

Nos. 20-1685, 20-1704

**United States Court of Appeals
for the Federal Circuit**

SRI INTERNATIONAL, INC.,
Plaintiff-Appellant,

v.

CISCO SYSTEMS, INC.,
Defendant-Cross-Appellant.

On Appeal from the United States District Court for the
District of Delaware, Case No. 1:13-cv-01534-RGA-SRF,
The Honorable Richard G. Andrews

**BRIEF OF HIGH TECH INVENTORS ALLIANCE AS
AMICUS CURIAE IN SUPPORT OF PETITION FOR
REHEARING OR REHEARING EN BANC**

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

CERTIFICATE OF INTEREST

Case Number Nos. 20-1685, 20-1704

Short Case Caption SRI International, Inc. v. Cisco Systems, Inc.

Filing Party/Entity High Tech Inventors Alliances as Amicus Curiae

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box.** Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

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Name: Andrew J. Pincus

<p>1. Represented Entities. Fed. Cir. R. 47.4(a)(1).</p>	<p>2. Real Party in Interest. Fed. Cir. R. 47.4(a)(2).</p>	<p>3. Parent Corporations and Stockholders. Fed. Cir. R. 47.4(a)(3).</p>
<p>Provide the full names of all entities represented by undersigned counsel in this case.</p>	<p>Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.</p> <p><input checked="" type="checkbox"/> None/Not Applicable</p>	<p>Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.</p> <p><input checked="" type="checkbox"/> None/Not Applicable</p>
<p>High Tech Inventors Alliance</p>		

Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

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Andrew J. Pincus, Mayer Brown LLP		
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5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court’s decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	V
INTEREST OF <i>AMICUS CURIAE</i>	1
INTRODUCTION AND SUMMARY OF ARGUMENT.....	2
ARGUMENT.....	4
I. THE ENHANCED DAMAGES AWARD WAS NEVER ASSESSED UNDER THE <i>HALO</i> TEST.	4
A. The Panel Erred By Relying On The <i>Read</i> Factors And Ignoring <i>Halo</i>	4
B. The Jury’s “Willfulness” Determination Cannot Justify The Enhanced-Damages Award.....	10
II. THE PANEL’S ERRORS WILL PENALIZE INNOVATORS.	11
CONCLUSION	12

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Halo Elecs., Inc., v. Pulse Elecs., Inc.</i> , 579 U.S. 93 (2016)	<i>passim</i>
<i>i4i Ltd. P’ship v. Microsoft Corp.</i> , 598 F.3d 831 (Fed. Cir. 2010)	7
<i>Octane Fitness, LLC v. ICON Health & Fitness, Inc.</i> , 572 U.S. 545 (2014)	7
<i>Presidio Components, Inc. v. Am. Tech. Ceramics Corp.</i> , 875 F.3d 1369 (Fed. Cir. 2017)	6
<i>Read Corp. v. Portec, Inc.</i> , 970 F.2d 816 (Fed. Cir. 1992)	<i>passim</i>
<i>SRI Int’l, Inc. v. Cisco Sys., Inc.</i> , 930 F.3d 1295 (Fed. Cir. 2019)	9
<i>WBIP, LLC v. Kohler Co.</i> , 829 F.3d 1317 (Fed. Cir. 2016)	3
Constitution and Statutes	
U.S. Const., Art. I, § 8, cl. 8	4
35 U.S.C. § 285	7

INTEREST OF *AMICUS CURIAE*

High Tech Inventors Alliance (HTIA) is a consortium of some of the world's most innovative technology companies: Adobe, Amazon, Cisco, Dell, Google, Intel, Micron, Microsoft, Oracle, Salesforce, and Samsung. It supports fair and reasonable patent policy by publishing policy research, providing testimony and comments to Congress and government agencies, and sharing industry's perspective with courts considering issues important to technology companies.¹

HTIA's members annually invest more than \$140 billion in research and development and have received nearly 350,000 patents. Due to their products' complexity and success, HTIA's members also are frequently targets of patent-infringement claims, giving them a unique perspective as both plaintiffs and defendants in high-stakes patent litigation.

The Supreme Court's decision in *Halo Electronics, Inc. v. Pulse Elec-*

¹ Pursuant to Federal Rule of Appellate Procedure 29(a)(4)(E), *amicus curiae* affirms that no party or counsel for a party authored this brief in whole or in part and that no person other than *amicus curiae*, its members, or its counsel has made any monetary contributions intended to fund the preparation or submission of this brief.

