I. Introduction

This paper is addressed to companies which believe that they have been accused unjustly in U.S. federal court of infringing a U.S. patent. Has your company been hailed into a U.S. court because of unfair and unjustified allegations of patent infringement? In many cases, the U.S. courts have favored U.S. patent owners by upholding the validity of patents, by finding infringement, and by awarding record amounts of money damages. As a result, U.S. patent owners have been very aggressive in litigation. The U.S. patent owner sees the possibility of substantial rewards from litigation, without very much risk or “downside.” What can the allegedly infringing company do to defend itself?

An alleged infringer can vindicate itself by proving that a U.S. patent is invalid or not infringed. This author recommends that, when appropriate, the alleged infringer should be very aggressive in proving that the patent is invalid and not infringed. In this way, the alleged

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1/ This article is based on a series of presentations by the author to the Chicago Bar Association (September 24, 1997), the American Intellectual Property Law Association (October 17, 1997), and the Southwestern Legal Foundation (November 7, 1997); accepted for publication in AIPLA Selected Legal Papers and International Legal Strategy (Japan). This article represents only the views of the author and not necessarily those of Jenner & Block or the firm’s clients.

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infringer will avoid liability for court-ordered money damages and will avoid an injunction against making and selling the allegedly infringing product.

What is the cost of an aggressive defense? One or two million dollars or more in legal expenses,¹ not to mention lost customers, lost profits, and lost executive time spent on the litigation at the expense of the business.² It may seem unfair that the alleged infringer must pay expensive legal fees and suffer other problems as a result of litigation that is finally proved to be unjustified, in other words, when it is proved that the U.S. patent owner pursued the litigation in bad faith. Should the wrongfully-accused infringer be entitled to recover attorney fees and damages after he or she proves that the U.S. patent is invalid or not infringed?

The purpose of this article is to consider remedies and counterweapons available to alleged infringers when they prove that a U.S. patent is invalid or not infringed. According to a Ninth Circuit holding adopted by the Federal Circuit, the alleged infringer has at least one “strong retaliatory weapon available for use” against a patent owner who sues her in bad faith. 


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The most appropriate remedy for the wrongfully-accused company may be for the court to order the U.S. patent owner to pay the company for the attorney fees it spent to defend itself, and to pay for damages caused by the wrongful litigation. This article explores certain grounds for recovery of attorney fees and damages, generally requiring proof that the patent owner acted in bad faith, or at least recklessly, in filing and maintaining the infringement action. Consideration will be given to Rules 11 and 68, Section 285 of 35 U.S.C., unfair competition law, and Handgards-type bad faith patent litigation. These are the most promising U.S. legal precedents that the wrongfully-accused company can rely on to recover attorney fees and damages.

First, let us consider the general rule, the “American rule,” which usually requires both parties to pay their own attorney fees. Then, we will consider the exceptions in the U.S. laws, in other words, what must the accused infringer prove before the court will order the patent owner to reimburse the accused infringer for attorney fees and damages? As the reader will observe, the accused infringer will have to be very wise and very aggressive to win the litigation and then to win reimbursement of attorney fees and damages caused by the wrongful litigation.

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5/ Other causes of action for “bad faith” patent litigation may include, e.g., 28 U.S.C. § 1927 (vexatious litigation), abuse of process, and malicious prosecution. For a recent and thorough discussion of the elements of malicious prosecution, see Cult Awareness Network v. Church of Scientology Int’l, Docket No. 80868, 1997 Ill. LEXIS 427 (Ill. Sept. 18, 1997).
II. The American Rule Applies to Patent Litigation; Exceptions Are as Provided by Rule or by Statute.

The American rule, of course, provides that each party to a litigation pays its own attorney fees, unless an award of fees is specifically authorized by statute. *Alyeska Pipeline Service Co. v Wilderness Society*, 421 U.S. 240, 247 (1975). In patent cases, the American rule was strictly followed until the predecessor to 35 U.S.C. § 285 was enacted. *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 471 (Fed. Cir. 1985). In the latter case, Judge Davis traced the history and outlined the rationale for Section 285, explaining that attorney fees are to be awarded only in extraordinary cases where there is:

> a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular lawsuit be left to bear the burden of his counsel fees which prevailing litigants normally bear.

*Machinery Corp.*, 774 F.2d at 471 (quoting from *Park-In Theaters, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951)).

The courts have observed that laws should not thwart patent owners from asserting their legitimate patent rights in good faith. *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 877 (Fed. Cir. 1985). The Supreme Court has held that “litigation cannot be deprived of immunity as a sham unless the litigation is objectively baseless.” *Professional Real Estate Investors Inc. v. Columbia Pictures Indus. (“PRE”),* 508 U.S. 49, 51 (1983).

In the absence of bad faith, the courts are unwilling to discourage attorneys from “that vigorous representation of clients their Code of Professional Responsibility demands of them.” *Morgan Adhesives Co. v. Chemtrol Adhesives, Inc.*, 574 F. Supp. 832, 836 (N.D. Ohio 1983), *aff’d without op.*, 765 F.2d 158 (Fed. Cir. 1985) (denying attorney fees to accused infringer despite holding patent invalid), quoting from *Leinoff v. Louis*
It is expected that patent litigation will be hard-fought, and not necessarily according to the “Marquis of Queensberry rules.” *Mosinee Paper Corp. v. James River Corp. of Virginia*, 22 USPQ2d 1657, 1664 (E.D. Wis. 1992) (refusing to find a patent case exceptional).

In summary, the “American rule” provides that under normal circumstances, both parties to a patent lawsuit must pay their own attorney fees. Under this rule, even if the company wins the patent lawsuit, it still must pay its own attorney fees. So, it is necessary to consider the exceptions to the American rule. Next, we will consider the exceptions to the American rule, in other words, what must the accused infringer prove before the U.S. court will order the U.S. patent owner to pay the accused infringer for its attorney fees and damages caused by the wrongful patent litigation.

### III. Rule 11 Requires Recklessness

One exception to the “American rule” is Rule 11 of the U.S. Federal Rules of Civil Procedure. Rule 11 authorizes the U.S. courts to award attorney fees to one party in certain situations where the other party was reckless in pursuing the litigation.

