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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS, INC.,
Plaintiff,
v.
AMERICAN TECHNICAL CERAMICS
CORP.,
Defendant.

Case No.: 14-cv-02061-H-BGS

ORDER:

**(1) DENYING WITHOUT
PREJUDICE DEFENDANT’S
MOTION FOR JUDGMENT AS A
MATTER OF LAW**

[Doc. No. 307.]

**(2) DENYING DEFENDANT’S
MOTION FOR ENTRY OF
JUDGMENT OF INDEFINITENESS**

[Doc. No. 341.]

**(3) DENYING DEFENDANT’S
MOTION FOR ENTRY OF
JUDGMENT ON ITS EQUITABLE
DEFENSES OF INTERVENING
RIGHTS, ESTOPPEL, AND LACHES**

[Doc. No. 344.]

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**(4) DENYING DEFENDANT’S
MOTION FOR A FINDING OF NO
WILLFUL INFRINGEMENT**

[Doc. No. 343.]

**(5) MEMORANDUM DECISION IN
FAVOR OF PLAINTIFF ON ISSUES
TRIED TO THE COURT**

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On May 13, 2016, Defendant American Technical Ceramics Corp. filed: (1) a motion for the entry of judgment in its favor on its affirmative defense and counterclaim that the asserted claims of the '356 patent are invalid due to indefiniteness; (2) a motion for the entry of judgment in its favor on its equitable affirmative defenses of equitable intervening rights, equitable estoppel, and laches; and (3) a motion for a finding by the Court of no willful infringement. (Doc. Nos. 341, 343, 344.) On June 6, 2016, Plaintiff Presidio Components, Inc. filed responses in opposition to the three motions. (Doc. Nos. 353, 354, 356.) On June 13, 2016, ATC filed its replies. (Doc. Nos. 360, 361, 364.)

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The Court held a hearing on the matters on June 17, 2016. Gregory Ahrens and Brett Schatz appeared for Presidio. Peter Snell and Ronald Cahill appeared for ATC. For the reasons below, the Court: (1) denies without prejudice ATC’s Federal Rule of Civil Procedure 50(a) motion for judgment as a matter of law; (2) denies ATC’s motion for the entry of judgment in its favor on its affirmative defense and counterclaim that the asserted claims of the '356 patent are invalid due to indefiniteness; (3) denies ATC’s motion for the entry of judgment in its favor on its equitable affirmative defenses of equitable intervening rights, equitable estoppel, and laches; (4) denies ATC’s motion for a finding by the Court of no willful infringement; (5) issues a memorandum decision in favor of Presidio on the issues tried to the Court.

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Background

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2 On September 2, 2014, Presidio filed a complaint for patent infringement against
3 ATC, alleging infringement of U.S. Patent No. 6,816,356 (“the ’356 patent”). (Doc. No.
4 1, Compl.) The ’356 patent is entitled “Integrated Broadband Ceramic Capacitor Array.”
5 U.S. Patent No. 6,816,356 B2, at 1:1-2 (filed Apr. 14, 2003). The patent issued on
6 November 9, 2004 and claimed priority to an application filed on May 17, 2002. See id.
7 (See Doc. No. 276-3 ¶ 4; Doc. No. 356-1 at 5.)

8 A capacitor is a passive electrical component that stores and releases energy and is
9 used in a variety of electrical devices. Presidio Components, Inc. v. American Technical
10 Ceramics Corp., 702 F.3d 1351, 1355 (Fed. Cir. 2012). Generally, a capacitor comprises
11 two parallel metal plates separated by a non-conductive material such as ceramic or air,
12 known as a dielectric. Id. When a capacitor is connected to a power source, electricity
13 passes through the metal plates, but not the dielectric, causing a positive charge to
14 accumulate on one plate and a negative charge on the other. Id. “The capacitor may release
15 this stored energy by connecting the two plates through a conductive path that closes the
16 circuit.” Id. “The amount of energy a capacitor can store is its ‘capacitance.’” Id.

17 Multiple capacitors may be combined to create a “multilayer capacitor.” Id. A
18 multilayer capacitor is made of several layers of conductive and non-conductive materials
19 stacked together. Id. Each layer in the multilayer capacitor has its own electrical properties
20 affecting the overall performance of the capacitor. Id.

21 The ’356 patent claims a multilayer capacitor design and teaches a multilayer
22 integrated network of capacitors electrically connected in series and in parallel. Id.;
23 Presidio Components, Inc. v. American Technical Ceramics Corp., 723 F. Supp. 2d 1284,
24 1289 (S.D. Cal. 2010), vacated on other grounds, 702 F.3d 1351 (Fed. Cir. 2012). This
25 network of capacitors is disposed within a “substantially monolithic dielectric body,” as
26 shown below in Figure 10A. Presidio, 702 F.3d at 1355. The claimed multilayer capacitor
27 creates capacitance between internal parallel plate combinations 10 and 11 while
28 simultaneously creating fringe-effect capacitance between external contacts 72 and 74. Id.

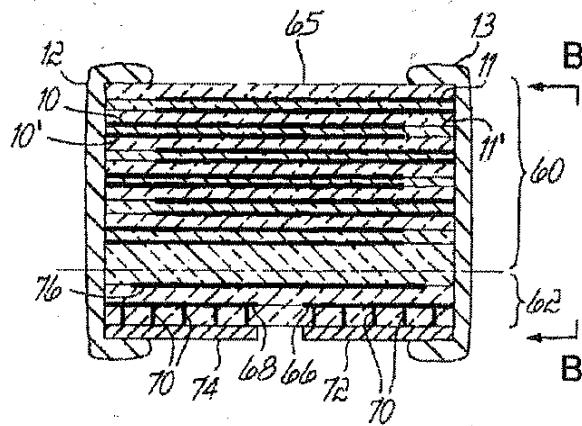


FIG. 10A

On December 8, 2015, the United States Patent and Trademark Office issued a reexamination certificate for the '356 patent, amending certain claims of the patent.¹ (Doc. No. 170-2, FAC Ex. 2.) Amended claim 1 of the '356 patent, the only independent claim asserted by Presidio in this action, is as follows:

1. A capacitor comprising:

a substantially monolithic dielectric body;

a conductive first plate disposed within the dielectric body;

a conductive second plate disposed within the dielectric body and forming a capacitor with the first plate;

a conductive first contact disposed externally on the dielectric body and electrically connected to the first plate; and

a conductive second contact disposed externally on the dielectric body and electrically connected to the second plate, and the second contact being located sufficiently close to the first contact in an edge to edge relationship in such proximity as to form a first fringe-effect capacitance with the first contact that is capable of being determined by measurement in terms of a standard unit.

¹ The PTO previously issued a reexamination certificate for the '356 patent on September 13, 2011. (Doc. No. 170-1, FAC Ex. 1.) This reexamination certificate did not alter any of the claims at issue in the present action. (*Id.*)

1 U.S. Patent No. 6,816,356 C2, at 1:23-36 (Reexamination Certificate filed Dec. 8, 2015)
2 (emphasis removed from original). The claims in the reexamination certificate were
3 amended in order to overcome a final rejection by the examiner, rejecting the claims at
4 issue as anticipated by the AVX MLC Catalog reference, and in the alternative, as obvious
5 over the AVX MLC Catalog reference in view of the Ceramic Capacitor Technology
6 reference. (See Doc. No. 212-2, Slonim Decl. Exs. 1, 2, 8, 11.)

7 On December 22, 2015, Presidio filed a first amended complaint, alleging
8 infringement of the '356 patent as amended by the reexamination certificate. (Doc. No.
9 170, FAC.) Specifically, Presidio alleged that ATC's 550 line of capacitors infringes
10 claims 1, 3, 5, 16, 18, and 19 of the '356 patent. (Id. ¶ 26.) On December 22, 2015, ATC
11 filed a second amended answer and counterclaims to the first amended complaint, adding
12 an affirmative defense of absolute and equitable intervening rights and an affirmative
13 defense and counterclaim of unenforceability due to inequitable conduct. (Doc. No. 171.)

