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Supreme Court Lowers the Standard for Obtaining Enhanced Damages for Patent Infringement

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As we predicted in our recent Corporate Counsel IP Symposium, the Supreme Court has overturned the Federal Circuit's *Seagate* standard for determining willful infringement and enhancing damages under 35 U.S.C. § 284. In a unanimous decision issued June 13, 2016, the Supreme Court rejected the rigid *Seagate* test in favor of judicial discretion. It also lowered the evidentiary standard for a finding of willful infringement to one of a preponderance of the evidence, and set the standard of review for such a finding at an abuse of discretion. The case is captioned *Halo Electronics Inc. v. Pulse Electronics, Inc.*, No. 14-1513, 579 U.S. ___ (2016).

Though the term is often used, the Patent Act makes no mention of "willful infringement." This term has become synonymous with §284, which simply states that courts *may* increase a damages award up to three times. As the Supreme Court noted, over a century of case law requires such enhancement be used with discretion, and only in cases where the defendant exhibited "egregious" behavior. The common example of such behavior is where the defendant acted willfully to infringe a patent, knowing of its existence and making no serious attempt to analyze it or design around it.

Under *In re Seagate Tech., LLC,* 497 F.3d 1360 (Fed. Cir. 2007)(en banc) and its progeny, the Federal Circuit had come to require a complete absence of any objectively reasonable defenses in order to support a finding of willfulness/enhanced damages. Accordingly, a defendant of the worst variety that blatantly copied a patented product with no effort to avoid or analyze the relevant patent at the time of its decision to infringe could avoid liability by simply hiring counsel when sued and having that counsel develop a plausible defense.

Though the Supreme Court's decision is a win for patentees and restores a powerful weapon for use against blatant copying and egregious conduct, the ruling should have little effect on average cases. The Supreme Court was clear that enhancement under §284 should still be reserved for a small minority of cases that involve "willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, [or] flagrant" behavior. Documentary evidence dating back to the time an alleged infringer first learned of a concerning patent, and showing that the alleged infringer developed a reasonable non-infringement and/or invalidity defense before proceeding with the allegedly infringing conduct, should be sufficient to avoid any threat of enhanced damages under the new holding.

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This alert was authored by Mike R. Turner (312-827-1092, mturner@ngelaw.com).
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