The reckless filing of a complaint for patent infringement may lead to sanctions under Rule 11 against both the patent owner and the patent owner’s attorneys.\(^6\)

\(^6\) Rule 11(b) states in relevant part:

\[(b) \text{ REPRESENTATIONS TO COURT. By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person’s knowledge, information, and belief, formed after an inquiry reasonable under the circumstances, -- }\]

\[(1) \text{ it is not being presented for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation; }\]

\[(2) \text{ the claims, defenses, and other legal contentions therein are warranted by }\]
These sanctions may include ordering the U.S. patent owner and his attorneys to reimburse the wrongfully accused infringer for attorney fees. How does the accused company prove that the U.S. patent owner was reckless? Such recklessness may be based upon the patent owner’s failure to make a reasonable inquiry, e.g., failure to examine the accused product and to analyze the patent claims to ascertain infringement before filing the complaint. *Judin v. United States*, 110 F.3d 780, 783-84 (Fed. Cir. 1997) (summary judgment against patentee); *Refac International v. Hitachi*, 921 F.2d 1247, 1256-57 (Fed. Cir. 1990). The inquiry is based on the status of the patent owner’s investigation at the time the complaint is filed. Later consultation with an expert and the development of colorable arguments in response to a motion for summary judgment does not cure a Rule 11 violation. *Judin*, 110 F.3d at 784.

In summary, under Rule 11, the wrongfully-accused company may be entitled to reimbursement of its attorney fees if it can prove that the U.S. patent owner was reckless in charging the company with infringing the U.S. patent.

**IV. 35 U.S.C. § 285 Requires Bad Faith**

We will now consider another exception to the “American rule.” This exception, which authorizes an award of attorney fees to the winning party in “exception cases” is provided by the Section 285 of 35 U.S.C. (this section is found in the U.S. patent statutes).

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(3) the allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery;***
Section 285 of 35 U.S.C. states: “The court in exceptional cases may award reasonable attorney fees to the prevailing party.” In order to establish an exceptional case, the accused infringer must present clear and convincing proof of bad faith conduct on the part of the patent owner. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985).

Bad faith conduct may fall into four categories: (1) Inequitable conduct during prosecution, (2) known invalidity, (3) known noninfringement, and (4) other circumstances, generally involving misconduct. In addition, this article considers whether a patent owner’s refusal to accept an offer of judgment under Rule 68 may, in some circumstances, constitute bad faith. These categories of bad faith conduct are discussed in turn.

A. **Inequitable Conduct During Patent Prosecution**

On the basis of Federal Circuit caselaw in the last decade, one might suggest that inequitable conduct is a disfavored defense and one that is difficult to prove. The alleged infringer must prove by clear and convincing evidence that the omission or misrepresentation was material and that the applicant specifically intended to deceive the Patent Office. *See Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872-76 (Fed. Cir. 1988) (reversing a district court’s holding of inequitable conduct.)

There is a large body of law on inequitable conduct. Here, it suffices to state that when inequitable conduct is proved, it may support a finding of exceptionality and an award of attorney fees under Section 285. *A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 1312 (Fed. Cir. 1988).

B. **Known Invalidity**

Litigation of a patent known to be invalid may be sufficient to establish bad faith and an exceptional case, permitting an award of attorney fees to the accused. *See*
Hughes v. Novi American, Inc., 724 F.2d 122 (Fed. Cir. 1984); Handgards I, 601 F.2d at 994; Moreno v. Sturdy Truck Equip., Inc., 212 USPQ 551 (E.D.N.C. 1981). There is authority suggesting, however, that it is appropriate for the patent owner to rely on the presumption of validity in the absence of evidence to the contrary. Advance Transformer Co. v. Levinson, 837 F.2d 1081, 1085 (Fed. Cir. 1988).

C. Known Noninfringement


D. Other Circumstances Supporting An “Exceptional” Finding

The courts have held that litigation misconduct alone rarely rises to a level of exceptional circumstances, but in Beckman Instruments, Inc. v. LKB Produkter AB, 892 F.2d 1547, 1551 (Fed. Cir. 1989), the Federal Circuit affirmed a finding that a case was exceptional based on a finding that the defendants engaged in a strategy of vexatious litigation tactics and had violated an injunction against infringing a patent. In Beckman, several defenses and counterclaims were advanced only to be dropped, one defense was determined to be baseless, and there were various unspecified discovery and trial abuses. 892 F.2d at 1551-1552. When an award of attorney fees is based entirely on misconduct, the extent of fees awarded must “in some way be related to bad faith and misconduct.” Beckman, 892 F.2d at 1552-1553.

A finding of exceptionality may be bolstered by evidence of misconduct, e.g., an abusive tone exhibited by the party’s attorneys, Philip v. Mayer, Rothkopf Indus., Inc.,
204 USPQ 753, 764 (E.D.N.Y. 1979), aff’d, 635 F.2d 1056 (2d Cir. 1980) (fees awarded to patent owner), discovery abuses and advancement of a meritless case, Young v. General Electric Co., 96 F. Supp. 109 (D. Ill. 1951) (fees awarded to alleged infringer), harassment and misconduct, Talon, Inc. v. Union Slide Fastener, Inc., 266 F.2d 731, 739 (9th Cir. 1959), or efforts to prolong the litigation and multiply the litigation expense, Beckman, 892 F.2d at 1551.

On the other hand, “[l]itigation is an adversarial process and [the unsuccessful party] should not be penalized simply for utilizing the available tools.” Braun Inc. v. Dynamics Corp. of America, 775 F. Supp. 33, 40 (D. Conn. 1991), aff’d-in-part and rev’d-in-part, 975 F.2d 815 (Fed. Cir. 1992). See also Morgan Adhesives, 574 F. Supp. at 836; Leinoff, 556 F. Supp. at 284; Mosinee, 22 USPQ2d at 1664.

Warning the patent owner of intent to seek fees may make it more likely that the court will find bad faith and award fees, Multi-Tech, Inc. v. Components, Inc., 708 F. Supp. 615, 622 (D. Del. 1989), but such warnings are not dispositive. Id. at 622 n.6

In summary, under Section 285, the wrongfully-accused company may be entitled to be reimbursed for its attorney fees if it can prove that the U.S. patent owner pursued the litigation in bad faith under one of the categories discussed above.