14 On January 12, 2016, the Court denied Presidio's motions for: (1) summary
15 judgment of definiteness; (2) summary judgment of infringement; (3) summary judgment
16 of ATC's equitable affirmative defenses; and (4) summary judgment of no acceptable non-
17 infringing alternatives. (Doc. No. 210.) In the order, the Court also denied ATC's motions
18 for: (1) partial summary judgment of non-infringement; (2) summary judgment of
19 indefiniteness; and (3) summary judgment of no willful infringement. (Id.) On February
20 10, 2016, the Court granted ATC's motion for summary judgment of its affirmative defense
21 of absolute intervening rights and held that Presidio is entitled to infringement damages
22 only for the time period following the issuance of the reexamination certificate on
23 December 8, 2015. (Doc. No. 234 at 28.) In that order, the Court also dismissed with
24 prejudice ATC's affirmative defense and counterclaim that the '356 patent is unenforceable
25 due to inequitable conduct. (Id. at 33.)

26 The Court held a jury trial beginning on April 5, 2016. (Doc. No. 297.) During the
27 trial, on April 8, 2016, ATC filed a motion for judgment as a matter of law pursuant to
28 Federal Rule of Civil Procedure 50(a). (Doc. No. 307.) On April 18, 2016, the jury

1 returned a verdict finding direct infringement and induced infringement of claims 1, 3, 5,
2 16, 18, and 19 of the '356 patent by ATC as to all of the accused products in the action: the
3 550L, the 550S, the 550U, and the 550Z capacitors. (Doc. No. 328 at 2-3.) In addition,
4 the jury found that Presidio had proven by clear and convincing evidence that ATC's
5 infringement of the asserted claims was willful. (Id. at 4.) The jury awarded Presidio
6 \$2,166,654 in lost profit damages. (Id.) The jury also issued an advisory verdict as to
7 indefiniteness and found that ATC had failed to prove by clear and convincing evidence
8 that claim 1 of the '356 patent is indefinite.² (Id. at 5.)

9 By the present motions, ATC moves for the entry of judgment in its favor on the
10 following issues: (1) ATC's affirmative defense and counterclaim of invalidity of the
11 asserted claims of the '356 patent due to indefiniteness; (2) ATC's affirmative defense of
12 equitable intervening rights; (3) ATC's affirmative defense of equitable estoppel; and (4)
13 ATC's affirmative defense of laches. (Doc. Nos. 341-2, 349.) In addition, ATC moves for
14 a finding by the Court of no willful infringement. (Doc. No. 343-1.)

15 Discussion

16 **I. Rule 50(a) Motion for Judgment as a Matter of Law**

17 During the trial, on April 8, 2016, ATC filed a Rule 50(a) motion for judgment as a
18 matter of law. (Doc. No. 307.) The Court denies the motion without prejudice to ATC
19 filing a renewed motion under Federal Rule of Civil Procedure 50(b) on appropriate issues.
20 See Fed. R. Civ. P. 50(b).

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26 ² The verdict form initially had the "Yes" box marked in response to question No. 6 "Has ATC
27 proved by clear and convincing evidence that claim 1 of the '356 patent is indefinite?" (Doc. No. 328 at
28 5.) During the reading of the verdict in open court, the jurors agreed that checking the "Yes" box in
response to question No. 6 was a clerical error and then amended the verdict form to reflect that the
"No" box should be checked. (See id.; Doc. No. 333 at 8-11)

1 **II. Indefiniteness**

2 ATC moves for the entry of judgment in its favor on its affirmative defense and
3 counterclaim that all of the asserted claims of the '356 patent are invalid due to
4 indefiniteness. (Doc. No. 341-2 at 1-2.) Section 112 of the Patent Act requires that a
5 patent's specification "conclude with one or more claims particularly pointing out and
6 distinctly claiming the subject matter which the applicant regards as [the] invention." 35
7 U.S.C. § 112, ¶ 2. In Nautilus, Inc. v. Biosig Instruments, Inc., 134 S. Ct. 2120, 2124
8 (2014), the Supreme Court "h[e]ld that a patent is invalid for indefiniteness if its claims,
9 read in light of the specification delineating the patent, and the prosecution history, fail to
10 inform, with reasonable certainty, those skilled in the art about the scope of the invention."
11 See also id. at 2129 ("[W]e read § 112, ¶ 2 to require that a patent's claims, viewed in light
12 of the specification and prosecution history, inform those skilled in the art about the scope
13 of the invention with reasonable certainty."). Definiteness is measured from the viewpoint
14 of a PHOSITA at the time the patent was filed – here, May 17, 2002.³ Id. at 2128.

15 The Supreme Court explained that indefiniteness under section 112 requires a
16 "delicate balance." Id. at 2128. "The definiteness standard 'must allow for a modicum
17 of uncertainty' to provide incentives for innovation, but must also require 'clear notice of
18 what is claimed, thereby appris[ing] the public of what is still open to them.'" Interval
19 Licensing LLC v. AOL, Inc., 766 F.3d 1364, 1370 (Fed. Cir. 2014) (quoting Nautilus, 134
20 S. Ct. at 2128, 2129). Thus, the definiteness requirement "mandates clarity, while
21 recognizing that absolute precision is unattainable." Nautilus, 134 S. Ct. at 2129.

22 Indefiniteness is a question of law involving underlying factual determinations.
23 Teva Pharm. USA, Inc. v. Sandoz, Inc., 789 F.3d 1335, 1341 (Fed. Cir. 2015); Green Edge
24 Enters., LLC v. Rubber Mulch Etc., LLC, 620 F.3d 1287, 1299 (Fed. Cir. 2010); see also

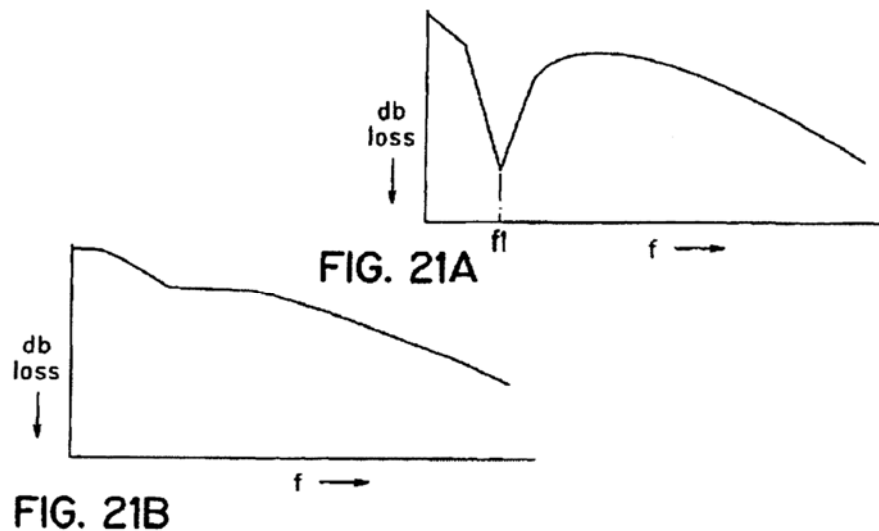
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26 ³ The parties agreed that May 17, 2002 is the proper date for assessing indefiniteness. (See Doc.
27 No. 356-1 at 5-6.) Further, the parties agreed that the level of ordinary skill in the art of the '356 patent
28 is medium. (Doc. No. 276-3 ¶ 9; Doc. No. 327 at 59.) The ordinary artisan would hold a Masters or
similar degree, or the experiential equivalent thereof, in Electrical Engineering or a similar field, and
would have at least two years of industry experience in designing multilayer capacitors. (Id.)

1 Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831, 837-38 (2015) (explaining that
2 sometimes claim construction issues involve underlying factual disputes). The party
3 challenging the validity of the patent-in-suit bears the burden of proving indefiniteness by
4 clear and convincing evidence. See Nautilus, 134 S. Ct. at 2130 n.10 (citing Microsoft
5 Corp. v. i4i Ltd. Partnership, 131 S. Ct. 2238, 2242 (2011)); see, e.g., Teva, 789 F.3d at
6 1345.

