

## **Supreme Court Issues Major IP Decision in June: Changes Standard to Obtain Enhanced Damages for Patent Infringement**

Barnes & Thornburg LLP

On June 13, the U.S. Supreme Court issued its decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513 (Slip Opinion). It rejected the framework established by the Federal Circuit Court of Appeals in *In re Seagate Technology, LLC*, 497 F.3d 1360, for determining whether to award enhanced damages for willful patent infringement under 35 USC Section 284 of the Patent Act.

*In re Seagate* had a two-part test: 1) a showing by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent; and 2) also demonstrating by clear and convincing evidence that the risk of infringement was either known or so obvious that it should have been known to the accused infringer.

The Supreme Court found this two-part test to be inconsistent with the statute. The Court reviewed the history of Section 284 and prior precedent and concluded the district court determines when to award enhanced damages, though not at its “whim,” and also noted such discretion should be exercised in light of the considerations giving rise to the discretion such that enhanced damages are not awarded in a typical case but only for egregious behavior typified by willful, wanton, malicious, bad-faith, deliberate, consciously wrongful or flagrant misconduct.

The Supreme Court rejected any requirement that enhanced damages be proven by clear and convincing evidence and, given its ruling that the enhanced damages award is a classic “discretion” determination, clarified that appellate review is limited to an abuse of discretion standard. As a result, the Supreme Court remanded the cases before it that had been decided based on the now-defunct *Seagate* test. It appears its decision will apply to pending and future cases.

While opinions of counsel as to non-infringement and invalidity are not required in order to rebut a claim for enhanced damages under 35 USC Section 298 and the absence of such an opinion cannot be used to prove willful infringement, the Supreme Court did not address whether the abandonment of the *Seagate* test may affect whether opinions of counsel are now more important in attempting to rebut willful infringement claims. Likewise, the new willfulness standard will likely effect pleadings changes as to what is now required to support a legally sufficient willfulness charge.