



# THINK FORWARD

## U.S. Supreme Court To Review Willful Infringement Standard In Patent Cases

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October 22, 2015

On October 19, 2015, the U.S. Supreme Court granted certiorari in *Halo Electronics, Inc. v. Pulse Electronics, Inc.* and *Stryker Corp. v. Zimmer, Inc.* to address the Federal Circuit's standard for willful infringement that allows for enhanced patent infringement damages pursuant to 35 U.S.C. § 284. After a finding of infringement, a court has discretion to increase a damage award up to three times under § 284 if, according to the Federal Circuit's standard, the infringement was willful.

The patent owner petitioners in *Halo* and *Stryker* assert that the Federal Circuit has impermissibly restricted the discretion of district courts to only enhance damages under § 284 if the infringement is found to be willful. The petitioners also assert that the Federal Circuit's two-prong objective and subjective test for willful infringement is too rigid and is analogous to the same rigid, two-part test that the Supreme Court rejected in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* concerning the award of attorneys' fees pursuant to 35 U.S.C. § 285 in exceptional cases. The Federal Circuit's current two-prong test for willful infringement is set out in *In re Seagate Technology, LLC*.

For the objective prong of the two-part test for willful infringement, the patentee has the burden to show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. This inquiry focuses on an objective assessment of an accused infringer's potential defenses in view of the risk presented by the patent, such as whether an invalidity or noninfringement theory was reasonable. The state of mind of the accused infringer is not relevant to the objective inquiry. The Federal Circuit has held that this objective determination of recklessness is decided by the court as a question of law subject to *de novo* review.

If the patentee establishes the threshold objective inquiry, the patentee must then demonstrate that this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer under the subjective prong of the test for willful infringement. The state of mind of the accused infringer and factual evidence, such as evidence of copying, is relevant to this subjective inquiry. The subjective determination is a question of fact for the jury and is reviewed under the substantial evidence standard.

In both *Halo* and *Stryker*, the Federal Circuit never reached the subjective prong of the test for willful infringement by finding that the accused infringers' defenses were not objectively unreasonable and thus, under the objective prong, there was no willful infringement. Halo asserts in its petition that the Federal Circuit's threshold objective inquiry renders § 284 "largely superfluous" because "it forbids district courts from enhancing damages even in cases of bad faith infringement, so long as the defendant presents a non-sham trial defense." Halo's petition also draws parallels between the statutory text of §§ 284 and 285 and asserts that "§ 284 is even more flexible than § 285, because § 284's text imposes no limits on the district court's discretion to enhance damages, while § 285 restricts fee-shifting

to 'exceptional' cases."

In *Octane*, the Supreme Court rejected the Federal Circuit's two-part test under § 285 that a prevailing party may only recover attorneys' fees when the case is "brought in subjective bad faith" and is "objectively baseless." The Supreme Court held that the test was "unduly rigid" and "superimpose[ed] an inflexible framework onto [the] statutory text" of § 285. The Supreme Court lowered the burden of proof required to prove an exceptional case and granted district courts wider discretion to award attorneys' fees. See Brinks May 5, 2015 Client Alert for more details regarding the *Octane* case, [here](#).

Since the Supreme Court's *Octane* decision and its related decision in *Highmark Inc. v. Allcare Health Management Systems, Inc.*, the volume of motions for attorneys' fees has increased and the frequency of district courts granting such motions has also increased. See Brinks September 8, 2015 Client Alert for details regarding the effect of the *Octane* and *Highmark* cases, [here](#). If the Supreme Court similarly rejects the Federal Circuit's standard for willful infringement, a potential increase in the volume of motions and corresponding discretionary award of enhanced damages under § 284 may similarly occur.

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