7 ATC, as the party challenging the validity of the asserted claims of the '356 patent,
8 bears the burden of providing indefiniteness by clear and convincing evidence. See id.
9 ATC argues that the asserted claims are indefinite based on the following claim language
10 contained in claim 1 of the '356 patent: "the second contact being located sufficiently close
11 to the first contact in an edge to edge relationship in such proximity as to form a first fringe-
12 effect capacitance with the first contact that is capable of being determined by measurement
13 in terms of a standard unit."⁴ (Doc. No. 341-2 at 4-5 (quoting '356 Patent Dec. 8, 2016
14 Reexamination Certificate at 1:31-36).) Specifically, ATC argues that this claim language
15 renders the asserted claims indefinite because the intrinsic record of the '356 patent does
16 not disclose with reasonable certainty how to measure whether the external contacts of a
17 multilayer capacitor are sufficiently close to form the claimed fringe-effect capacitance that
18 is capable of being determined by measurement in terms of a standard unit. (Id. at 1-2.) In
19 response, Presidio argues that the claims are definite because the '356 patent discloses to a
20 PHOSITA how to evaluate whether the fringe-effect capacitance between the external
21 contacts of a capacitor is capable of being determined in terms of a standard unit. (Doc.
22 No. 356 at 7.) The Court agrees with Presidio.

23 The specification of the '356 patent shows the use of insertion loss measurements in
24 Figures 21A and 21B:

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27 ⁴ Claims 3, 5, 16, 18, and 19 of the '356 patent are also asserted in this action. (Doc. No. 170,
28 FAC ¶ 26.) These claims are all dependent to claim 1 and, thus, also contain the above claim limitation.
See '356 Patent at 13:9, 13:26, 14:1, 14:9, 14:13.

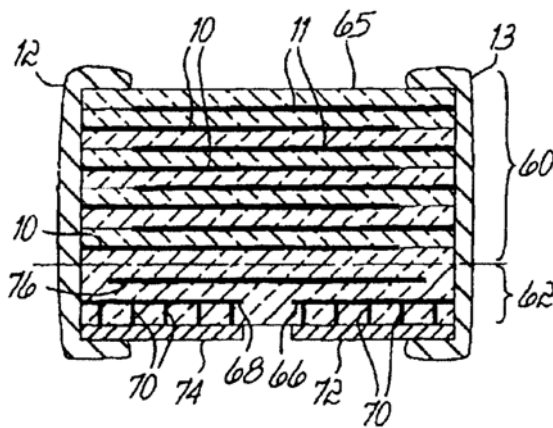


'356 Patent at figs. 21A, 21B, 6:10-15, 7:3-18. (Doc. No. 306, Trial Tr. Vol. III at 160-61 170, 178; Doc. No. 331, Trial Tr. Vol. V at 87.) Presidio's expert, Dr. Huebner, testified that insertion loss measurements are well known to a PHOSITA and are known to be the output of a network analyzer.⁵ (Doc. No. 305, Trial Tr. Vol. II at 237; Doc. No. 306, Trial Tr. Vol. III at 117-18, 131, 152-53, 178; see also Doc. No. 153-1 (ATC describing insertion loss testing as "a conventional test").) A network analyzer is able to measure the performance of a multilayer capacitor. (Doc. No. 306, Trial Tr. Vol. III at 169; Doc. No. 330, Trial Tr. Vol. IV at 169-72.) Dr. Huebner further testified that a PHOSITA would understand from the '356 patent's disclosure of insertion loss measurements that it is insertion loss measurements that define the scope of the patent. (Doc. No. 306, Trial Tr. Vol. III at 162; Doc. No. 331, Trial Tr. Vol. V at 195.) Indeed, the prosecution history of the patent explains that insertion loss measurements as referenced in figures 21A and 21B of the patent are the proper method of measurement for showing the effects of the capacitance formed according to the invention. (Doc. No. 212-2, Slonim Decl. Ex. 2 at 12.)

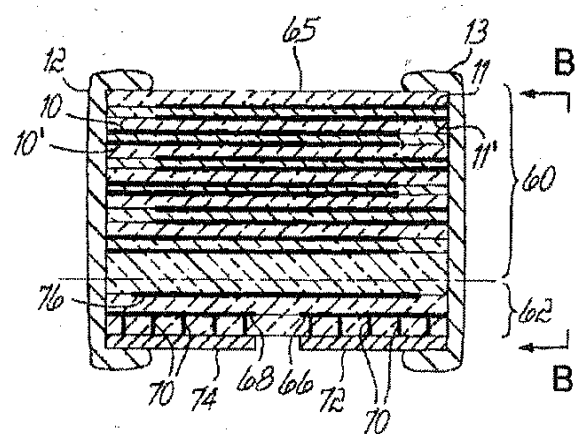
Further, the parties' experts agreed that fringe-effect capacitance is well known in

⁵ ATC's own expert, Dr. Schaper, testified that a PHOSITA is able to understand the insertion loss curves disclosed in these figures. (Doc. No. 331, Trial Tr. Vol. V at 87.)

1 the art and always exists between the external contacts of a capacitor. (Doc. No. 305, Trial
2 Tr. Vol. II at 261; Doc. No. 306, Trial Tr. Vol. III at 151; Doc. No. 331, Trial Tr. Vol. V
3 at 78.) In figures 9A and 10A of the '356 patent and the associated descriptions in the
4 specification, the patent teaches that external electrodes can be brought into proximity to
5 one another to add to the fringe-effect capacitance of the capacitor and have an impact on
6 the insertion loss performance of the capacitor. See '356 patent at 7:46-56, figs. 9A, 10A.
7 (Doc. No. 331, Trial Tr. Vol. V at 191-94; Doc. No. 306, Trial Tr. Vol. III at 162-63.)
8 Figures 9A and 10A are provided below:



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FIG. 9A



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FIG. 10A

Dr. Huebner testified that a PHOSITA would be able to make a capacitor, make
modifications to a capacitor, identify each of those modifications in an equivalent circuit
identifying discrete capacitances, and measure the performance of the capacitor. (Doc. No.
331, Trial Tr. Vol. V at 189-90; Doc. No. 306, Trial Tr. Vol. III at 156-57.) Further, a
PHOSITA would know how to make modifications to the capacitor to isolate discrete
features of the capacitor, such as discrete capacitances including the fringe-effect
capacitance. (Doc. No. 331, Trial Tr. Vol. V at 155-57, 189-90.) A PHOSITA would be
able to measure the performance of the capacitor and confirm the impact of those discrete
capacitances through and on insertion loss measurements. (Id. at 146, 155-57, 189-191,
194.) A PHOSITA would know, based on the impact of a discrete capacitance on the
measurements, how to translate those measurements into an equivalent circuit diagram that

1 includes that discrete capacitance. (Id. at 190-91, 192-93.) A PHOSITA would then be
2 able to determine the capacitance, in terms of the standard unit of Farads, of each of those
3 discrete capacitances as distinguished from the entire capacitor. (Id. at 189-90.) Indeed,
4 ATC's own expert testified that if certain things were changed in a capacitor, a PHOSITA
5 would be able to measure the effect on the capacitor's total capacitance caused by that
6 change. (Doc. No. 330, Trial Tr. Vol. IV at 156; see also id. at 176-77 (testimony from
7 Mr. Anderson, an employee of non-party Keysight Technologies, Inc., explaining that a
8 network analyzer could be used to imply that a change had been made in a multilayer
9 ceramic capacitor.)

