

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

ERFINDERGEMEINSCHAFT UROPEP
GbR,

Plaintiff,

v.

ELI LILLY AND COMPANY,

Defendant.

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Case No. 2:15-CV-1202-WCB

MEMORANDUM OPINION

This case was tried to a jury during the week of April 17, 2017. The jury returned a verdict finding that defendant Eli Lilly & Co. (“Lilly”) had infringed U.S. Patent No. 8,791,124 (“the ’124 patent”), which is owned by the plaintiff, Erfindergemeinschaft UroPep GbR (“UroPep”). The jury also found that the ’124 patent was not invalid under any of the four theories of invalidity advanced by Lilly—anticipation, obviousness, and failure to satisfy the enablement and written description requirements of 35 U.S.C. § 112, ¶ 1. The jury awarded UroPep \$20 million in damages.

In the course of the trial, several legal issues arose on which the Court ruled but did not have an opportunity to provide a comprehensive explanation for its rulings. This opinion addresses several of those issues and provides a more detailed rationale for the Court’s rulings than was possible during the trial. In addition, this opinion addresses the issue of prejudgment interest, on which the Court directed the parties to file briefs prior to the Court’s entry of final judgment in this matter.

I. Judgment as a Matter of Law on Willfulness

At the close of the evidence, the Court granted Lilly's Rule 50(a) motion for judgment as a matter of law on the issue of willful infringement under 35 U.S.C. § 284. The Court concluded that UroPep had not introduced enough evidence of willfulness to justify submitting that issue to the jury. Dkt. No. 346, at 5-6 (Trial Tr. 1390-91). In addition, the Court stated on the record that even if the jury returned a verdict of willful infringement, the Court would not have enhanced the damages award, based on the evidence presented at trial. Id. at 115 (Trial Tr. 1500).

The Supreme Court has made clear that an award of enhanced damages under section 284 is reserved for "egregious cases." Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1932, 1934 (2016). As the Supreme Court explained in the Halo case, awards of enhanced damages "are not to be meted out in a typical infringement case, but are instead designed as a 'punitive' or 'vindictive' sanction for egregious behavior. The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate." Id. at 1932. Moreover, the party seeking enhanced damages under section 284 has the burden of showing its entitlement to an enhanced award by a preponderance of the evidence. Halo, 136 S. Ct. at 1934; WBIP, LLC v. Kohler Co., 829 F.3d 1317, 1339-40 (Fed. Cir. 2016).¹

¹ Section 284 refers to "increased damages" and does not use the term "willfulness." Perhaps for that reason, the Supreme Court in Halo discussed the section 284 issue by reference to the showing necessary to warrant enhanced damages rather than by focusing solely on the issue of willfulness. Historically, courts have treated willfulness as a component of the enhanced damages analysis that is for the finder of fact, with the ultimate decision on enhancement reserved for the court. See In re Seagate Tech., LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc), overruled on other grounds, Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016); Beatrice Foods Co. v. New England Printing & Lithographing Co., 923 F.2d 1576, 1578-80 (Fed. Cir. 1991). The Federal Circuit in Seagate held that the willfulness inquiry had both an objective component and a subjective component. See Powell v. Home Depot U.S.A., Inc., 663 F.3d 1221, 1236-37 (Fed. Cir. 2011). The Supreme Court in Halo rejected Seagate's two-part

In this case, the evidence was not sufficient to support a finding that UroPep had met its burden of showing that Lilly's conduct was "egregious" or "malicious" behavior that is "characteristic of a pirate." The evidence on which UroPep relied at trial to support its claim of willfulness was Lilly's failure to respond to UroPep's single, one-page letter of October 9, 2014, notifying Lilly about the '124 patent and stating that the sale of Cialis for BPH "appears to require a license of the '124 patent." In addition, UroPep argued that the infringement case against Lilly was strong, given the simplicity and breadth of the '124 patent. See Dkt. No. 342, at 210, 212-13 (Trial Tr. 469, 471-72); Dkt. No. 344, at 369, 373 (Trial Tr. 1377, 1381).

On the other hand, UroPep's letter was a barebones assertion of infringement. Nothing in the notification letter set out the strength of UroPep's infringement case or addressed the issue of validity. Nor was there evidence of any follow-up communications from UroPep after the October 9, 2014, letter. Meanwhile, during the pretrial proceedings and at trial Lilly raised substantial arguments as to the validity of the '124 patent, from which it could be inferred that Lilly reasonably concluded that even if the patent covered the use of tadalafil to treat BPH, Lilly's continued marketing of Cialis did not infringe a valid patent.