E. Rule 68 and A Possible Extension of § 285 Caselaw: Patentee’s Overreaching for Excessive Damages

Rule 68 provides for an award of costs when the defendant makes an offer of judgment which is rejected by the plaintiff, and the actual judgment ultimately entered is less than that previously offered.\(^7\) In other words, if the accused infringer offers to have

\[^7\] Rule 68 states in relevant part:

At any time more than 10 days before the trial begins, a party defending
judgment entered against itself, and the U.S. patent owner rejects the offer and ultimately obtains a U.S. court judgment less than the amount offered by the accused infringer, the U.S. court is required to order the U.S. patent owner to reimburse the accused infringer for its costs. “Costs” are defined to include court filing fees and other disbursements, but they do not include attorney fees. In the following discussion, the author considers whether the accused infringer may rely on Rule 68 in combination with Section 285 as a basis for recovering attorney fees as well as costs.

1. Rule 68 Offer of Judgment Provides a Reference Point, Which May Require an Award of Costs

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against a claim may serve upon the adverse party an offer to allow judgment to be taken against the defending party for the money or property or to the effect specified in the offer, with costs then accrued. If within 10 days after the service of the offer the adverse party serves written notice that the offer is accepted, either party may then file the offer and notice of acceptance together with proof of service thereof and thereupon the clerk shall enter judgment. An offer not accepted shall be deemed withdrawn and evidence thereof is not admissible except in a proceeding to determine costs. If the judgment finally obtained by the offeree is not more favorable than the offer, the offeree must pay the costs incurred after the making of the offer. * * *
In *BIC Leisure Prods., Inc. v. Windsurfing, Int'l. Inc.*, 850 F. Supp. 224 (S.D.N.Y. 1994), the alleged infringer made an offer of judgment under Rule 68, in the amount of $2 million, which was rejected by the patent owner. *Id.* at 228. Ultimately, a judgment was entered in an amount of about $1 million in damages plus an injunction. *Id.* at 227-30. The court determined that the alleged infringer was entitled to an award of substantial costs incurred after the date of its Rule 68 offer. The patent owner argued that the value of the injunction was greater than the difference between the Rule 68 offer and the final judgment, but the court rejected this argument, stating that it was not clear whether the injunction should be considered and further that the plaintiff failed to estimate the value of the injunction or to provide any evidence in support of such value. *Id.* at 228.

2. **Can A Defendant “Prevail” Under § 285 By “Holding Down” A Judgment to Less Than That Offered Under Rule 68?**

When an alleged infringer offers to enter judgment against itself under Rule 68 in a definite amount, and the patent owner ultimately obtains a judgment less than that offered, it could be argued that the defendant has “prevailed,” at least as to that part of the litigation which occurred after the Rule 68 offer was made. Can the alleged infringer be found to have “prevailed” under 35 U.S.C. § 285? *See Beckman*, 892 F.2d at 1553-54 (neither party prevailed on all claims, amount of fees adjusted to “bear some relation to the extent to which” a party prevailed).

Such a definition of “prevailing” under Section 285 might be at odds with other constructions of that term. Thus, a prevailing party for purposes for Rule 54(d) is a party in whose favor judgment is rendered. *Green Construction Co. v. Kansas Power and Light Co.*, 153 F.R.D. 670, 674 (D. Kan. 1994) (citing authority). Traditionally, this means the party who won at trial, whether or not that party prevailed on all issues, and regardless of

There may be circumstances when a patent owner’s rejection of a Rule 68 offer is so unreasonable that it constitutes bad faith. But if the patent owner proceeds to trial and “prevails” by obtaining a judgment that the asserted claims are infringed and not invalid, and obtaining any measure of damages, it would appear that the alleged infringer cannot recover her attorney fees under Section 285 *even though* the Rule 68 offer was rejected in bad faith.

Notwithstanding the limitations of Rule 68 and Section 285, the alleged infringer may wish to consider making an offer of judgment in order to encourage settlement and to establish a case for an award of costs, see *BIC Leisure*, 850 F. Supp. 224, and as one factor which may support a finding of exceptionality and an award of attorney fees under Section 285 in the event that the alleged infringer is found to be the “prevailing” party, e.g., if the patent is held invalid or not infringed.

In summary, under Rule 68, the wrongfully-accused company may be entitled to be reimbursed for its costs if it offers to have a judgment entered against itself and the U.S. patent owner rejects the offer and ultimately wins a judgment less than the amount offered. “Costs” include court filing fees and other disbursements, but they do not include attorney fees. Therefore, Rule 68 may be a useful part of the company’s strategy to recover the costs of litigation, but additional weapons will be needed if the company wishes to recover its attorney fees in addition to costs.

V. *Unfair Competition Requires Bad Faith*
As demonstrated above, there are certain exceptions to the American rule, and these exceptions may provide a basis for the wrongfully-accused company to obtain reimbursement for its attorney fees. We have considered Rule 11 and Section 285. Now, we turn to the law of unfair competition, which provides another exception to the American rule. The law of unfair competition authorizes the U.S. court to award the wrongfully-accused infringer not only attorney fees but also money for the damages caused by the wrongful litigation. These damages may include lost customers, lost sales, and lost profits as a result of the wrongful litigation.

Various causes of action grounded in the law of unfair competition are asserted regularly against patent owners who are publicizing infringement charges to customers and the trade. These causes of action may include Section 43(a) of the Lanham Act\(^8\) and various state law causes of action including tortious interference with existing and prospective economic advantage. All of these causes of action appear to have been interpreted to require proof of bad faith on the part of the patent owner as well as proof that the patent owner is unfairly competing by interfering with legitimate business interests.

Three of the leading Federal Circuit cases on unfair competition law as it relates to bad faith patent litigation are unpublished, unprecedential and, under Federal Circuit rules, uncitable opinions. These opinions are discussed below along with published opinions of the Federal Circuit and other courts.