Cisco is a member of HTIA but was excluded from HTIA's decision whether to file this brief, from HTIA's decisions regarding the brief's contents, and from participation in the brief's preparation, and did not make any contributions directly intended to fund this brief.

tronics, Inc., 579 U.S. 93 (2016), significantly altered the standard governing awards of enhanced damages in patent-infringement actions. But—as this case demonstrates—neither the district courts nor this Court have properly integrated the *Halo* standard into the process for determining when enhanced damages are permissible.

Because HTIA’s members recognize the importance of appropriate patent protection as well as limitations on enhanced damages, they submit this brief to urge the Court to rehear this matter to ensure that the standards governing awards of enhanced damages comport with Supreme Court precedent.

INTRODUCTION AND SUMMARY OF ARGUMENT

The panel’s reinstatement of over \$23 million in enhanced damages rests on a critical error: agreeing with the district court that enhanced damages could be justified simply by reciting several factors from *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992). Because of that error, the enhanced-damages decision was never assessed under the standard prescribed in *Halo*. Rehearing is urgently needed to make clear that the *Halo* test must be satisfied to permit an enhanced-damages award.

Halo held that the determination whether a defendant’s actions are sufficiently culpable to merit enhanced damages is entrusted to the discretion of the trial court. Exercise of that discretion must be based on “sound legal principles” that reserve enhanced damages for particularly egregious

misconduct equivalent to that of “the ‘wanton and malicious pirate’ who intentionally infringes another’s patent—with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee’s business.” *Halo*, 579 U.S. at 103-04 (citations omitted).

The panel here, however, embraced, without question, the district court’s justification of enhanced damages based solely on a subset of the factors specified in this Court’s pre-*Halo* decision in *Read*. Op. 11. But *Halo* does not even mention, let alone endorse, the *Read* factors. Several of those factors—including the ones principally cited by the district court here, such as litigation conduct—have no bearing on the inquiry that *Halo* mandates: whether the infringer’s actions were sufficiently “characteristic of a pirate” to support enhanced damages. *Halo*, 579 U.S. at 104. And mere recitation of even potentially relevant factors cannot relieve the district court of its obligation to apply *Halo*’s “egregious misconduct” standard to the entire record—which neither the district court nor the panel did here.

The rehearing petition does not present a question regarding the standard that the jury should apply in making the “willfulness” determination that this Court has held is necessary to permit the district court to consider awarding enhanced damages. *See WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341 (Fed. Cir. 2016). But the panel’s decision here, permitting the jury to apply a standard less demanding than the *Halo* test, makes no sense. It prevents juries from performing their function of screening out the cases

in which enhanced damages are impermissible. The Court should address that issue in a future case in which it is presented.

Innovators are severely prejudiced when courts apply an enhanced-damages analysis that falls short of *Halo*'s requirements. As Justice Breyer recognized in *Halo*, inappropriately expanding the availability of enhanced damages will “discourage lawful activity” and “frustrate, rather than ‘promote,’ the ‘Progress of Science and useful Arts.’” *Halo*, 579 U.S. at 113 (Breyer, J., concurring) (quoting U.S. Const., Art. I, § 8, cl. 8). The Court should prevent that result by rehearing this case and adopting a framework that complies with *Halo*'s holding.

ARGUMENT

I. THE ENHANCED DAMAGES AWARD WAS NEVER ASSESSED UNDER THE *HALO* TEST.

Neither the district court, nor the panel, nor the jury determined that the record here satisfies *Halo*'s standard for enhanced damages. The panel therefore lacked authority to reinstate the enhanced-damages award.

A. The Panel Erred By Relying On The *Read* Factors And Ignoring *Halo*.

Halo held that enhanced damages are “a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior.” 579 U.S. at 103. A defendant’s conduct must be “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate” to satisfy this standard. *Id.* at 103-04. The Supreme Court instructed district courts

to “take into account the particular circumstances of each case” in determining whether the heavy sanction of enhanced damages is warranted. *Id.* at 106. The focus must be on whether the infringer’s actions are like those of a “wanton and malicious pirate,” based on what it knew at the time of infringement.²

Neither the district court’s award of enhanced damages nor the panel’s decision applied *Halo*’s egregious-misconduct standard. Rather, each justified its decision regarding enhanced damages solely by pointing to several of the factors identified in *Read*. Op. 11; Appx28389-28393.³