Perhaps the strongest point in UroPep's favor on the willfulness issue is that Lilly did not offer any explanation for its failure to respond to UroPep's October 9, 2014, notification letter. Rather than offering an explanation for its silence in response to the letter, such as whether its silence was the product of oversight or a considered decision based on analysis of the patent, Lilly chose to rest mainly on the fact that UroPep bore the burden of proof on willfulness and the

test, holding that the objective component is not part of the section 284 inquiry, and that the "subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless." Halo, 136 S. Ct. at 1932-33. The Court reiterated, however, that the ultimate decision whether to award enhanced damages is for the court. Id. at 1933-34.

argument that UroPep failed to satisfy that burden. See Dkt. No. 344, at 370, 373 (Trial Tr. 1378, 1381). Lilly did not, for example, offer an advice of counsel defense. On the other hand, the Patent Act expressly provides that the “failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent” 35 U.S.C. § 297. Therefore, the Court may not take into account Lilly’s failure to offer evidence that it consulted counsel regarding the ’124 patent after receiving notification of the patent in October 2014.

In addition, Lilly pointed out that the single communication sent by UroPep prior to the filing of the complaint was sent after Lilly had already been marketing Cialis for the treatment of BPH for almost three years, so it was not surprising that Lilly would not have lightly concluded that its entire “Cialis for BPH” marketing program was at risk because of the ’124 patent. See Dkt. No. 344, at 370-71 (Trial Tr. 1378-79). This is not a case in which the defendant copied patented technology; Lilly clearly developed the use of Cialis for BPH without consulting the ’124 patent, which is a factor that cuts against a finding of willfulness and an award of enhanced damages.

After weighing the evidence at trial, the Court concluded that there was no direct evidence of willfulness (or lack of willfulness). All that the parties on either side could point to was circumstantial evidence. In the end, the Court concluded that the circumstantial evidence relied on by UroPep was not strong enough to justify submitting the issue of willfulness to the jury, particularly in light of the fact that UroPep bore the burden of proof on the issue of willfulness and was required to show that Lilly’s conduct was sufficiently extreme to qualify as “egregious” under the Supreme Court’s articulation.

Contrary to the thrust of UroPep's argument at trial, a finding of willfulness is not required simply because the infringer knew about the patent at issue. As Justice Breyer noted in his concurring opinion in Halo, 136 S. Ct. at 1936 (Breyer, J., concurring), "a court is not required to award enhanced damages "simply because the evidence shows that the infringer knew about the patent *and nothing more*. . . . It is 'circumstanc[e]' that transforms simple knowledge into such egregious behavior, and that makes all the difference." In this case, there was no evidence in addition to the evidence of Lilly's pre-suit knowledge of the patent that showed that Lilly's infringement was "egregious," "deliberate," "wanton," or otherwise characteristic of the type of infringement that warrants the "punitive" sanction of enhanced damages. See Continental Circuits LLC v. Intel Corp., No. CV 16-2026, 2017 WL 679116, at *11 (D. Ariz. Feb. 21, 2017) (after Halo, "awareness of the patent and continued use of the infringing product despite 'an objectively high likelihood' of infringement or 'reckless disregard' of that risk no longer compel a finding of willfulness"); Vehicle IP, LLC v. AT&T Mobility LLC, C.A. No. 09-1007, 2016 WL 7647522, at * 8 (D. Del. Dec. 30, 2016) ("[A] party's pre-suit knowledge of a patent is not sufficient, by itself, to find 'willful misconduct' of the type that may warrant an award of enhanced damages."); Greatbatch Ltd. v. AVX Corp., C.A. No. 13-723, 2016 WL 7217625, at *3 (D. Del. Dec. 13, 2016) ("The key inquiry in this case is whether there is evidence in addition to AVX's pre-suit knowledge of the patents that could show that AVX's infringement was 'egregious,' 'deliberate,' 'wanton,' or otherwise characteristic of the type of infringement that warrants the Court in exercising its discretion to impose the 'punitive' sanction of enhanced damages."); CG Tech. Dev., LLC v. Big Fish Games, Inc., 2:16-cv-587, 2016 WL 4521682, at I14 (D. Nev. Aug. 29, 2016) (plaintiff failed to state a claim for willful infringement under Halo because the complaint "fail[ed] to allege any facts suggesting that Defendant's

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