A. Federal Circuit Published Opinions
Reversing Findings of Unfair Competition

In *Concrete Unlimited Inc. v. Cementcraft Inc.*, 776 F.2d 1537 (Fed. Cir. 1985), the Federal Circuit reversed a district court judgment of unfair competition and an award of $150,000 to the accused infringer, even while affirming the district court’s holding of invalidity. The Federal Circuit stated broadly that the patent owner “had the right to exclude others” and “to enforce those rights” until the patent was held invalid. “[The patent owner] did only what any patent owner has the right to do to enforce its patent, and that includes threatening alleged infringers with suit.” Id. at 1538. See also *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 708-10 (Fed. Cir. 1992), vacating an injunction which had prevented a patent owner from issuing notices of infringement to hospital customers stating that violation of a “single patient use” restriction would be deemed patent infringement. In *Mallinckrodt*, the Federal Circuit distinguished cases where the patent owner acted in bad faith or sent notices indiscriminately to all members of the trade. 976 F.2d at 710.

**B.  Mirafi (Unpublished Opinion): Federal Circuit Reverses Unfair Competition Judgment and Remands for a Determination Whether Bad Faith Litigation Occurred.**

In an unpublished opinion, *Mirafi, Inc. v. Murphy*, 90-1074, 1991 U.S. App. LEXIS 1636, 18 USPQ2d 1087 (Fed. Cir. 1991), the Federal Circuit affirmed a district court’s judgment of invalidity and dismissal of the accused infringer’s Lanham Act claim, and reversed the district court’s judgment of unfair competition. With regard to the law of unfair competition, the Federal Circuit stated that “a patentee’s need to enforce his patent in court overrides unfair competition interests.” *Id.* at *4 (citing *Concrete Unlimited, Inc. v. Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985)). While the *Mirafi* court recognized the patent owner’s right to enforce its patent and threaten alleged infringers with suit, the court also observed that the enforcement right is “not unbounded.” *Mirafi* at *5.
The Federal Circuit in *Mirafi* reversed the district court’s finding of bad faith as clearly erroneous because, according to the Federal Circuit, there had been no determination whether the patent owner knew the patent was invalid or not infringed, and in the absence of such a determination there could be no bad faith. *Id.* at *7. The Court found no evidence that Mirafi “did not expect to win the suit” against the alleged infringer. *Id.* at *8. Accordingly, the Federal Circuit remanded to the district court for a determination whether “there is clear and convincing evidence that Mirafi initiated litigation knowing the [patent-in-suit] was invalid or knowing that appellees did not infringe the [patent-in-suit].” *Id.*

A reader of the Federal Circuit’s opinion in *Mirafi* might ask whether the Federal Circuit permitted knowledge of invalidity or noninfringement to be inferred from the facts, and whether the record included facts permitting such an inference.


The Federal Circuit opinion in *Manildra Milling* is noteworthy in several respects. First, the lengthy opinion analyzes important legal issues regarding the limits to which patent owners may publicize alleged infringement and threaten customers of alleged infringers. The Court’s issuance of its opinion in unpublished, unprecedential, and uncitable form would appear to deny subsequent litigants and the courts the benefit of the *Manildra Milling* panel’s analysis. Even the Court’s strong implication that it has yet to rule on the limits of publicity and threats of litigation, is potentially significant and would appear to be worthy of publication.

Secondly, the Federal Circuit appears to have paid little deference to the district court’s and the jury’s findings after over four and one-half months of testimony. See the district court’s opinion in *Manildra Milling Corp. v. Ogilvie Mills*, 797 F. Supp. 874, 886 (D. Kan. 1992), finding evidence of the patent owner’s threats to potential purchasers, evidence that the patent owner did not investigate whether the accused product infringed the patents in suit, and evidence that the patent owner possessed test data revealing that the accused product did not infringe. *Id.* at 886. Thus, the district court found substantial evidence upon which the jury could have based a finding of bad faith or malice on the part of the patent owner. *Id.* at 886.

The Federal Circuit, in contrast, found that in over 15,000 pages of transcript, “no testimony directly bears on” the patent owner’s “falsity/misconduct.” *Manildra Milling*, 1993 U.S. App. Lexis 16230, at *25. It would appear that the Federal Circuit insisted on actual proof of malicious intent, i.e., a “smoking gun” wherein the patent owner admitted affirmatively that it knew its patents to be invalid and not infringed and that it nevertheless pursued the litigation solely for the improper purpose of driving its competitor out of the market.
The Federal Circuit also ruled in *Manildra Milling* that to the extent that the district court had found the case exceptional under 35 U.S.C. § 285, the determination was vacated and the case was remanded for reconsideration. 1993 U.S. App. Lexis 16230, at *28. On remand, the district court refused to find the case exceptional within the meaning of 35 U.S.C. § 285. *Manildra Milling*, 878 F. Supp. 1417, 1423 (D. Kan. 1995), aff’d, 76 F.3d 1178 (Fed. Cir. 1996). The district court apparently required on remand, in its review of the 1992 verdict form, either that the verdict form specifically have asked the jury whether the patents were asserted in bad faith, or that the *verdict form* “yields sufficient evidence from which the court may infer bad faith.” *Id.* at 1423. This standard of proof, it could be argued, is even more stringent than that required by the Federal Circuit, compare 1993 U.S. App. Lexis 16230, at *24, where the Federal Circuit insisted only on evidence in the record, not evidence on the verdict form.

Thus, after ten years of litigation,7/ Plaintiff/Counterclaim Defendant Manildra Milling Corporation succeeded in “prevailing” on the patent issues by proving the patents-in-suit invalid and not infringed. *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178 (Fed. Cir. 1996). For its trouble, Manildra was awarded “partial costs” of over $80,000. *Id.* at 1180. But Manildra’s short-lived victory on its unfair competition claims, calculated at $2,250,000 in compensatory and $2,500,000 in punitive damages, plus almost $4,000,000 in attorney fees, see 878 F. Supp. 1417, 1419 (D. Kan. 1995), was reversed by the Federal Circuit. 1993 U.S. App. LEXIS 16230, *26-28.

