



\$24 million judgment of wilful infringement affirmed by Federal Circuit

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Powell v Home Depot USA, Inc., No 2010-1409, -1416, US Court of Appeals for the Federal Circuit, 2011 US App. LEXIS 22838, 14 November 2011

Abstract

The US Federal Circuit affirms a jury verdict that a defendant wilfully infringed a patent on a saw guard, discussing claim construction, damages, enhanced damages, and inequitable conduct.

Legal Context

In recent years, the US Court of Appeals for the Federal Circuit has gained the reputation for reversing most decisions of district courts in patent infringement matters. Many large jury verdicts have been overturned based on improper claim construction, improper theory of damages, or other legal errors. In *Powell v Home Depot USA, Inc.*, the Federal Circuit conducted an in-depth analysis of virtually all the aspects of a patent case to uphold the judgment that the patent-in-suit was wilfully infringed and not unenforceable. *Powell* is a reminder that patent protection in the USA can still be valuable, and that potential infringers should be wary of ignoring prospective business partners' patent protection.

Facts

In 2002 and 2003 Home Depot, one of the largest, most profitable home improvement retailers in the USA, had a problem: its employees were suffering injuries including lacerations and finger amputations caused while operating in-store radial arm saws to cut timber for customers. Home Depot's management issued a directive that the radial saws either be fixed, to prevent injuries, or be removed from all stores.



Mr Powell, Home Depot's point-of-contact for the installation and repair of radial arm saws, set out to find a solution to this problem. In July 2004, he presented a solution to Home Depot, resulting in the installation of eight production units for testing in Home Depot stores. In August 2004, Mr Powell filed a patent application.

Home Depot separately contracted with a different entity, Industriaplex, to build and install saw guards for its radial arm saws at a lower price than that quoted by Mr Powell. Home Depot invited Industriaplex to view and build nearly identical copies of Mr Powell's saw guards for a reduced price. Industriaplex agreed. Mr Powell then sued Home Depot for infringement of his patent.

After a 14-day jury trial, the jury reached a unanimous verdict that Home Depot wilfully and literally infringed Mr Powell's patent, awarding him \$15 million. The district court awarded an additional \$3 million in enhanced damages, and \$2.8 million in attorneys' fees. A final judgment in the amount of \$23,950,889.13, including prejudgment interest, was entered.

Analysis

In *Powell*, the Federal Circuit was asked to review virtually every aspect of the issues raised at trial and in post-trial proceedings that led to the almost \$24 million judgment. With respect to each issue, from claim construction, to infringement, to damages, to enhanced damages, to inequitable conduct, the Federal Circuit found that the district court committed no error and affirmed in total the judgment entered.

Claim construction and infringement

Home Depot challenged the district court's construction and infringement analysis of two claim terms used in Mr Powell's claims: 'dust collection structure' and 'table top'.

Dust collection structure

With respect to 'dust collection structure', Home Depot argued that the term should be construed as a means-plus-function term under 35 USC §112, ¶ 6. In an earlier claim construction, the district court agreed with Home Depot, but changed its construction at the time of trial.

The Federal Circuit, in reviewing the district court's construction, found that the claim term 'dust collection structure' was not subject to construction as a means-plus-function element under 35 USC §112, ¶ 6. In reaching this conclusion, the Federal Circuit relied upon the following:

1. The presumption that the failure to use the term 'means' reflected the intent of the inventor not to invoke 35 USC §112, ¶ 6.
2. When viewed 'in the context of the entire limitation', 'the claim language at issue recites



- sufficiently definite structure’.
3. The written descriptions’ disclosure of the ‘dust collection structure’ depicts specific component parts and details of the functions of each part.
 4. The prior art discussed in the background of the invention disclosed various types of prior art dust collection structures, evidencing that the term has a reasonably well-understood meaning to those skilled in the art.

In sum, the claim language, the disclosure in the written description, and the meaning to persons of ordinary skill indicated that Home Depot failed to rebut the presumption that the claimed ‘dust collection structure’ was not a means-plus-function limitation.