10 Importantly, Dr. Huebner testified that the fringe-effect capacitance between the
11 external contacts of a capacitor is one of the discrete capacitances that a PHOSITA would
12 be able to determine the specific capacitance of, in terms of the standard unit of Farads.⁶
13 (Doc. No. 306, Trial Tr. Vol. III at 177-78; Doc. No. 331, Trial Tr. Vol. V at 141-42, 192-
14 93; see also Doc. No. 306, Trial Tr. Vol. III at 39-64.) Thus, a PHOSITA would know the
15 necessary measurements to make on a multilayer capacitor to evaluate and conclude
16 whether the capacitor does or does not have a fringe-effect capacitance that is capable of
17 being determined by measurement in terms of a standard unit. (Doc. No. 306, Trial Tr.
18 Vol III at 156-58.) Accordingly, a PHOSITA would be able to use a network analyzer and
19 determine whether a particular capacitor falls inside or outside the scope of claim 1 of the
20 '356 patent. (Id. at 199.)

21 The Court finds Dr. Huebner's testimony credible. In particular, the Court notes Dr.
22 Huebner's extensive experience with multilayer ceramic capacitors, including his over 35
23 years of analyzing, researching, measuring, designing, and building such capacitors.⁷
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25 ⁶ Dr. Huebner specifically testified that a PHOSITA would have been able to make this
26 determination as of 2002. (Doc. No. 306, Trial Tr. Vol. III at 180.)

27 ⁷ ATC's expert, Dr. Schaper, testified that the '356 patent does disclose when the claimed fringe-
28 effect capacitance would exist. (Doc. No. 331 Trial Tr. Vol. V at 39, 43, 95-96.) The Court does not
find ATC's expert credible on this issue in light of Dr. Huebner's conflicting testimony, which the Court

1 (Doc. No. 305, Trial Tr. Vol. II at 241; see also id. at 216-18, 224-33.) The Court
2 concludes, based on the evidence presented at trial, that the intrinsic record of the '356
3 patent discloses to a PHOSITA how to evaluate whether the fringe-effect capacitance
4 between the external contacts of a capacitor is capable of being determined in terms of a
5 standard unit. Accordingly, the asserted claims, when read in light of the intrinsic record,
6 inform a PHOSITA about the scope of the claims with reasonable certainty.

7 ATC argues that the intrinsic record does not disclose how to measure fringe-effect
8 capacitance between a capacitor's external contacts. (Doc. No. 341-2 at 4-9.) ATC is
9 incorrect. The specification of the '356 patent discloses the use of insertion loss
10 measurements. See '356 Patent at figs. 21A, 21B, 6:10-15, 7:3-18. Further, the
11 prosecution history explains that insertion loss measurements as referenced in figures 21A
12 and 21B are the proper method of measurement for showing the effects of the capacitance
13 formed according to the invention. (Doc. No. 212-2, Slonim Decl. Ex. 2 at 12.) Thus, the
14 intrinsic record discloses the relevant method of measurement. To the extent, ATC
15 contends that the intrinsic record fails to disclose the precise methods of measurement
16 utilized by Dr. Huebner in this case to measure fringe-effect capacitance, such extreme
17 detail is not required by Nautilus. Cf. 134 S. Ct. at 2129 (explaining that the definiteness
18 requirement "mandates clarity, while recognizing that absolute precision is unattainable").
19 Nautilus simply requires that the claims, when read in light of the intrinsic record, inform
20 a PHOSITA about the scope of the invention with reasonable certainty. Id. at 2124, 2129.
21 Dr. Huebner credibly testified that in light of the disclosures contained in the intrinsic
22 record of the '356 patent regarding insertion loss measurements, a PHOSITA would be
23 able to determine whether the fringe-effect capacitance between the external contacts of a
24 capacitor is capable of being determined in terms of a standard unit. This satisfies the

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26 does find credible. The Court notes that Dr. Schaper has not been engaged with multilayer ceramic
27 capacitors for over a decade, and he testified that most of his experience involved working with
28 capacitors that were not multilayer ceramic capacitors. (Id. at 75, 79-80.) In addition, Dr. Schaper
testified that he never attempted to isolate the capacitances of discrete features in a capacitors. (Id. at
76-77.)

1 Nautilus standard.

2 Further, the Court does not find persuasive ATC’s reliance on the Federal Circuit’s
3 recent decisions in Teva Pharm. USA, Inc. v. Sandoz, Inc., 789 F.3d 1335 (Fed. Cir. 2015)
4 and Dow Chem. Co. v. Nova Chemicals Corp. (Canada), 803 F.3d 620 (Fed. Cir. 2015).
5 (Doc. No. 341-2 at 9-12.) Teva and Dow both involved a situation where the parties agreed
6 that the claim term at issue could refer to any one of several different types of
7 measurements and that each method of measurement produced different results. See Teva,
8 789 F.3d at 1341; Dow, 803 F.3d at 633-34. In each of those cases, the Federal Circuit
9 found the claims at issue indefinite because the intrinsic record failed to disclose which of
10 the methods should be used. See Teva, 789 F.3d at 1342-45; Dow, 803 F.3d at 634-35. In
11 contrast, here, there is only one method of measurement disclosed in the intrinsic record of
12 the ’356 patent – insertion loss measurements. ATC does not argue that there are other
13 methods of measurement that could potentially be used to determine the scope of the ’356
14 patent.⁸

15 In addition, the Court rejects ATC’s contention that in order to satisfy section 112’s
16 definiteness requirement, the claim language of the ’356 patent needs to have had a
17 “presumed meaning” in the art as of the patent’s filing date. (Doc. No. 341-2 at 16-24.)
18 Nowhere in Nautilus, Teva, or Dow does the court ever hold that claim language must have
19 a “presumed meaning” in the art as of the patent’s filing date in order to satisfy section
20 112’s definiteness requirement. Rather, the standard for determining indefiniteness
21 remains the standard set forth in Nautilus: that in order to satisfy 112’s definiteness
22 requirement, the claims, when viewed in light of the intrinsic record, must inform a
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24 ⁸ In an effort to show that there are different tests for determining the scope of the asserted claims,
25 ATC points to the fact that Dr. Huebner utilized a different test in the prior litigation. (Doc. No. 341-2
26 at 24-25.) But this fact is of no consequence because, as ATC itself has argued and the Court accepted
27 in its absolute intervening rights ruling, the amendments to the asserted claims during the reexamination
28 proceedings that resulted in the December 8, 2015 reexamination certificate substantively changed the
scope of the claims – specifically, in regard to the claim language at issue here. (Doc. No. 234 at 28.)
Thus, Dr. Huebner’s testimony in the prior litigation related to claims that were different in scope from
the claims asserted in this action.

1 PHOSITA about the scope of the invention with reasonable certainty. 134 S. Ct. at 2124,
2 2129. The evidence presented at trial showed that that this standard has been met here.
3 Moreover, both fringe-effect capacitance and insertion loss measurements were well
4 known to and understood by a PHOSITA as of the relevant date. (Doc. No. 306, Trial Tr.
5 Vol. III at 151-53; Doc. No. 331, Trial Tr. Vol. V at 78, 87.)

6 The Court also rejects ATC’s argument that the claims are indefinite because there
7 is no set way to configure a network analyzer and different configurations could produce
8 different results. (Doc. No. 341-2 at 21-24.) Even assuming it is true that different
9 configurations produce different results, ATC has failed to show that such differences are
10 material to the Court’s analysis. The asserted claims do not require that the fringe-effect
11 be determinable to a specific numerical value or range of values. Rather, claim 1 only
12 requires that the fringe-effect capacitance “is capable of being determined by measurement
13 in terms of a standard unit.” ’356 Patent Dec. 8, 2016 Reexamination Certificate at 1:35-
14 36. ATC has not shown that different test results would affect whether the capacitance is
15 capable of being determined in terms of a standard unit.

16 Finally, ATC also argues that the ’356 patent is indefinite because interpreting
17 insertion loss data from a network analyzer, in combination with other information, is
18 entirely subjective. (Doc. No. 341-2 at 12-16.) The Court disagrees. The insertion loss
19 measurements disclosed in the patent and utilized by Dr. Huebner provided an objective
20 standard for determining the scope of the asserted claims. That a PHOSITA would need
21 to interpret some of the data during the process does not render the measurements entirely
22 subjective.