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7/ A LEXIS search conducted on October 24, 1997, GENFED library, NEWER file, obtained a list of forty-nine (49) court decisions in the ten-year litigation between Manildra Milling and Ogilvie Mills or OMI Holdings.
The Federal Circuit’s decision in *Manildra Milling*, 1993 U.S. App. LEXIS 16230, turned on its ruling that there was “at most a ‘mere scintilla’” of evidence of wrongful conduct by patent owner Ogilvie Mills. *Id.* at *26. Thus, the Federal Circuit expressly declined to decide “whether the Lanham Act should even come into play in the situation where a patentee is publicizing the presumed validity of its patents and belief in a competitor’s infringement thereof.” *Id.* at *27. Moreover, the Federal Circuit stated that it would “leave for another day resolution of any existing tension between, and the accompanying limitations on, the right of a patentee under the federal patent laws to announce a competitor’s suspected infringement of its patents to the marketplace and the states’ laws of ‘unfair competition.’” *Id.* at *28. These important questions of law still have not been resolved.

While the Federal Circuit has yet to delineate the limits on a patent owner’s rights to publicize alleged patent infringement and to threaten the customers of alleged infringers, the Court’s opinions in *Manildra Milling* and *Mirafi* underscore the importance of introducing evidence of bad faith, e.g., the patent owner’s knowledge of invalidity or noninfringement, or facts from which such knowledge can be inferred, and of obtaining specific findings of bad faith and underlying fact findings and inferences, if a judgment of unfair competition is to be affirmed on appeal.


In another unpublished opinion, *Larami Corp. v. Amron*, Appeal No. 95-1317, 1996 U.S. App. LEXIS 8953 (Fed. Cir. Apr. 19, 1996), the Federal Circuit affirmed a finding that the patent-in-suit was not infringed and a $10 million judgment against the patent owner on a jury verdict of compensatory damages under the Lanham Act and state law theories of
defamation, commercial disparagement, and tortious interference with existing and prospective contractual relations. The Federal Circuit approved a jury instruction “that a good faith or reasonable belief” by the patent owner “in the truth of its infringement charges” would preclude a finding of liability. But as with Manildra Milling and Mirafi, the unpublished nature of the Larami opinion leaves the bar and the bench without moorings for unfair competition causes of action against patent owners.
E. Other Unfair Competition Cases

In Coal Processing Equip., Inc. v. Campbell, 578 F. Supp. 445, 467 (S.D. Ohio 1981), the court held that the patent owner was guilty of intentionally and improperly interfering with the accused infringer’s continuing and prospective contractual relations by directing that letters accusing infringement be sent to those established and prospective customers. 578 F. Supp. at 466. The court found that the patent owner was “primarily motivated by ill-will, not a desire to protect his patent rights, and he gave the directive without a good faith belief that the infringement existed.” Id. at 466. The court found bad faith, id. at 465, and held that the patent owner had committed unfair competition and was liable to the accused infringer for all damages arising from his tortious conduct. Id. at 466. Perhaps inconsistently, the court declined to award attorney fees to the wrongfully-accused infringer under 35 U.S.C. § 285. See also Mitsubishi Electric Corp. v. IMS Technology Inc., No. 96-C-499, 1997 U.S. Dist. Lexis 15350 (N.D. Ill. Sept. 29, 1997) (refused to dismiss counts for trade disparagement Lanham Act violations, tortious interference, and unfair competition); Moellers North America, Inc. v. MSK Coverttech, Inc., 912 F. Supp. 269, 270 (W.D. Mich. 1995), (refused to dismiss counts for trade libel, tortious interference with contract, tortious interference with prospective economic advantage, negligence, unfair competition, and violations of the Lanham Act).\(^{10}\)

26595 (Fed. Cir. Aug. 27, 1997) (directing district court to dismiss declaratory judgment claims of patent invalidity).
In summary, under the law of unfair competition, the wrongfully-accused company may be entitled to recover attorney fees and damages if it can prove that the U.S. patent owner pursued the patent litigation in bad faith.

VI. *Handgards:*\(^1\) Authorizes Treble Damages “Flowing” from Antitrust Violation, *e.g.*, Lost Profits and Value of Executive Time Spent Defending Litigation, plus Attorney Fees

Finally, we consider one more exception to the American rule. This exception, which is based on the U.S. antitrust laws, authorizes the U.S. court to award three times the actual damages caused by wrongful patent litigation, plus attorney fees, to the wrongfully-accused infringer.

A patent owner who is found guilty of bad faith in a single case may be liable for the alleged infringer’s attorney fees and other damages. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 994-96 (9th Cir. 1979) (“*Handgards I*”). The *Handgards* decisions are based on Section 2\(^1\) of the Sherman Act.\(^1\)

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\(^{11}/\) *Handgards v. Ethicon*, 601 F.2d 986 (9th Cir. 1979) (“*Handgards I*”); on remand, 552 F. Supp. 820 (N.D. Cal. 1982); aff’d, 743 F.2d 1282 (9th Cir. 1984) (“*Handgards II*”).

\(^{12}/\) Section 2 of 15 U.S.C. reads as follows:
Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding $10,000,000 if a corporation, or, if any other person, $350,000, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

13/ The Handgards court discussed other types of antitrust liability which may result from overzealous patent litigation, 601 F.2d at 994-96, including cases of inequitable conduct, “overall scheme to monopolize,” and “pattern of baseless, repetitive litigation.”
While the "patentee's infringement suit is presumptively in good faith," this presumption can be rebutted by clear and convincing evidence. *Handgards I*, 601 F.2d at 996. Upon proof of bad faith and the other elements of Section 2, the defendant is entitled to recover the damages flowing from the antitrust wrong. 601 F.2d at 997.

The Ninth Circuit held that "it is obvious that the costs incurred in defense," e.g., attorney fees, executive time, and other costs, are recoverable in bad faith patent cases. The defendant also was awarded lost profits in the *Handgards* litigation, although the Ninth Circuit found it necessary to remand the case for determination whether such damages "flowed from" the wrongful conduct. On remand, the trial court made the requisite finding of causation and the court again awarded lost profits. The award of lost profits was sustained in a subsequent appeal. *Handgards II*, 743 F.2d at 1295-98.

