory limitations in section 284 should also be sufficient when awarding enhanced damages.

C. The Federal Circuit’s and District Courts’ Current Interpretation

The Supreme Court’s ruling in Halo afforded the courts “broad discretion to award enhanced damage awards for egregious infringement.”\footnote{158} “While the Read factors remain helpful to the Court’s execution of its discretion,” only egregious behavior by the defendant warrants an award of enhanced damages.\footnote{159} The Supreme Court’s decision in Halo represents “a more flexible test based on the trial judge’s discretion.”\footnote{160} Furthermore, it “lowered the evidentiary threshold from ‘clear and convincing’ evidence to a preponderance of the evidence, and it replaced Seagate’s . . . appellate review with a simple abuse of discretion standard.”\footnote{161}

Currently “the Federal Circuit is maintaining its bifurcated approach to enhancement of damages, first requiring a predicate willfulness determination [by the trier of fact,] followed by the judge’s discretionary determination of whether and how much to enhance damages.”\footnote{162}

\footnote{159} Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co., 203 F.Supp.3d 755, 763 (E.D. Tex. Aug. 24, 2016) (noting that “an analysis focused on ‘egregious infringement behavior’ is the touchstone for determining an award of enhanced damages rather than a more rigid, mechanical assessment.”).
\footnote{161} Id.; see also WesternGeco L.L.C. v. ION Geophysical Corp., 837 F.3d 1358, 1361–62 (Fed. Cir. 2016) (noting that Halo changed the standard by which the Court must determine this level of knowledge from “clear and convincing” to a “preponderance of the evidence.”); Stryker Corp. v. Zimmer, Inc., 837 F.3d 1268, 1278 (Fed. Cir. 2016) (explaining that in that case willfulness had been established under a clear and convincing standard it should be affirmed, being that the standard now is only beyond a preponderance of the evidence.).
Supreme Court decided *Halo* and in the Federal Circuit’s review of *Stryker*, to the Federal Circuit, it affirmed “the jury’s finding of willful infringement,” having initially reversed the jury’s finding of willfulness. The Federal Circuit explained that since the objective prong of the *Seagate* test was overruled by the Supreme Court’s decision in *Halo*, “‘[t]he subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.’” The Federal Circuit also explained that because the issue of willfulness was established in the district court under a clear and convincing standard and the standard now is only beyond a preponderance of the evidence there was no need to consider the issue of willfulness again, thus affirming the district court’s finding of willfulness. Finally, the court did not decide whether enhanced damages were warranted given the finding of willfulness, stating that “it is for the district court to determine whether, in its discretion, enhancement is appropriate here.”

In reviewing its decision, the Federal Circuit remanded the case to the district court to determine if there was willful infringement based on the Supreme Court’s *Halo* decision and whether enhanced damages should be awarded. The Federal Circuit had initially affirmed the district court’s finding of no willful infringement based on the *Seagate* test. Because the district court found no willful infringement based solely on the objective prong of the *Seagate* test, the district court now must determine whether willfulness was present based on “‘[t]he subjective willfulness of a patent infringer, intentional or knowing, [which] may warrant enhanced damages.’”

Looking to other case determinations, since the Supreme Court decided *Halo* shows a continuation of the two-step process, a focus on the requirement for knowledge as a prerequisite for willfulness has seemingly emerged. In *WBIP, LLC v. Kohler Co.*, the Federal Circuit specifically

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163. *Stryker Corp.*, 837 F.3d at 1270.
164. *Id.* at 1279 (quoting Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1932 (2016)).
165. *Id.*
166. *Id.*
168. *Id.* at 1372.
169. *Id.* at 1381 (quoting Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1933 (2016)).
171. *WesternGeco L.L.C. v. ION Geophysical Corp.*, 837 F.3d 1358, 1363 (Fed. Cir. 2016) (noting that willfulness requires the Court to determine whether the defendant “knew, or it was so obvious that [the defendant] should have known, that its actions constituted infringement of a valid patent claim.”).
held that “[k]nowledge of the patent alleged to be willfully infringed continues to be a prerequisite to enhanced damages.”\textsuperscript{172} Willfulness might seem like a broad enough word to encompass Congress’s intent in drafting section 284. However, to go so far as to specifically require “knowledge” of infringement, or that the situation at hand is so obvious an individual “should have known, that its actions constituted infringement of a valid patent claim” goes extremely too far. Nothing in section 284 limits or even suggests that the court must take knowledge into account when exercising its discretion.\textsuperscript{173}

In addition, courts have continued to apply the Read factors in determining when and by how much to enhance damages after a finding of willfulness.\textsuperscript{174} This test, which does not rigidly limit the court’s discretion in choosing when and how much to enhance damages,\textsuperscript{175} is the type of flexible test that courts should apply to the entire enhanced damages determination.

V. CONCLUSION

“In sum, from the time of the Supreme Court’s decision in Seymour to the creation of the Federal Circuit, courts generally limited the award of enhanced damages to cases where the accused infringer deliberately, consciously, and willfully infringed upon the patent.”\textsuperscript{176} Even though in Halo, the Supreme Court removed many of the limits on a district court’s discretion, it did not remove the requirement for a finding of willfulness.\textsuperscript{177} However, there is nothing in the statutory text that supports the finding that enhanced damages should be limited to willful behavior. Rather, the court should “leave the discretion of enhanced damages in the capable hands of the district courts.”\textsuperscript{178} With the Read factors as a non-exclusive list for the courts to consider, though not binding, courts will be able to fully utilize their statutory discretion. Without the required finding of willfulness, courts will finally be free of rigid constraints or categorizations that fail to capture the full breath of their statutory discretion while still being reviewable for an abuse of discretion by the Federal Circuit and Supreme Court.


\textsuperscript{175} Lanks, supra note 45, at 612.

\textsuperscript{176} Wright, supra note 8, at 104.

\textsuperscript{177} Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1932 (2016) (explaining that enhanced “damages are generally reserved for egregious cases of culpable behavior.”).

\textsuperscript{178} In re Seagate Tech., LLC, 497 F.3d 1360, 1377 (Fed. Cir. 2007) (Gajarsa, J., concurring) (urging the court to “eliminate the grafting of willfulness onto section 284.”).