23 Moreover, in concluding that ATC has failed to prove indefiniteness by clear and
24 convincing evidence, the Court notes that the asserted claims in their current form
25 following amendment were all found to be patentable by the examiner at the conclusion of
26 the ex parte reexamination proceedings that resulted in the issuance of the December 8,
27 2015 reexamination certificate. See ’356 Patent Dec. 8, 2016 Reexamination Certificate.
28 37 C.F.R. § 1.552(a) provides: “Claims in an ex parte reexamination proceeding will be

1 examined on the basis of patents or printed publications and, with respect to subject matter
2 added or deleted in the reexamination proceeding, on the basis of the requirements of 35
3 U.S.C. 112.” (See also Doc. No. 305, Trial Tr. Vol. II at 178-79, 184-85.) The precise
4 claim language that ATC contends renders the asserted claims indefinite is the same claim
5 language that was at issue and was specifically amended during the reexamination
6 proceedings. (See Doc. No. 212-2, Slonim Decl. Exs. 1, 2, 8, 11.) Therefore, under §
7 1.552(a), the examiner evaluated that claim language on the basis of the requirements in §
8 112, including definiteness, and found the amended claims patentable. Notably, the
9 examiner found the amended claims patentable in late 2015, well after the Supreme Court
10 issued its decision in Nautilus in June 2014. Further, the Court also notes that the jury in
11 this action rendered an advisory opinion finding that ATC failed to prove by clear and
12 convincing evidence that claim 1 of the ’356 patent is indefinite.⁹ (Doc. No. 328 at 5.)
13 Although the jury’s advisory verdict is not binding on the Court, see Am. Calcar, Inc. v.
14 Am. Honda Motor Co., 651 F.3d 1318, 1333-34 (Fed. Cir. 2011), the Court notes that the
15 jury resolved the factual disputes between the parties with respect to indefiniteness in
16 Presidio’s favor.

17 In sum, ATC has failed to show by clear and convincing evidence that the asserted
18 claims of the ’356 patent are indefinite. Accordingly, the Court denies ATC’s motion for
19 the entry of judgment its favor on its affirmative defense and counterclaim that all of the
20 asserted claims of the ’356 patent are invalid due to indefiniteness.

21 **III. Equitable Intervening Rights**

22 ATC moves for the entry of judgment in its favor on its affirmative defense of
23 equitable intervening rights. (Doc. No. 349 at 2-17.) The doctrine of intervening rights
24 was developed by courts to remedy the potential injustice “where a third party, having
25 already begun to make, use, or sell a given article, finds its previously lawful activities
26

27
28 ⁹ The Court properly instructed the jury as to the legal standard for indefiniteness under Nautilus.
(Doc. No. 327 at 57-58.)

1 rendered newly infringing under a modified patent.” Marine Polymer Techs., Inc. v.
2 HemCon, Inc., 672 F.3d 1350, 1361 (Fed. Cir. 2012) (en banc). In such situations, the
3 accused infringer should be deemed to have “‘acquired at least a right to continue to use
4 the [articles] as if it held a license therefor under the reissued patent.’” Id. (quoting Sontag
5 Chain Stores Co. v. Nat’l Nut Co., 310 U.S. 281, 294-95 (1940)). There are two types of
6 intervening rights: “(1) intervening rights that abrogate liability for infringing claims
7 added to or modified from the original patent if the accused products were made or used
8 before the reissue, often referred to as absolute intervening rights; and (2) intervening rights
9 that apply as a matter of judicial discretion to mitigate liability for infringing such claims
10 even as to products made or used after the reissue if the accused infringer made substantial
11 preparations for the infringing activities prior to reissue, often referred to as equitable
12 intervening rights.” Marine Polymer, 672 F.3d at 1361-62 (citing 35 U.S.C. § 252).

13 The Federal Circuit has explained that when a patent emerges from a reexamination
14 proceeding, any “amended or new” claims in the reexamined patent are potentially
15 susceptible to intervening rights. Marine Polymer, 672 F.3d at 1362 (citing 35 U.S.C. §§
16 307(b), 316(b)); see also id. at 1363 (“[O]nly ‘amended or new’ claims incorporated into a
17 patent during reexamination . . . will be susceptible to intervening rights.”). But intervening
18 rights only accrue where a substantive change has been made to the scope of the claims
19 during the reexamination. See id. at 1362; R+L Carriers, Inc. v. Qualcomm, Inc., 801 F.3d
20 1346, 1349 (Fed. Cir. 2015). Intervening rights do not apply where “the original and the
21 reexamined claims are ‘substantially identical.’” R+L Carriers, 801 F.3d at 1349. In
22 granting ATC’s motion for summary judgment of its affirmative defense of absolute
23 intervening rights, the Court held that the amendments contained in the December 8, 2015
24 reexamination certificate narrowed the scope of the asserted claims, and, therefore, a
25 substantive change was made to the original claims during the reexamination, making
26 intervening rights applicable in the present case. (Doc. No. 234 at 28.)

27 In determining whether to grant equitable intervening rights to a party, a court “may
28 consider various factors” including:

1 (1) whether “substantial preparation” was made by the infringer before the
2 reissue; (2) whether the infringer continued manufacturing before reissue on
3 advice of its patent counsel; (3) whether there were existing orders or
4 contracts; (4) whether non-infringing goods can be manufactured from the
5 inventory used to manufacture the infringing product and the cost of
6 conversion; (5) whether there is a long period of sales and operations before
the patent reissued from which no damages can be assessed; and (6) whether
the infringer has made profits sufficient to recoup its investment.

7 Visto Corp. v. Sproqit Techs., Inc., 413 F. Supp. 2d 1073, 1090 (N.D. Cal. 2006) (citing
8 Seattle Box Co. v. Industrial Crating & Packing, Inc., 756 F.2d 1574, 1579 (Fed. Cir.
9 1985)); accord 2-Way Computing, Inc. v. Sprint Nextel Corp., No. 2:11-CV-12 JCM PAL,
10 2014 WL 2960455, at *5-6 (D. Nev. June 27, 2014). Further, “[t]he court may consider
11 other factors, such as the relative degrees of good or bad faith exercised by the parties.” 2-
12 Way Computing, 2014 WL 2960455, at *5; see Shockley v. Arcan, Inc., 248 F.3d 1349,
13 1361 (Fed. Cir. 2001).

14 In determining whether to grant equitable intervening rights, “the court must
15 consider whether to use its broad equity powers to fashion an appropriate remedy.” Seattle
16 Box, 756 F.2d at 1579. The ultimate decision of whether to grant equitable intervening
17 rights is committed to the discretion of the district court. See Shockley, 248 F.3d at 1361;
18 see also A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1028 (Fed. Cir.
19 1992) (en banc) (explaining that equitable defenses are committed to the sound discretion
20 of the trial judge).

21 In evaluating the above factors, the Court recognizes that some of the factors weigh
22 in favor of ATC. At the time the reexamination certificate issued, ATC had made
23 preparations and investments into the research, development, marketing, and sales of the
24 550 line of capacitors. (See Doc. No. 349-1, Slavitt Decl. ¶¶ 12-20.) ATC also had existing
25 orders and contracts for the 550 capacitors at that time. (See Doc. No. 349-1, Slavitt Decl.
26 ¶ 24; Doc. No. 349-4, Slonim Decl. Ex. 9 at 7.) In addition, prior to issuance of the
27 reexamination certificate, ATC had relied on the non-infringement and invalidity position
28 taken by counsel in this litigation. (See Doc. No. 349-1, Slavitt Decl. ¶ 23.)