A. Three Elements of *Handgards*

In its *Handgards* opinions, the Ninth Circuit listed the elements necessary for a wrongly-accused infringer to establish a violation of Section 2:

[The accused infringer] had to prove (1) by clear and convincing evidence that [the patentee] prosecuted the [patent-in-suit] in bad faith (2) that [the patentee] had a specific intent to monopolize the relevant market; and (3) that a dangerous probability of success existed.

*Handgards II*, 743 F.2d at 1288 (footnote omitted).

1. Clear and Convincing Evidence of Bad Faith

The standard of clear and convincing evidence of bad faith is the same for the first element of *Handgards* as that required to establish an exceptional case under 35 U.S.C. § 285. Compare *Handgards II*, 743 F.2d at 1288, with *Reactive Metals*, 769 F.2d at 1582.
2. Specific Intent to Monopolize Relevant Market

*Handgards* requires proof of specific intent to monopolize the relevant market. The definition of the “relevant market” is important in establishing this element. The accused infringer/antitrust claimant may wish to argue for a definition of the relevant market as coextensive with the market for the patented product. Indeed, in *Handgards*, the market was defined as coextensive with the market for the patented product, i.e., plastic gloves for home hair color kits. On the other hand, the patent owner may wish to argue for a definition of a relevant market as including not only the patented product but also acceptable substitutes.

3. Dangerous Probability of Success

The accused infringer asserting an antitrust violation under *Handgards* must show that the patent owner had a dangerous probability of success of monopolizing the relevant market. In *Handgards*, the patent owner controlled 90% of the relevant market, i.e., it was the market leader, and the court found this to constitute a dangerous probability of success. In order to prove this element, it may be necessary for the patent owner to be in the business of manufacturing and/or selling the goods defined to be included in the relevant market.

B. The Progeny of *Handgards*
The Federal Circuit has adopted the *Handgards* statement of the law regarding bad faith patent litigation. *Loctite Corp. v. Ultraceal Ltd.*, 781 F.2d 861, 876 (Fed. Cir. 1985) (patent held not infringed). Thus, the Federal Circuit required "clear and convincing" evidence of bad faith, 781 F.2d at 876, affirming the district court's finding that the standard of proof had not been met. 781 F.2d at 877. In rejecting the "bad faith" argument advanced in *Loctite*, the Federal Circuit extolled "the public policy of erecting a barrier against thwarting patentees from asserting legitimate patent rights." 781 F.2d at 877.

The Seventh Circuit at least temporarily added to the grounds for bad faith in *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 470 (7th Cir. 1982), by holding that a lawsuit may be actionable under the antitrust laws even if it was filed with probable cause. *But see Professional Real Estate Investors, infra*, holding to the contrary. Under Judge Posner's analysis in *Grip-Pak*, the filing of a lawsuit just "to impose heavy legal costs on the competitor" could be an antitrust violation. "The line is crossed when [the litigant's] purpose is not to win a favorable judgment against a competitor but to harass him, and deter others, by the process itself -- regardless of the outcome -- of litigating." *Id.* at 472.

Despite the Federal Circuit's adoption of *Handgards*, there are no Federal Circuit opinions known to the author which have found bad faith and imposed antitrust liability under *Handgards*.\(^1\) The Federal Circuit has reviewed and reversed as clearly erroneous a finding of bad faith. *Mirafi, Inc. v. Murphy*, No. 90-1074, 1991 U.S. App.

\(^1\) The Federal Circuit has condemned comparisons between patents and monopolies, *see*, e.g., *Carl Schenk, A.G. v. Nortron Corp.*, 713 F.2d 782, 784, 785 n.3 (Fed. Cir. 1983), and has stated broadly that there is “no ‘conflict’ between laws establishing [patent] rights and the antitrust laws.” *Id.* at 785 n.3. *Cf. Carl Schenk, id.*, with *Handgards I*, describing the “complex interaction between two conflicting bodies of law,” 601 F.2d at 992, and striving to reach a “reasonable balance” and to “achieve what we believe to be a reasonable accommodation of the policies of patent and antitrust law.” *Id.* at 997-98.
LEXIS 1636 (Fed. Cir. Feb. 4, 1991); see also Manildra Milling Corp. v. Ogilvie Mills, Inc., No. 92-1462, 1993 U.S. App. LEXIS 16230 (Fed. Cir. June 22, 1993). Thus, for fifteen years the Federal Circuit has been reviewing district court judgments in patent cases, many of which held the patent-in-suit invalid or not infringed, yet it remains to be determined what facts would support a Federal Circuit holding of bad faith and antitrust liability under Handgards.1

C. **PRE: Antitrust Immunity Unless Sham Litigation**

In Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc. ("PRE"), 508 U.S. 49 (1993), the U.S. Supreme Court extended Noerr antitrust immunity to a litigant which had filed a lawsuit alleging copyright infringement. *Id.* at 51. Under Noerr, antitrust immunity applies to "activity ostensibly directed toward influencing governmental action," with the exception of “sham” activities. *PRE*, 508 U.S. at 51. *PRE* extended antitrust immunity to those seeking “governmental action” in the courts, i.e., to litigants, while preserving but narrowing the “sham” exception to such immunity. *Id.*

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1 At least one commentator has argued that there is an increasing need for an antitrust solution to the “new wave of predatory patent infringement litigation,” Chu, “Antitrust Solution,” 33 Wm. & Mary Law R. 1341 (1992).
The Court in *PRE* outlined a two-part definition of "sham" litigation. *Id.* at 60-61. "First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits." *Id.* at 60. "Only if challenged litigation is objectively meritless," may a court proceed to the second part of the definition for sham, viz., whether the litigant's subjective motivation is to conceal "an attempt to interfere directly with the business relationships of a competitor" through the "use of the [litigation] process -- as opposed to the outcome of that process -- as an anticompetitive weapon." 508 U.S. at 60-61 (quoting in turn from other Supreme Court opinions).

The Court in *PRE* stated broadly that "[t]he existence of probable cause to institute legal proceedings precludes a finding that an antitrust defendant has engaged in sham litigation." 508 U.S. at 62. According to the Court, a winning lawsuit is “by definition” reasonable and therefore not a sham. *Id.* at 60 n.5. Even an “ultimately unsuccessful” action or one in which “the law or the facts appear questionable or unfavorable at the outset” may not be a sham. *PRE*, 508 U.S. at 60 n.5, 65.

