

## Fed. Circ. Expanded Patent Law's Reach, Enplas Tells Justices

By Tiffany Hu

*Law360 (June 13, 2019, 4:43 PM EDT)* -- Japanese lighting company Enplas has urged the U.S. Supreme Court to reverse a Federal Circuit ruling that the company infringed Seoul Semiconductor Co. patents for LCD technology, saying the lower court wrongly applied U.S. patent law outside the country's borders.

The petition for writ of certiorari by Enplas Display Device Corp., a Japan-based company that makes plastic lenses to be used in backlights for LCD televisions, comes after the full Federal Circuit in March declined to revisit its earlier panel ruling that Enplas infringed two Seoul Semiconductor Co. Ltd. patents because it sold lenses to foreign customers that sold televisions in the U.S., which the panel said qualified as induced infringement under the Patent Act.

But Enplas in its June 7 petition argued that the Federal Circuit's ruling "flies in the face of the presumption [against] extraterritoriality," which holds that U.S. laws apply only within the country's boundaries unless there is congressional intent otherwise.

"The Federal Circuit's decision to extend liability under Section 271(b) [of the Patent Act] to cover foreign sales by a foreign company of a product to another foreign company, where the company did not know the ultimate destination of its product, cannot be reconciled with the presumption against extraterritoriality," the petition reads.

At most, Enplas said, it knew of its significant market share in the lens market and that its foreign customers sold televisions that included "backlights using someone's lenses," which meant that there was a possibility that Enplas' lenses could end up in televisions sold in the U.S., according to the petition.

But in holding the Japanese maker liable, the Federal Circuit had improperly expanded the law of induced infringement, Enplas argued, saying the high court has previously have found that mere knowledge of risk is not enough to find liability.

Enplas sued SSC in October 2013 seeking a court order that certain lenses do not infringe two of the South Korean company's patents and that those patents are invalid. SSC responded to the complaint with infringement-related counterclaims.

The case went to trial in the Northern District of California in March 2016. Jurors found both patents

were valid and Enplas willfully induced infringement. SSC was awarded \$4 million in damages for one patent and \$70,000 for the second.

During trial, SSC's expert testified that a reasonable license for the two patents would be \$570,000 — \$500,000 for the first patent and \$70,000 for the second. That amount would cover the products accused of infringement in the case.

However, the expert said the two sides wouldn't have limited a license to just those products if there was a risk that others might infringe, finding that the more "pragmatic" approach would be to agree to a "freedom to operate license," which was valued at \$2 million to \$4 million.

In November, a Federal Circuit panel vacated the \$4 million in damages, finding that SSC's expert had improperly included Enplas devices that had not been accused of infringement as the only basis to support the award amount. The court pointed to its 2015 decision in AstraZeneca AB v. Apotex, which held that a reasonable royalty cannot include activities "that don't constitute patent infringement."

In the same ruling, the panel affirmed lower court decisions that Enplas had not shown claims in the two patents were invalid as anticipated. The panel also affirmed the judgment that Enplas induced infringement, and left the \$70,000 award for the second patent intact.

The full appellate court upheld the decision in March, leading to the high court appeal.

The patents at issue are U.S. Patent Nos. 6,007,209 and 6,473,554.

Counsel for the parties did not immediately respond to requests for comment Thursday.

Enplas is represented by John C. Rozendaal, Michael Joffre and William H. Milliken of Sterne Kessler Goldstein & Fox PLLC.

SSC was represented at the Federal Circuit by Lawrence J. Gotts, Gabriel Bell and Charles Sanders of Latham & Watkins LLP.

The case is Enplas Display Device Corp. v. Seoul Semiconductor Co. Ltd., case number 18-1530, in the U.S. Supreme Court.

--Additional reporting by Matthew Bultman. Editing by Alanna Weissman.