In addition to challenging the ‘claim construction’ for this term, Home Depot argued on appeal that the jury verdict was in error and that the district court erred in not granting judgment as a matter of law since ‘the terms “cutting box” and “dust collection structure” are distinct terms and can only be infringed by a device that has separate structures corresponding to the distinct claim elements’.

The Federal Circuit disagreed, distinguishing a prior case in which the claim language and specification required two claim limitations to be separate structures from Mr Powell’s claims and specification, which did not suggest that the claim terms required separate structures.

Table top

Home Depot challenged the district court’s construction of ‘table top’ in the claims because it failed to impose an additional requirement that the ‘table top’ function as a horizontal work surface to support timber while being cut. The Federal Circuit disagreed. In support, the Federal Circuit turned to other claim limitations that already addressed the ‘work surface support’, concluding that it was unnecessary to import such a function into the ‘table top’ limitation. The Federal Circuit also looked to the specification, which likewise distinguished between the table top and the work surface to support its construction.

Inequitable conduct

Home Depot argued that Mr Powell committed inequitable conduct by failing to inform the Patent Office that the basis for his petition to make special was no longer accurate at the time it was granted. In view of *Therasense, Inc. v Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc), the Federal Circuit found that Home Depot did not meet its burden of establishing by clear and convincing evidence inequitable conduct:

Where, as here, the patent applicant fails to update the record to inform the PTO that the circumstances which support a Petition to Make Special no longer exist—that conduct does not constitute inequitable conduct. *Therasense*, 649 F.3d at 1290. That is so because Mr. Powell’s conduct obviously fails the but-for materiality standard and is not the type of unequivocal act, ‘such as the filing of an unmistakably false affidavit,’ that would rise to the level of ‘affirmative egregious misconduct.’ *Id.* at 1292–93.



Wilful infringement

Home Depot was found by the jury to have wilfully infringed Mr Powell's patent, and the district court denied Home Depot's motion for judgment as a matter of law. On appeal, Home Depot argued that it did not wilfully infringe because its actions did not satisfy the objective prong of the wilful infringement inquiry: the district court's denial of Mr Powell's request for a preliminary injunction and the closeness of the inequitable conduct case indicate that it did not act despite an objectively high likelihood of infringement. The Federal Circuit rejected both arguments based on the legal errors made in both sets of preliminary analyses.

The Federal Circuit clarified the role of the court and jury in a wilful infringement analysis. When the question raised is an issue of law, the determination of whether an infringer was objectively reasonable in reliance upon such a defence is a question for the court. When the question raised is an issue of fact, the fact-finder determines the objective reasonableness of the infringer. However, the Federal Circuit confirmed in a footnote that '[t]he objective and subjective willfulness questions should be sent to the jury only when the patentee proves by clear and convincing evidence that the objective prong of *Seagate* is met as to the legal issues that have been decided by the court'.

Damages

The Federal Circuit also affirmed a relatively high reasonable royalty rate for Mr Powell. Significantly, in supporting the royalty rate used by the jury, the Federal Circuit held that '[w]hile either the infringer's or the patentee's profit expectation may be considered in the overall reasonable royalty analysis, *Georgia-Pacific Corp. v US Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), neither is an absolute limit to the amount of the reasonable royalty that may be awarded upon a reasoned hypothetical negotiation analysis under the *Georgia-Pacific* factors'.

Practical significance

Powell is a reminder that patents in the USA can still be a valuable protection in business transactions when an inventor is asked to develop a solution to a problem that is then implemented by another. In affirming the jury verdict and resulting judgment, the Federal Circuit illustrated several important aspects of recent developments of patent law. First, since *Therasense*, it has become substantially more difficult for an infringer to prove an inequitable conduct case. Secondly, the Federal Circuit has established a procedure for determining wilful infringement and enhanced damages which is complex, but nonetheless takes into consideration the equities of the situation. Finally, although we have seen a recent trend that appears to curtail damages liability, *Powell* illustrates that a rationally related damages theory can result in a seemingly high royalty rate.



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Mr. Macedo is also the author of [The Corporate Insider's Guide to U.S. Patent Practice](#), published by Oxford University Press in 2009.