1 But other factors weigh against the Court granting ATC equitable intervening rights
2 in this action that the Court finds compelling. First, ATC experienced a long period of
3 sales and operations for the accused products prior to the issuance of the reexamination
4 certificate – a period of almost six years – which resulted in over \$17 million in revenue
5 and for which no damages can be assessed.¹⁰ (See Doc. No. 276-3 ¶ 3; Doc. No. 349-1,
6 Slavitt Decl. ¶¶ 2, 12, 24; Doc. No. 349-2, Slonim Decl. Ex. 2 at 12.) Second, ATC asserts
7 that it has not made profits sufficient to recoup its investment into the 550 series of
8 capacitors, (see Doc. No. 349 at 3-6; 363 at 5-6), but ATC has failed to provide the Court
9 with sufficient evidence to prove this assertion. Importantly, ATC has failed to identify
10 what profits it has generated from the accused products. See Revolution Eyewear, 2008
11 WL 6873811, at *8 (finding that this factor weighs against granting equitable intervening
12 rights where the defendant has failed to provide evidence showing its profits). ATC simply
13 points to various costs it has purportedly incurred and notes the revenue it has generated
14 from the 550 capacitors. (Doc. No. 349 at 3-6; Doc. No. 349-2, Slonim Decl. Ex. 2 at 12.)
15 Third, ATC asserts that the existing inventory of 550 capacitors cannot be repurposed for
16 non-infringing goods, but ATC has failed to provide Court with sufficient credible
17 evidence supporting this assertion. Finally, the Court finds relevant and significant the fact
18 that the parties are direct competitors and have been for many years. Accordingly,
19 balancing the equities in the present case and exercising its sound discretion, the Court
20 declines to grant ATC equitable intervening rights.

21 In addition, the Court declines to grant ATC equitable intervening rights because the
22 jury found that ATC's infringement in the present case was willful.¹¹ See Shockley, 248
23

24 ¹⁰ The Court agrees with Presidio that, contrary to ATC's assertion, a long period of sales and
25 operations from which no damages can be assessed weighs against, not in favor of, granting equitable
26 intervening rights. See Revolution Eyewear, Inc. v. Aspex Eyewear, Inc., No. CV02-01087VAPCWX,
2008 WL 6873811, at *8 (C.D. Cal. Jan. 3, 2008).

27 ¹¹ ATC argues that the Supreme Court's recent decision in decision in Halo Elecs., Inc. v. Pulse
28 Elecs., Inc., No. 14-1513, 579 U.S. ___ (June 13, 2016) rendered the jury's finding of subjective
willfulness void. (Doc. No. 363 at 1.) The Court disagrees. Nowhere in Halo does the Supreme Court

1 F.3d at 1361 (explaining that a finding of willful infringement is sufficient by itself to
2 support a decision to deny a defendant equitable intervening rights). Accordingly, the
3 Court denies ATC’s motion for the entry of judgment in its favor on its affirmative defense
4 of equitable intervening rights.

5 **IV. Equitable Estoppel**

6 ATC moves for the entry of judgment in its favor on its affirmative defense of
7 equitable estoppel. (Doc. No. 349 at 18-26.) To prove the affirmative defense of equitable
8 estoppel, a defendant must show: “(1) the patentee, through misleading conduct, led the
9 alleged infringer to reasonably believe that the patentee did not intend to enforce its patent
10 against the infringer; (2) the alleged infringer relied on that conduct; and (3) due to its
11 reliance, the alleged infringer would be materially prejudiced if the patentee were permitted
12 to proceed with its charge of infringement.” Aspex Eyewear, 605 F.3d at 1310; accord
13 A.C. Aukerman, 960 F.2d at 1028. “Misleading ‘conduct’ may include specific statements,
14 action, inaction, or silence when there was an obligation to speak.” Aspex Eyewear, 605
15 F.3d at 1310. Material prejudice supporting an equitable estoppel defense “may be a
16 change of economic position or loss of evidence.” A.C. Aukerman, 960 F.2d at 1043.

17 Equitable estoppel must be proven by a preponderance of the evidence. A.C.
18 Aukerman, 960 F.2d at 1046. Whether the defendant has established the required elements
19 of its equitable estoppel defense is a question of fact. See SCA Hygiene Products
20 Aktiebolag v. First Quality Baby Products, LLC, 767 F.3d 1339, 1344 (Fed. Cir. 2014),
21 cert. granted on other grounds, 136 S. Ct. 1824 (2016); see also Hemstreet, 972 F.2d at
22 1292 (explaining that the defense of equitable estoppel “ultimately turn[s] on underlying
23 factual determinations”). However, the ultimate decision of whether to bar a claim of
24 patent infringement under equitable estoppel is committed to the sound discretion of the
25 trial court. A.C. Aukerman, 960 F.2d at 1041; see also id. (“[E]quitable estoppel is not
26

27 hold that a jury may not make a finding as to subjective willfulness. See infra. Accordingly, the jury’s
28 finding of willful infringement by ATC remains a valid basis for denying ATC’s equitable intervening
rights affirmative defense.

1 limited to a particular factual situation nor subject to resolution by simple or hard and fast
2 rules.”).

3 The Court concludes that ATC has failed to establish the first element of its equitable
4 estoppel defense – that Presidio, through misleading conduct, led the ATC to reasonably
5 believe that it did not intend to enforce the ’356 patent against the 550 capacitors. In an
6 effort to satisfy this element of the test, ATC relies on two specific actions taken by
7 Presidio. But neither action could have reasonably led one to believe that Presidio did not
8 intend to enforce the ’356 patent against ATC’s 550 capacitors.

9 First, ATC relies on settlement negotiations that occurred between the parties in late
10 2009. During the negotiations, a proposed settlement agreement was drafted containing a
11 covenant not to sue for the 550L capacitors and “Permitted Capacitors.” (Doc. No. 349-
12 13, Slonim Decl. Ex. 20 at § 5.) The proposed agreement provided that “a capacitor will
13 not be deemed a Permitted Capacitor if it incorporates a gap width between external
14 electrodes or external plates of less than 7 mils, with a +/- 2 mil tolerance. (Id.) ATC
15 concedes that the proposed settlement agreement was never executed by the parties. (Doc.
16 No. 349 at 20.) Nevertheless, ATC argues that although the proposed agreement was never
17 executed, it could reasonably rely on the above provisions to believe that Presidio would
18 not assert the ’356 patent against the 550 capacitors because the settlement negotiations
19 between the parties purportedly broke down due to a different issue. (Id. at 19-21.) The
20 Court disagrees.

21 It is not reasonable for a party in contract negotiations to attempt to rely on terms
22 contained in a proposed agreement when the contract was never executed and no agreement
23 between the parties was ever reached. Because the proposed settlement agreement was
24 never executed by the parties, Presidio was not bound by any of the terms in the proposed
25 agreement, including the proposed covenant not to sue. Because Presidio was not bound
26 by the proposed covenant not to sue, Presidio did not engage in misleading conduct when
27 it filed the present action alleging infringement of the ’356 patent by ATC’s 550 capacitors.
28 Moreover, because no binding agreement was reached, it was unreasonable for ATC to rely

1 on any of the terms contained in the proposed covenant not to sue regardless of the specific
2 reasons why the agreement was never executed. Cf. Goodyear Tire & Rubber Co. v. Chiles
3 Power Supply, Inc., 332 F.3d 976, 981 (6th Cir. 2003) (noting “the inherent questionability
4 of the truthfulness of any statements made” during settlement negotiations). Accordingly,
5 the evidence related to the late 2009 settlement negotiations is insufficient to satisfy the
6 first element of ATC’s equitable estoppel defense.¹²

7 Second, ATC relies on Presidio’s request for an accounting of the sales of the 550
8 series of capacitors during the prior litigation. In the request, Presidio stated that it was its
9 understanding that ATC did not contend that the design changes made to the 545L
10 capacitor – the accused product in the prior litigation – to arrive at the 550L capacitor took
11 the 550L outside the scope of the ongoing royalty in that case. (Doc. No. 349-15, Slonim
12 Decl. Ex. 22.) In ATC’s response to Presidio’s request for an accounting, ATC argued that
13 the 550L capacitor was “an entirely new, independent design” that was not within the scope
14 of the ongoing royalties in that case and denied Presidio’s request. (Doc. No. 349-16,
15 Slonim Decl. Ex. 23.) ATC asserts that Presidio never responded to its letter. (Doc. No.
16 349 at 21.) ATC argues that Presidio’s four years of silence after ATC’s refusal to provide
17 an accounting for the 550L capacitors reasonably led ATC to believe that Presidio would
18 not accuse the 550 series of capacitors of infringing the ’356 patent. (Id. at 22.) The Court
19 disagrees.

