



Patent Litigation



ALERT

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Supreme Court to Review Federal Circuit Test for Willful Patent Infringement

The U.S. Supreme Court will review the Federal Circuit's test for determining willful patent infringement at the request of two patent holders that assert that the two-part test is too rigid and conflicts with the recent Supreme Court decision in *Octane Fitness*. The Court consolidated two separate cases, *Halo Electronics, Inc. v. Pulse Electronics, Inc.* and *Stryker Corporation, et al. v. Zimmer, Inc.*, to address the question:

Whether the Federal Circuit erred by applying a rigid, two-part test for enhancing patent infringement damages under 35 U.S.C. § 284, that is the same as the rigid, two-part test this Court rejected last term in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, for imposing attorney fees under the similarly worded 35 U.S.C. § 285.

Last year the Supreme Court in *Octane Fitness* overruled the Federal Circuit's objective/subjective test for an award of attorneys' fees under Section 285, finding that the Federal Circuit had improperly imported the dual requirement of "subjective bad faith" and "objective baselessness" from the Court's 1993 decision in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.* In so doing, the Court instructed the Federal Circuit to use a flexible totality of the circumstances test for an award of attorneys' fees under Section 285.

The patent holders in the consolidated cases argue that the Federal Circuit's application of the two-part objective/subjective test for willful patent infringement, known as the *Seagate* test after the circuit court's 2007 decision in *In re Seagate Technology, LLC*, should be rejected in light of the Court's *Octane Fitness* decision. Under the *Seagate* test, for willful infringement a patentee must show clear and convincing evidence that (1) the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent, and (2) if this objectively high risk is found, that the objectively high risk was either known or so obvious that it should have been known to the accused infringer. (Read the petitions for certiorari of *Halo Electronics* and *Stryker* [here](#) and [here](#).)

In *Halo Electronics*, the patent holder alleged that *Pulse Electronics* had infringed its patents on transformers used on computer circuit boards. *Pulse* asserted an obviousness defense. The jury found that *Pulse* had infringed, awarded *Halo* \$1.5 million in damages and concluded that the infringement was probably willful. In post-trial motions, however, the district court found that *Pulse's* infringement was not willful because the first prong of the *Seagate* test was

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not met. On appeal, the Federal Circuit affirmed all of the district court's holdings, including finding that the obviousness defense asserted by Pulse was not objectively unreasonable, precluding a finding of willfulness under *Seagate*.

In their concurrence, Judges O'Malley and Hughes agreed with the majority's decision to affirm all aspects of the district court's decision but pressed for a re-evaluation of the standard for enhanced damages, observing that the Supreme Court's standard for the award of enhanced damages under Section 284 closely mirrored its standard for the award of attorneys' fees under Section 285. And since the Supreme Court recently determined that the Federal Circuit's standard for determining whether to award attorneys' fees under Section 285 was wrong, the concurrence reasoned that the Federal Circuit should also consider, as Judge O'Malley put it, "whether those same interpretative errors have led us astray in our application of the authority granted to district courts under [Section] 284." The Federal Circuit declined to take up an en banc (full court) review of the decision.

Similarly in *Stryker Corporation*, a jury determined that Zimmer willfully infringed Stryker's surgical irrigation patents, and awarded \$70 million in damages. The district court granted Stryker's post-trial request for treble damages on the jury's \$70 million verdict. On appeal, however, the Federal Circuit concluded that the district court had erred by not undertaking an objective assessment of Zimmer's defenses and vacated the treble damages award. According to the panel, Zimmer presented reasonable defenses for each of the asserted claims, Zimmer's infringement was not objectively reckless, and therefore could not support a finding of willfulness.

The Supreme Court has agreed to review both of these cases in order to clarify the test for willfulness under Section 284. It remains to be seen whether the Court will direct that the flexible totality of the circumstances test now used for Section 285 will also be required for Section 284.

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