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Willful Infringement and the Impact of *Halo*

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I. INTRODUCTION

With the issuance of the Supreme Court’s opinion in *Halo Electronics*¹, courts no longer use the *Seagate* two-part test to determine whether an infringer’s acts were willful, which is a prerequisite to the court exercising its discretion to award (or not award) enhanced damages under 35 U.S.C. §284. Instead, as set forth in *Halo Electronics*, the jury determines subjective willfulness under the preponderance of the evidence standard as a prerequisite to the court’s discretionary determination, taking into account the particular circumstances of each case in deciding whether to award enhanced damages and in what amount, reserving such punishment for “egregious cases typified by willful misconduct.”²

In the relatively short time following the issuance of *Halo Electronics*, the Federal Circuit has remanded a number of cases to their district courts for further findings under the new *Halo Electronics* standards. Additionally, district courts have applied their discretion in deciding whether to award enhanced damages, using the *Read v. Portec* factors as a guideline. In some cases, the district court has determined that, despite a jury’s verdict of subjective willfulness, enhanced damages were not warranted, when considering whether the totality of the circumstances demonstrated egregious behavior.

As revealed by the cases following *Halo Electronics*, district courts still apply a great deal of discretion on the issue of enhanced damages. Even a jury finding of subjective intent may not result in an award of enhanced damages if, in the court’s belief, the case is not sufficiently egregious to warrant such damages. Thus, while the *Halo Electronics* decision represents a change from the prior *Seagate* standards making it easier for a patent owner to prove willfulness, district courts still retain significant discretion with respect to actually awarding enhanced damages.

II. WILLFUL INFRINGEMENT PRIOR TO HALO – IN RE SEAGATE TECHNOLOGY, LLC

Prior to *Halo*, the Federal Circuit’s *en banc* decision in *In re Seagate Technology, LLC*³ governed the issue of willful patent infringement.

Under *Seagate*, the patentee had the burden to prove willfulness by clear and convincing evidence, using a two-part test which addresses “objective recklessness” and “subjective knowledge.”⁴

A. Part 1: Objective Risk

The first part of the *Seagate* willfulness test required the patentee to prove “that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid

¹*Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016).

²*Halo Electronics*, 136 S. Ct. at 1933-34.

³497 F.3d 1360 (Fed. Cir. 2007) (en banc).

⁴*Seagate*, 497 F.3d at 1371.

patent.... The state of mind of the accused infringer is not relevant to this objective inquiry.”⁵ Rather it was the objective strength of the patentee’s infringement claims and the accused infringer’s defenses to liability that were pertinent to this inquiry.⁶ While the accused infringer’s mental state regarding infringement was relevant to the second part of the *Seagate* test, it was not relevant to the first, purely-objective part of the test and need not be addressed if the first part of the test was not proven.⁷

The existence of a substantial defense to infringement or validity evidenced a lack of objective recklessness, even if such defenses were ultimately unsuccessful.⁸ In addition, the Federal Circuit had held that an accused infringer’s attempts to promptly mitigate their infringement suggest that the accused infringer’s actions were not objectively reckless: “[p]rompt redesign efforts and complete removal of infringing products in a span of a few months” after issuance of the patent suggests that the accused infringer was not objectively reckless.⁹ The objective prong was a threshold test that “should always be decided as a matter of law by the judge.”¹⁰ Though a judge may “allow the jury to determine the underlying facts relevant to the defense” to the liabil-

⁵*Id.*

⁶*Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 682 F.3d 1003, 1005-1006 (Fed. Cir. 2012) (“Following *Seagate*, this court established the rule that generally the ‘objective’ prong of *Seagate* tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement.” *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010). Thus, the question on appeal often posed is whether a defense or noninfringement theory was ‘reasonable.’ See, e.g., *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011)”; *Stryker Corp. v. Zimmer, Inc.*, 774 F.3d 1349, 1239 (Fed. Cir. 2014) (“Objective recklessness will not be found where the accused infringer’s ‘position is susceptible to a reasonable conclusion of no infringement’”) (quoting, *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1310 (Fed. Cir. 2011)).

⁷*Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011) (“Should the court determine that the infringer’s reliance on a defense was not objectively reckless, it cannot send the question of willfulness to the jury, since proving the objective prong is a predicate to consideration of the subjective prong.”); *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1336 (Fed. Cir. 2009).

⁸*Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1382 (Fed. Cir. 2014) (“We agree with Pulse that the district court did not err in holding that the objective prong of the willfulness inquiry was not satisfied. . . . The record shows that although Pulse was ultimately unsuccessful in challenging the validity of the Halo patents, Pulse did raise a substantial question as to the obviousness of the Halo patents.”); *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 776 F.3d 837, 844 (Fed. Cir. 2015) (“Objective recklessness will not be found where the accused infringer has raised a ‘substantial question’ as to the validity or noninfringement of the patent.”); *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010); *DePuy Spine*, 567 F.3d at 1336.

⁹*Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1358 (Fed. Cir. 2010).

¹⁰*Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 682 F.3d 1003, 1008, 103 USPQ2d 1088 (Fed. Cir. 2012).

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"Willful Patent Infringement After the Supreme Court's Opinion in *Halo v. Pulse* and its Progeny"