² Although *Halo* refers to “willful” misconduct, the Court’s placement of “willful” in a list of terms describing seriously egregious conduct makes clear that the Court’s understanding of “willful infringement” in this context requires highly culpable conduct, not knowing infringement. 579 U.S. at 103-04. Indeed, Justice Breyer explained, in his concurrence joined by Justices Kennedy and Alito, that “the Court’s references to ‘willful misconduct’ do not mean that a court may award enhanced damages simply because the evidence shows that the infringer knew about the patent *and nothing more*.” *Id.* at 110 (Breyer, J., concurring). Rather, what is required are “circumstanc[es]’ that transform[] simple knowledge into . . . egregious behavior.” *Id.* at 111. It is the egregiousness that “makes all the difference” because it is the essential prerequisite needed to justify enhanced damages. *Id.*

³ The factors are:

1. whether the infringer engaged in deliberate copying;
2. whether the infringer, when it knew of the patent, investigated the scope of the patent and formed a good faith belief that the patent was invalid or that it was not infringed;
3. the infringer’s behavior during litigation;
4. the infringer’s size and financial condition;
5. the “[c]loseness of the case”;

But *Read* was issued more than two decades before *Halo* and therefore could not, and clearly did not, purport to explicate the *Halo* standard. Moreover, *Halo* neither mentions nor endorses the *Read* factors—as this Court has recognized. See *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 875 F.3d 1369, 1382 (Fed. Cir. 2017).

Read cannot substitute for applying the *Halo* test. Several of the factors identified in *Read* are now inapplicable because they are irrelevant to the *Halo* standard—including all of the factors relied on in this case. Those factors either shed no light at all on the egregiousness of the defendant’s conduct, do not relate to what the defendant knew at the time of the infringing conduct, or both.

Further, even if a court finds that the record supports one or more of the still-permissible *Read* factors, merely ticking through those factors, as the district court and the panel did here, cannot suffice—a court still must determine whether, based on all of the evidence, the defendant engaged in “egregious behavior” equivalent to that of a “wanton and malicious pirate.” *Halo*, 579 U.S. at 104.

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6. the duration of the infringer’s misconduct;
 7. any remedial action taken by the infringer;
 8. the infringer’s motivation for harm; and
 9. whether the infringer “attempted to conceal its misconduct.”

Read, 970 F.2d at 826-27.

The district court justified its enhanced-damages award by pointing to “Cisco’s litigation conduct, its status as the world’s largest networking company, its apparent disdain for SRI and its business model, and the fact that Cisco lost on all issues during summary judgment and trial, despite its formidable efforts to the contrary.” Op. 11. None of those factors supports an enhanced-damages award.

To begin with, any consideration of litigation conduct is squarely precluded by *Halo*. By instructing district courts that they must justify any enhanced-damages award based on an infringer’s state of mind *at the time of the infringement*, *Halo* places litigation conduct outside the permissible inquiry. 579 U.S. at 103, 105.

In addition, this Court explained in a pre-*Halo* decision that this *Read* factor is meant to reward patentees when infringers engage in litigation-related misconduct. *See i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010). But awards of attorneys’ fees under 35 U.S.C. § 285 are already specifically designed to address such behavior. *Halo*, 579 U.S. at 112 (Breyer, J., concurring) (“enhanced damages may not serve to compensate patentees for . . . litigation expenses” (quotation marks omitted)); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014) (attorneys’ fees may be awarded under § 285 because of “the unreasonable

manner in which the case was litigated”). *Read*’s “litigation conduct” factor thus introduces into the enhanced-damages inquiry a consideration that Congress specifically addressed in a separate section of the statute. It also improperly permits double recovery for litigation misconduct, which is precisely what happened in this case. Op. 13.

The other factors relied upon by the district court similarly ignore *Halo*’s focus on the subjective intent of the infringer at the time of the infringement and the egregiousness of the infringement itself. For instance, the district court pointed to Cisco’s “status as the world’s largest networking company,” Op. 11, but a defendant’s size has nothing to do with its subjective knowledge, its intent, or the egregiousness of its behavior.

The district court also relied on Cisco’s “apparent disdain for SRI and its business model” to justify enhanced damages, Op. 11, but did not point to anything in the record suggesting that Cisco willfully infringed *because* of its presumed disdain for its opponent. Without such evidence, any opinion that Cisco may hold regarding SRI is irrelevant under *Halo*.

Finally, the district court pointed to “the fact that Cisco lost on all issues during summary judgment and trial.” Op. 11. But merely losing a defense does not demonstrate conduct that was “characteristic of a pirate.”

Halo, 579 U.S. at 104. As a proxy for egregiousness, it falls far short, especially here, where Judge Lourie dissented from the panel decision during the first appeal, because he found one of those defenses meritorious. *SRI Int’l, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1312 (Fed. Cir. 2019) (Lourie, J., dissenting).

