

# District Court Awards Enhanced Damages to Winner in ITC Dispute

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## SUMMARY

The District of Delaware has recently highlighted the availability of enhanced damages for patent owners who choose to proceed first at the U.S. International Trade Commission (ITC). Even though ITC decisions are not binding on district courts, Judge Wolson awarded enhanced damages to a plaintiff after the defendant lost a parallel ITC case and brought its production into the U.S. to avoid the ITC's exclusion order. *Wirtgen America, Inc. v. Caterpillar, Inc.*, No. 1:17-cv-00770-JDW, Dkt. No. 456, Mem. Op. at 24–25, 45–46 (D. Del. Sept. 17, 2024) (hereinafter, “Mem. Op.”). Similarly situated defendants in future actions may expect the same fate if they choose to onshore their supply chain without implementing a design-around.

## PROCEDURAL HISTORY

On June 16, 2017, Wirtgen sued Caterpillar for patent infringement in Delaware accusing Caterpillar's milling machines and reclaimers for road construction of infringing twelve of Wirtgen's patents. *Id.* at 2–3. These patents included, among others, U.S. Patent Nos. 7,828,309 (the “309 Patent”), No. 9,656,530 (the “530 Patent”), and No. 7,530,641 (the “641 Patent”). On July 19, 2017, Wirtgen filed a parallel complaint with the ITC, claiming infringement of five of the twelve patents at issue in the Delaware action, including the '309 Patent, '530 Patent, and '641 Patent. See *Certain Road Milling Machines and Components Thereof*, Inv. No. 337-TA-1067. Judge Andrews then stayed the Delaware action pending resolution of the ITC matter. Mem. Op. at 8.

In October 2018, an ITC Administrative Law Judge (ALJ) found that Caterpillar violated 19 U.S.C. § 1337 by importing products that infringe the '309 Patent and '530 Patent, but not the '641 Patent. *Road Milling Machines*, Final ID (Oct. 1, 2018). The ITC affirmed that ruling July 18, 2019. Caterpillar then appealed the ITC's decision and domesticated its production to comply with the ITC's importation prohibition while continuing to sell and manufacture the machines that the ITC determined infringed Wirtgen's patents.

On March 15, 2021, the Federal Circuit affirmed the ALJ's findings for the '309 Patent and '530 Patent. *Stradali S.R.L. v. ITC*, 847 Fed. App'x 893, 895 (Fed. Cir. 2021). The Federal Circuit reversed, vacated, and remanded as to the '641 Patent. On remand, on November 4, 2021, the ITC issued a modified exclusion order to include the '641 Patent.

## DISTRICT COURT PROCEEDINGS

Following the appeal in the ITC matter, the Delaware court lifted the stay, and the parties proceeded to trial in February 2024., Mem. Op. at 9. The jury found Caterpillar willfully infringed five of Wirtgen’s patents, including the ’309 Patent, ’530 Patent, and ’641 Patent. Post-trial, Caterpillar and Wirtgen filed motions seeking JMOL, and in a separate motion, Wirtgen moved for enhanced damages.

Judge Wolson explained in his order on those motions that after the ITC held that Caterpillar violated Section 337, Caterpillar continued to produce machines containing infringing features. *Wirtgen* at 24. Rather than cease infringement, Caterpillar moved its production from Italy to the United States, which “had the effect of avoiding the ITC’s ruling.” *Id.* Judge Wolson found that “[f]rom Caterpillar’s actions following the ALJ’s decision, the jury could conclude that Caterpillar intentionally infringed the ’309, ’530, and ’641 Patents.” *Id.*

Judge Wolson analyzed Wirtgen’s motion applying the *Read* factors. *Id.* at 41–51. Judge Wolson found Caterpillar deliberately copied, had knowledge of infringement, had been on notice of Wirtgen’s infringement allegations since at least the time Wirtgen filed suit over seven years ago, and not only failed to take remedial action but “found a loophole” by relocating manufacturing to the United States. *Id.* With four factors weighing in favor of enhancing damages, four neutral, and one weighing against, Judge Wolson increased damages by 50%, which “reflects the seriousness of Caterpillar’s continued infringement of Wirtgen’s patents while avoiding an excessive enhancement.” *Id.* at 51.

In commenting on Caterpillar’s decision to continue infringement following the ITC action, Judge Wolson stated:

[R]ulings have consequences beyond their explicit mandates. One consequence is to incent future lawful behavior. Upon receiving an adverse ruling, a defendant has a choice. It can rectify its behavior or continue down the same path that got it into trouble in the first place. With the latter, it takes the risk that the law could penalize him again.

*Id.* at 46. Judge Wolson further explained:

By domesticating its production, Caterpillar didn’t rectify its infringement. It just changed manufacturing plants. Caterpillar took the risk that a later factfinder would be critical of this action. That risk was Caterpillar’s to take. In effect, it gambled that it could prevail before a jury and therefore avoid consequences for its choice. But it lost before the jury, and now it has to pay the piper.

*Id.* (internal citations omitted). When analyzing the remedial action factor, Judge Wolson found:

Caterpillar did not disobey the ITC’s decision, but it found a loophole. The domestication of production is troubling because it evinces an intent to skirt a determination of infringement. At the very least, by 2018, Caterpillar knew that in the eyes of a neutral decisionmaker, what it was doing was wrong. Then it lost in the Federal Circuit, so by then it knew that multiple decisionmakers reached the same conclusion. I view the domestication as sneaky or, at the very least, underhanded.

*Id.*

Judge Wolson cautioned future defendants facing the same outcome from ITC proceedings: “My skepticism of Caterpillar’s post-ITC conduct may caution future defendants to take a different approach. If this opinion inspires a defendant to remedy its infringement, that’s a feature, not a bug.” *Id.*

*Wirtgen* provides useful guidance for both complainants and respondents at the ITC. For complainants, it shows the benefits of proceeding first at the ITC with comfort that damages may be available in a later proceeding, and even enhanced damages may be available. For respondents who lose an ITC case, *Wolson* offers guidance in deciding whether to onshore their supply chain versus pausing sales while implementing any design change.

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