20 It was unreasonable for ATC to infer from this correspondence that Presidio would
21

22 ¹² In addition, the Court does not find persuasive ATC’s reliance on testimony from Mr. Slavitt
23 stating that during the negotiations, “‘Presidio conceded that the 550 was not an infringing product.’”
24 (Doc. No. 349 at 20 (citing Doc. No. 349-3, Slonim Decl. Ex. 3 at 28).) Mr. Slavitt qualified this
25 statement and explained that it was based on his own understanding of what he thought was being
26 represented during the settlement negotiations. (Doc. No. 349-3, Slonim Decl. Ex. 3 at 28-29.) Further,
27 Mr. Slavitt conceded that he was not directly involved in the settlement discussions at issue and that
28 Presidio and its counsel never made any direct representations to him on this issue. (Id. at 29-30.)
Accordingly, the Court gives Mr. Slavitt’s testimony no weight. Moreover, Mr. Devoe states that he
was involved in the 2009 settlement negotiations and at no time during the settlement negotiations did
Presidio take the position that the 550 capacitors do not infringe the ’356 patent. (Doc. No. 353-4,
Devoe Decl. ¶¶ 10-12.)

1 not accuse the 550 capacitors of infringing the '356 patent. Nowhere in the correspondence
2 does Presidio state that the 550 capacitors are non-infringing products or that it does not
3 intend to assert its patents against the 550 capacitors. Further, nowhere in the
4 correspondence does ATC itself assert that the 550L capacitor is a non-infringing
5 product.¹³ Rather, ATC merely asserted that the product was outside the scope of the
6 ongoing royalty in the prior litigation. (Doc. No. 349-16, Slonim Decl. Ex. 23.) Therefore,
7 at best, ATC could only reasonably infer from this correspondence that Presidio was not
8 disputing ATC's contention that the 550 capacitors were outside the scope of the royalty
9 in the prior action. That the products were outside the scope of the royalty in the prior
10 action because they were a new, independent design does not necessary mean that the
11 products do not infringe the '356 patent. Accordingly, ATC has failed to establish that
12 Presidio engaged in any misleading conduct or that it was reasonable for ATC to believe
13 that the 550 capacitors were non-infringing products based on any of Presidio's actions.

14 In sum, ATC has failed to establish the first element of its equitable estoppel
15 affirmative defense. In addition, the Court notes that ATC's evidence as to the second
16 element of its defense is very weak as it consists of a single conclusory statement from its
17 in-house counsel, Mr. Slavitt, stating that ATC relied on Presidio's conduct in deciding to
18 expand the 550 product line. (See Doc. No. 349 at 22-23 (citing Doc. No. 349-3, Slonim
19 Decl. Ex. 3).) Accordingly, exercising its sound discretion, the Court denies ATC's motion
20 for the entry of judgment in its favor on its affirmative defense of equitable estoppel.

21
22 ¹³ That the parties' correspondence contained no specific discussion about whether the 550L
23 capacitor infringed the '356 patent renders the present case distinguishable from Aspex Eyewear Inc. v.
24 Clariti Eyewear, Inc., 605 F.3d 1305 (Fed. Cir. 2010). In Aspex, the plaintiff issued a threat of a suit for
25 patent infringement against the defendant, and the defendant responded by stating that it did not believe
26 that its products infringed any of the claims of the patents at issue, which was then followed by three
years of silence by the plaintiff. See id. at 1308-11. In contrast, here, there was no threat of a suit for
patent infringement by Presidio, and there was no response from ATC asserting that its 550 capacitor is
a non-infringing product.

27 At the hearing, ATC contended that in November 2009, it went to Presidio with the 550
28 capacitor and asserted that it was a non-infringing product. But ATC has failed to point to any evidence
in the record showing that this interaction occurred.

1 **V. Laches**

2 ATC moves for the entry of judgment in its favor on its affirmative defense of laches.
3 (Doc. No. 349 at 26-28.) To prevail on a defense of laches in a patent case, a defendant
4 must prove: (1) that the patentee delayed filing suit for an unreasonable and inexcusable
5 length of time from the time it knew or reasonably should have known of its claim against
6 the defendant, and (2) the delay operated to the prejudice or injury of the defendant.¹⁴ A.C.
7 Aukerman, 960 F.2d at 1032. The defense of laches, if proven, bars the recovery of
8 damages accrued prior to the filing of suit. See id. at 1040-41; Odetics, Inc. v. Storage
9 Tech. Corp., 185 F.3d 1259, 1272 (Fed. Cir. 1999). It does not bar the recovery of post-
10 filing damages. See Aukerman, 960 F.2d at 1040.

11 In its motion, ATC concedes that the Court’s order granting summary judgment of
12 ATC’s affirmative defense of absolute intervening rights renders its laches defense moot.¹⁵
13 (Doc. No. 349 at 26 n.2.) In granting ATC’s motion for summary judgment of its
14 affirmative defense of absolute intervening rights, the Court held that Presidio is entitled
15 to infringement damages only for the time period following the issuance of the December
16 8, 2015 reexamination certificate. (Doc. No. 234 at 28.) Because after that ruling, there
17 are no pre-suit damages at issue in the case, ATC’s affirmative defense of laches is moot.
18 Cf. A.C. Aukerman, 960 F.2d at 1040-41. Accordingly, the Court denies as moot ATC’s
19 motion for the entry of judgment in its favor on its affirmative defense of laches.

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24 ¹⁴ The Court notes that the Supreme Court recently granted a petition for writ of certiorari on the
25 following issue: “Whether and to what extent the defense of laches may bar a claim for patent
26 infringement brought within the Patent Act’s six-year statutory limitations period, 35 U.S.C. § 286.”
SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311 (Fed. Cir. 2015) (en
27 banc), cert granted, No. 15-927, ___ S. Ct. ___, 2016 WL 309607, at *1 (U.S. May 2, 2016).

28 ¹⁵ ATC clarifies that although its laches defense is moot, it is presenting facts and arguments
regarding its laches defense to preserve the defense in the event that the Court’s absolute intervening
rights ruling is reversed. (Doc. No. 349 at 26 n.13.)

1 **VI. Willful Infringement**

2 ATC moves for a finding of no willful infringement. (Doc. No. 343-1.) 35 U.S.C.
3 § 284 allows a court to enhance a prevailing plaintiff’s damage award “up to three times
4 the amount found or assessed.” 35 U.S.C. § 284.

5 At the time the jury rendered its verdict, the Federal Circuit had held “that an award
6 of enhanced damages [under section 284] requires a showing of willful infringement.” In
7 re Seagate Tech., LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc).

8 To establish willful infringement, the patentee has the burden of showing “by
9 clear and convincing evidence that the infringer acted despite an objectively
10 high likelihood that its actions constituted infringement of a valid patent.”
11 “The state of mind of the accused infringer is not relevant to this objective
12 inquiry.” Only if the patentee establishes this “threshold objective standard”
13 does the inquiry then move on to whether “this objectively-defined risk
14 (determined by the record developed in the infringement proceeding) was
15 either known or so obvious that it should have been known to the accused
16 infringer.”

17 Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc., 776 F.3d 837, 844 (Fed.
18 Cir. 2015) (quoting Seagate, 497 F.3d at 1371). The Federal Circuit further held that the
19 objective prong of the willfulness test is to be decided by the Court as a matter of law;
20 while the subjective prong of the test is a question of fact. See Bard Peripheral Vascular,
21 Inc. v. W.L. Gore & Associates, Inc., 682 F.3d 1003, 1006-08 (Fed. Cir. 2012).

22 On June 13, 2016, the Supreme Court issued its decision in Halo Elecs., Inc. v. Pulse
23 Elecs., Inc., No. 14-1513, 579 U.S. __ (June 13, 2016). In Halo, the Supreme Court
24 rejected the Federal Circuit’s two-part test from Seagate for determining when a district
25 court may award enhanced damages as inconsistent with § 284. Id., slip op. at 1-2. The
26 Supreme Court explained that § 284 commits the award of enhanced damages to the
27 discretion of the district court. See id. at 8, 12-13, 15. The Supreme Court further
28 explained that the Seagate test is “unduly rigid” and “impermissibly encumbers” a
district court’s discretion, particularly its requirement that there must be a finding of
objective recklessness in every case before a district court may award enhanced damages.