The district court—and the panel, in turn—thus relied on irrelevant factors to justify an enhanced-damages award.

Moreover, the panel ignored the district court’s determination that several *Read* factors—that, moreover, do relate to the *Halo* egregiousness standard—weighed against an award of enhanced damages. Thus, the district court found that there was “no evidence” that Cisco “intentionally copied” SRI’s product, and SRI “conceded” that Cisco did not attempt to “cover up” its infringement. Appx4.

Finally, and most importantly, at no point did either the district court that awarded enhanced damages or the panel apply *Halo*’s egregious misconduct standard and determine, by applying that standard to the case as a whole, that Cisco’s conduct merited the sanction of enhanced damages. 579 U.S. at 103-04. Ticking off the *Read* factors does not permit courts to

avoid their obligation to determine that the defendant’s conduct met that high standard.⁴

Rehearing is warranted to address these multiple failures to comply with *Halo*.

B. The Jury’s “Willfulness” Determination Cannot Justify The Enhanced-Damages Award.

The “willfulness” standard applied by the jury in this case is a relic of this Court’s pre-*Halo* jurisprudence—requiring only that the defendant “actually knew or should have known that its actions constituted an unjustifiably high risk of infringement.” Op. 4; *see also id.* at 6 n.1. That standard falls far short of *Halo*’s holding that enhanced damages are reserved for egregious behavior like that of a “wanton and malicious pirate.” *Halo*, 579 U.S. at 104. The jury’s determination therefore cannot substitute for the failure of the district court and of the panel to determine that *Halo* is satisfied here.

The rehearing petition does not challenge the panel’s determination that the jury’s willfulness finding, which opens the door to enhanced damages, may be based on a standard significantly less demanding than

⁴ Bizarrely, the panel’s enhanced-damages analysis ignores the fact that when the district court finally did apply the *Halo* standard—in its decision on remand from this Court—it found “no substantial evidence that Cisco’s infringement was ‘wanton, malicious, and bad-faith.’” Appx7. That determination alone should have precluded an award of enhanced damages.

Halo. Op. 9-10. The Court, however, should reconsider that question if it is presented in a future case. The significantly reduced standard embraced by the panel here permits juries to find infringement “willful” even if it lacks the egregiousness required by *Halo*. That prevents the jury’s finding from serving its intended gate-keeping function, because it fails to separate those cases that possibly merit enhanced damages from those that do not. When a jury is tasked with determining whether an infringer’s conduct was “willful,” the jury therefore should be instructed with—and the sufficiency of the evidence supporting its determination should be evaluated under—the standard adopted by *Halo*.

II. THE PANEL’S ERRORS WILL PENALIZE INNOVATORS.

The panel’s errors open the door to awards of enhanced damages in cases where the evidence does not satisfy *Halo*. That will penalize the innovators that patent law is intended to protect.

For example, larger and more established companies are *more* likely to be held liable for enhanced damages under the panel’s approach—where mere knowledge of a patent, combined with continued production of the challenged product, was sufficient. Innovative companies that experience success as a result of developing cutting-edge products are frequent targets of patent litigation, and are more likely presumed to have knowledge that could be used to justify an enhanced-damages award. That is even more

likely when courts rely on *Read* to cite a defendant company's size in justifying enhanced damages. 970 F.2d at 826-27.

The "limitations" on enhanced-damages awards exist "for a reason." *Halo*, 579 U.S. at 112 (Breyer, J., concurring). As Justice Breyer explained, an increased risk of enhanced damages inexorably forces companies receiving a notice of claimed infringement to "settle, or even abandon any challenged activity" because of the risk of having to pay gigantic awards. *Id.* at 113. But "[t]he more that" innovators "adopt this approach, the more often a patent will reach beyond its lawful scope," which will "discourage lawful activity" and "frustrate" innovation, undermining the goal that the patent law is designed to achieve. *Id.* at 113-14.

CONCLUSION

Rehearing or rehearing en banc should be granted.

Respectfully submitted,

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Dated: December 13, 2021

CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rule of Appellate Procedure 32(g), the undersigned counsel for Appellant certifies that this brief:

(i) complies with the type-volume limitation of Federal Rule of Appellate Procedure 29(b)(4) and Federal Circuit Rule 40(f) because it contains 2,599 words, including footnotes and excluding the parts of the brief exempted by Federal Circuit Rule 32(b) and Federal Rule of Appellate Procedure 32(f); and

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Dated: December 13, 2021

/s/ Andrew J. Pincus