1. **Objective Baselessness**

What does it mean to state, in the context of a patent case, that "no reasonable litigant could realistically expect success on the merits"? *PRE*, 508 U.S. at 60. In the case of invalidity, it could be argued that the known existence of an anticipating reference under 35 U.S.C. § 102, clearly invalidating the asserted claims, would establish the lack of a reasonable, realistic expectation of success on the merits. *See Hughes v. Novi American*, 724 F.2d at 124-26 (invalidating prior use and sale); *Handgards*, 601 F.2d at 989 (prior public

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16/ *See Carroll Touch, Inc. v. Electro Mechanical Systems*, Inc., 15 F.3d 1573, 1580-83 (Fed. Cir. 1993) (applying *PRE* in affirming summary judgment against antitrust claimant); *but see* the concurring opinion of Justice Stevens in *PRE*, 508 U.S. at 67-76, criticizing the “unnecessarily broad dicta in the Court’s opinion.” *Id.* at 67.
use under § 102(b)), cf. *Q-Panel Co. v. Newfield*, 482 F.2d 210, 211 (10th Cir. 1973) (invalidity based on obviousness “is not a sufficient premise to trigger an award of attorney fees”).

In the case of non-infringement, it could be argued that the clear absence of one or more elements of the claims, or the equivalent thereof, in the accused structure or method would establish the lack of a reasonable, realistic expectation of success on the merits. *See Eltech*, 903 F.2d at 811 (no reasonable basis for alleging infringement); *Kaehni v. Diffraction Co.*, 342 F. Supp. 523, 536 (D. Md. 1972), aff’d without op., 473 F.2d 908 (4th Cir. 1973)(failure to examine and test accused devices, infringement question not “close enough as to be a matter upon which scientifically-informed, reasonable men might differ”); *Loctite*, 781 F.2d at 877 (clear and convincing proof required to overcome “presumption that the patentee has a good faith belief in infringement”).

On the other hand, even when a patent case is decided against the patent owner, it does not generally follow that the case was objectively baseless. *See, e.g., PRE*, 508 U.S. 49, stating that “when the antitrust defendant has lost the underlying litigation, a court must ‘resist the understandable temptation to engage in *post hoc* reasoning by concluding’ that an ultimately unsuccessful ‘action must have been unreasonable or without foundation.’” *Id. at 60 n.5, quoting from Christianburg Garment Co. v. EEOC*, 434 U.S. 412, 421-22 (1978).

2. **Only If Objectively Baseless Will the Court Consider Subjective Intent: Did Patentee Attempt to Interfere Directly with Competitor’s Customers Through the Use of Litigation Process --as Opposed to the Outcome of the Process --To Eliminate Competition.** *PRE*, 508 U.S. at 60-61.

At least one commentator has suggested that the two-part test for sham litigation under *PRE* has made it almost impossible to prove a *Handgards*-type antitrust
violation based on bad faith patent litigation. Lemley, “Antitrust Counterclaims in Patent and Copyright Infringement Cases,” 3 Tex. Intell. Prop. L.J. 1 (1994). But “objective baselessness” is not an insurmountable hurdle, as demonstrated above, and there need not be actual affirmative proof of bad faith intent. Instead, bad faith can be inferred, e.g., where “the patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court.” Eltech Systems Corp. v. PPG Industries, Inc., 903 F.2d 805, 811 (Fed. Cir. 1990). Similarly, the patent owner’s knowledge of invalidating prior art may support an inference of bad faith. See Handgards II, 743 F.2d at 1288.

3. Under PRE/Handgards, Bad Faith is Relevant Only as of the Filing of the Patent Infringement Complaint

PRE states that “the existence of probable cause to institute legal proceedings precludes a finding that antitrust defendant has engaged in sham litigation.” 508 U.S. at 62 (adopting the element of probable cause required to establish “the common-law tort of wrongful civil proceedings”). According to the PRE court, the existence of probable cause is an absolute defense to the tort of wrongful civil proceedings, and it provides an entitlement to Noerr immunity to antitrust claims. Id. at 63.

Taking PRE at face value, it would seem that a patent owner who had “probable cause” to institute the patent infringement litigation, but who later was faced with convincing proof of invalidity or noninfringement and yet continued to press the litigation in bad faith, would be immune from antitrust liability under Noerr and PRE. It could be argued, however, that the existence of antitrust immunity would not preclude the finding of an exceptional case under 35 U.S.C. § 285.

In summary, under the Handgards opinions and the U.S. antitrust laws, the wrongfully-accused company may be entitled to be recover three times its damages plus attorney fees if it can prove that the U.S. patent owner pursued the patent litigation in bad faith as discussed above.
VII. Pleading & Practice; Discovery; Advice of Counsel

The following discussion concerns strategy, timing, and procedure for the company that desires to pursue a claim for attorney fees and damages based on the assertion that the patent owner acted in bad faith in the patent litigation.

There are issues of timing regarding when to plead a claim of bad faith. A claim of bad faith apparently may be asserted (1) in the answer and counterclaims, (2) after some discovery and obtaining evidence of bad faith, or (3) after final resolution of all patent issues and even after the final resolution of the patent case.

It is routine for accused infringers to request an award of attorney fees under 35 U.S.C. § 285 in the Answer, but it also is common for the courts to ignore such requests or to dismiss them summarily even when the patent ultimately is found invalid or not infringed.

Another possibility for pleading a claim of bad faith is to do so only after taking discovery and obtaining evidence of bad faith. See In re Groz, Miscellaneous No. 338, 1992 U.S. App. Lexis 32501, at *2 (Fed. Cir. May 18, 1992) (unpub.) (leave to amend one year after answer served, following discovery).

Alternatively, the accused infringer may raise a claim of bad faith, at least under Handgards, after the final resolution of all patent issues and even after the final disposition of the patent case. This may raise the possibility of appellate forum-shopping, see Handgards II, 743 F.2d at 1285-88. An important consideration in determining when to assert a claim for attorney fees and damages is whether it is a compulsory counterclaim which must be asserted on a timely basis in the original patent infringement litigation.

See Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661 (1944), holding that a Clayton Act claim was not a compulsory counterclaim to earlier litigation regarding the
validity of a patent, but see American Packaging Corp. v. Golden Valley Microwave Foods, Inc., Civ. Action No. 94-1839, 1995 U.S. Dist. Lexis 5918 (E.D. Pa. 1995), aff’d without op., 1996 U.S. App. LEXIS 12061 (3d Cir. Apr. 8, 1996), distinguishing and criticizing Mercoid, and holding that a Walker Process antitrust claim based on inequitable conduct is a compulsory counterclaim to a patent infringement suit (citing cases). A final judgment of invalidity or noninfringement in a patent case may make it easier to establish “objective baselessness” under PRE, assuming that prosecution of an antitrust claim under Handgards is not barred by failure to plead such a claim on a timely basis.

In addition to issues of when to plead claims of bad faith, there are interesting issues regarding discovery and waiver of privilege issues, See PRE, 508 U.S. at 65 (no discovery on economic motivation until proof of objective baselessness); cf. In re Groz, 1992 U.S. App. Lexis 32501, at *2-3 (permitting concurrent discovery on patent and antitrust issues); Matsushita Electronics Corp. v. Loral Corp., No. 92-C-5461, 1995 U.S. Dist. LEXIS 12880 (S.D. N.Y. 1995) (reliance on advice of counsel defense waives privilege and work product).


In summary, the company that desires to recover attorney fees and damages based on wrongful patent litigation must consider issues of strategy, timing, and procedure, in order to be successful.
VIII. Possible Further Developments Regarding the Bounds of “Good Faith” Patent Litigation

The author believes that there will be new developments in the law concerning the limits on U.S. patent litigation. Therefore, the wrongfully-accused company should consider taking aggressive action in the courts against U.S. patent owners which pursue unjustified patent litigation. The following discussion concerns possible future legal developments that may place limits on unjustified patent litigation.

Since the U.S. Court of Appeals for the Federal Circuit was established on October 1, 1982, a large body of patent law has been developed, generally fulfilling the expectations of the Court’s founders. See Dreyfuss, “The Federal Circuit: A Case Study in Specialized Courts,” 64 N.Y.U.L. Rev. 1, 8 (1989). Many of these legal developments, particularly in the early years of the Federal Circuit, have had the effect of strengthening patent rights and making them more valuable. See, e.g., Sung, “Intellectual Property Protection or Protectionism?,” 42 Am. U.L. Rev. 239, 269-71 (1992).

In more recent years, the courts, particularly the Federal Circuit and the Supreme Court, have placed limits on the interpretation of patent claims for purposes of establishing literal infringement and infringement under the doctrine of equivalents. Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed. Cir. 1995), aff’d, 116 S.Ct. 1384 (1996); Hilton Davis Chemical Co. v. Warner-Jenkinson Co., 62 F.3d 1512 (Fed. Cir. 1995), rev’d, 117 S. Ct. 1040 (1997), on remand, 114 F. 3d 1161 (Fed. Cir. 1997).

One area of law which arguably has not been developed significantly by the Federal Circuit is that of the limits to which patent owners can reach in charging their competitors with alleged infringement.\footnote{One commentator has suggested that “[t]he balance has tipped dramatically away from...} Rule 11 and Section 285 of 35 U.S.C. have been
applied by the Federal Circuit, but only in cases of the clearest overreaching, recklessness,
and bad faith on the part of patent owners. The legal standards of *Handgard* have been
adopted by the Federal Circuit, *Loctite*, 781 F.2d at 876, but the Court has yet to apply the
law to the extent of holding that an antitrust violation has occurred under *Handgards*.
The Federal Circuit has suggested that there may be tension between unfair competition law and patent law, *Manildra Milling*, 1993 U.S. App. LEXIS 16230, at *26-28 (unpub.), but the Court apparently still has not ruled on that important issue of law. It would be difficult to deny a patent owner’s First Amendment right to petition the courts, *PRE*, 508 U.S. at 56, and the right to issue good faith notices of infringement, see 35 U.S.C. §§ 281, 287. On the other hand, it could be argued that the right to litigate patents in good faith in court does not include an unlimited right to wage war on competitors in the marketplace. Thus, one might argue for balancing, *inter alia*, a patent owner’s limited right of commercial speech, see *Monotype Corp. PLC v. International Typeface Corp.*, 43 F.3d 443, 453 (9th Cir.1994), as against the rights of competitors to conduct their businesses free of unfair competition, e.g., tortious interference with existing or prospective contractual relations, see *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 710 (Fed. Cir. 1992) (suggesting that indiscriminate publicizing of infringement allegations to the entire trade may be impermissible).

Thus, the U.S. courts may have further occasion to rule on the limits of patent infringement litigation, publication of infringement allegations, and threats against customers of alleged infringers. In summary, the author believes that the U.S. laws are likely to move to a direction that is more favorable to unjustly accused infringers.

**Conclusion**

Generally, under the American rule, an alleged infringer will not be entitled to an award of attorney fees or damages against a U.S. patent owner, even if the alleged infringer proves that the U.S. patent is invalid or not infringed. But there are exceptions to the American

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18/ See *Carroll Touch, Inc. v. Electro Mechanical Systems, Inc.*, 15 F.3d 1573, 1580-84 (Fed. Cir. 1993) (discussing antitrust and §285 claims in detail, but disposing of unfair competition and abuse of process claims with a footnote reference to the district court’s conclusion that its antitrust findings were “also dispositive” of the other claims, 15 F.3d at 1580 & n.9).
rule, and the exceptions permit the U.S. courts to order the U.S. patent owner to reimburse the company for attorney fees and damages. When an alleged infringer meets the burden of proving that a U.S. patent owner acted recklessly, in bad faith, or otherwise contrary to law, remedies may exist under Rule 11, 35 U.S.C. § 285, unfair competition law, and Handgards.

In conclusion, the author recommends that wrongfully-accused companies should be aggressive in proving that the patent-in-suit is invalid or not infringed, and in seeking reimbursement of their attorney fees and damages caused by unjustified patent litigation.