1 Id. at 9. “The subjective willfulness of a patent infringer, intentional or knowing, may
2 warrant enhanced damages, without regard to whether his infringement was objectively
3 reckless.” Id. at 10. “Section 284 permits district courts to exercise their discretion in a
4 manner free from the inelastic constraints of the Seagate test.” Id. at 11.

5 The Supreme Court explained that although “[d]istrict courts enjoy discretion in
6 deciding whether to award enhanced damages, and in what amount”, that discretion is not
7 without limits. Id. at 8. Enhanced damages are generally appropriate under § 284 only in
8 “egregious cases” of misconduct beyond typical infringement and should not be awarded
9 in “garden-variety cases.” See id. at 9, 11, 15. “The sort of conduct warranting enhanced
10 damages has been variously described . . . as willful, wanton, malicious, bad-faith,
11 deliberate, consciously wrongful, flagrant, or – indeed – characteristic of a pirate.” Id. at
12 8.

13 Finally, in Halo, the Supreme Court explained that enhanced damages need only be
14 proven by a preponderance of the evidence, not clear and convincing evidence. Id. at 12.
15 And a district court’s determination of whether to award enhanced damages is reviewed
16 for abuse of discretion on appeal. Id. at 13.

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1 In the present case, the Court instructed the jury as to willful infringement.¹⁶ The
2 Court's instruction was limited to the issue of subjective willfulness and did not address
3 objective willfulness. The jury then found by clear and convincing evidence that ATC's
4 infringement of the '356 patent was willful. (Doc. No. 328 at 4.)

5 ATC argues that in light of the Supreme Court's decision in Halo, the jury's verdict
6 as to willfulness is void and should be disregarded. (Doc. No. 361 at 1.) The Court
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8 ¹⁶ The Court provided the following jury instruction as to willful infringement:

9 In this case, Presidio also argues that ATC willfully infringed Presidio the '356
10 patent

11 To prove willful infringement against ATC, Presidio must first persuade you that
12 ATC infringed a valid and enforceable claim of Presidio's asserted patent. The
13 requirements for proving such infringement were discussed in my prior instructions. In
14 addition, to prove willful infringement, Presidio must persuade you by clear and
15 convincing evidence that on or after December 8, 2015, ATC acted with reckless
16 disregard of the claims of the patent holder's patent. When a party has the burden of
proving something by clear and convincing evidence, it means you must be persuaded by
the evidence that the claim or defense is highly probable. This is a higher standard of
proof than proof by a preponderance of the evidence.

17 To demonstrate such "reckless disregard," Presidio must persuade you that ATC
18 actually knew, or it was so obvious that ATC should have known, that its actions
19 constituted infringement of a valid patent. In deciding whether ATC acted with reckless
20 disregard for Presidio's asserted patents, you should consider all of the facts surrounding
21 the alleged infringement including, but not limited to, the following factors:

- 22 1. Whether ATC acted in a manner consistent with the standards of commerce for
23 its industry;
- 24 2. Whether ATC intentionally copied a product of Presidio covered by the
25 patents;
- 26 3. Whether there is a reasonable basis to believe that ATC did not infringe or had
27 a reasonable defense to infringement, including a belief that the patent-in-suit is invalid;
- 28 4. Whether ATC made a good-faith effort to avoid infringing the patent, for
example, whether ATC attempted to design around the patent;
5. Whether ATC tried to cover up its alleged infringement.

(Doc. No. 327 at 35-36.)

1 disagrees. ATC is correct that in Halo, the Supreme Court held that the ultimate decision
2 of whether to award enhanced damages and in what amount is committed to the sound
3 discretion of the trial court. See Halo, slip op. at 8, 12-13, 15. But there is no language in
4 Halo holding that a finding as to whether the infringement was willful must be made by
5 the Court. Nor is there any language in the Halo decision holding that a jury may not make
6 a finding as to subjective willfulness. Indeed, the Federal Circuit has historically held that
7 a finding of willfulness is a question of fact. See Bard, 682 F.3d at 1006. The Federal
8 Circuit has further held that only the determination of whether the infringement was
9 objective reckless is a question of law to be decided by the Courts. Id. at 1007. And a
10 determination as to objective recklessness is no longer a prerequisite for an award of
11 enhanced damages. See Halo, slip op. at 9. Accordingly, the Court properly permitted the
12 jury to issue a finding as to whether ATC's infringement was willful and the jury's finding
13 as to this issue is not void.

14 ATC also notes that the jury only made a finding as to subjective willfulness and did
15 not make a finding as to objective willfulness. (Doc. No. 361 at 1-3.) But this is of no
16 consequence because, after Halo, a finding as to objective recklessness is no longer
17 necessary to support an award of enhanced damages. See slip op. at 10 (“The subjective
18 willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages,
19 without regard to whether his infringement was objectively reckless.”). In sum, the jury
20 found that ATC's infringement of the '356 patent was willful, and ATC has failed to
21 provide the Court with a valid basis for disregarding the jury's finding. Indeed, the Court
22 notes that the jury found willful infringement by clear and convincing evidence – a higher
23 burden of proof than is required after Halo. See slip op. at 12. Accordingly, the Court
24 declines to issue a finding of no willful infringement and denies ATC's motion for a finding
25 by the Court of no willful infringement.

26 Nevertheless, the ultimate determination of whether to award enhanced damages is
27 committed to the discretion of the district court. Halo, slip op. at 8, 12-13, 15. In exercising
28 this discretion, a district court should take into account the particular circumstances of the

1 case in deciding whether to award enhanced damages, and Presidio intends to seek
2 enhanced damages under the recently announced Halo standard after the Court issues
3 judgment. See id. at 11. Accordingly, the Court defers the ultimate decision of whether to
4 award enhanced damages in this action until Presidio brings a motion following entry of
5 judgment.

6 **VII. Issues Tried to the Court**

7 To the extent that any of the issues were reserved for the Court to try, the Court set
8 a post-trial evidentiary hearing for April 29, 2016. (Doc. No. 322.) The parties then agreed
9 to submit the issues to the Court based on written briefing without further evidence taken
10 in Court. (Doc. Nos. 334, 335.)

11 Having heard and considered all the evidence in this case including the briefing and
12 arguments of the parties, the Court finds in favor of Plaintiff on the issues submitted to the
13 Court, and adopts this order as its memorandum decision on those issues, including
14 indefiniteness, equitable intervening rights, equitable estoppel, and laches. See Fed. R.
15 Civ. P. 52. Accordingly, the Court enters judgment in favor of Presidio and against ATC
16 on those issues.

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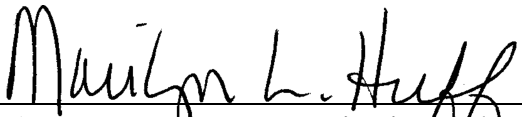
1 Conclusion

2 For the reasons above, the Court:

- 3 1. Denies ATC’s Rule 50(a) motion for judgment as matter of law without prejudice to
4 ATC filing a renewed motion under Rule 50(b);
- 5 2. Denies ATC’s motion for the entry of judgment in its favor on its affirmative defense
6 and counterclaim that the asserted claims of the ’356 patent are invalid due to
7 indefiniteness;
- 8 3. Denies ATC’s motion for the entry of judgment in its favor on its equitable
9 affirmative defenses of equitable intervening rights, equitable estoppel, and laches;
- 10 4. Denies ATC’s motion for a finding by the Court of no willful infringement; and
- 11 5. Finds in favor of Presidio and against ATC on trial issues reserved for the Court.

12 **IT IS SO ORDERED.**

13 DATED: June 17, 2016

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16 MARILYN L. HUFF, District Judge
17 UNITED STATES DISTRICT COURT
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