

Is All Patent Infringement Willful?

By Dan Hall

LIABILITY FOR PATENT INFRINGEMENT CAN BE FOUND WITHOUT SHOWING THAT THE INFRINGER INTENDED TO INFRINGE AND DAMAGES CAN BE AWARDED, AS LONG AS THE PATENTEE PROVIDED ACTUAL OR CONSTRUCTIVE NOTICE. INTENT DOES MATTER, HOWEVER, FOR THE PURPOSE OF ENHANCING DAMAGES. »

In June, the United States Supreme Court issued a decision that may fundamentally change the way damages are awarded in patent infringement lawsuits. In *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1932 (2016), Chief Justice Roberts criticized a standard that allowed, “the ‘wanton and malicious pirate’ who intentionally infringes another’s patent” to avoid enhanced damages if a reasonable defense could later be mustered at trial.

Patent infringement has long been thought of as a strict liability tort. Liability for patent infringement can be found without showing that the infringer intended to infringe and damages can be awarded, as long as the patentee provided actual or constructive notice. Intent does matter, however, for the purpose of enhancing damages. Where infringement is willful, damages can be

enhanced up to three times the amount of actual damages pursuant to 35 U.S.C. § 284, but the standard for showing willfulness has been exacting. Proving willfulness required showing, by clear and convincing evidence, both (1) that the infringer “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent” and (2) that this objective risk was “known or so obvious that it should have been known” to the infringer. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

In *Halo*, the Supreme Court rejected the Federal Circuit’s *Seagate* test. Chief Justice Roberts sharply criticized the focus on objective measures of the infringer’s intent that ignored what the infringer actually knew at the time of infringement. *See Halo Electronics, Inc.*, 136 S. Ct. 1932-33. In practice, the objective standard allowed an infringer to avoid a finding of willfulness, even for intentionally copying a patented product, if the infringer later came up with a plausible defense during litigation. *Id.* The Supreme

Court concluded that willfulness for patent infringement, like willfulness in other areas of law, should be based

on what the infringer actually knew or had reason to know. *See Id.* at 1932-34. The Supreme Court also held that this determination should be subject to the same preponderance of the evidence standard that applies to patent infringement cases generally not to a heightened clear and convincing standard. *See Id.*

The *Halo* decision may fundamentally alter financial incentives for those bringing and defending patent infringement lawsuits. Although the Supreme Court stated that enhanced damages should be limited to “egregious cases,” the decision makes enhancement more likely in many cases. *See Id.* at 1936. In nearly every case, an accused infringer is likely to be aware of the allegation, that its actions infringe from the moment a lawsuit is filed, which provides actual notice of infringement allegations, if not earlier. Because the burden to show willfulness is now the same





preponderance of the evidence standard for showing infringement, any infringer that continues to make, use, sell or offer the accused product after receiving notice, faces the possibility of enhanced damages for willful infringement. Defendants that continue with allegedly infringing actions will find it difficult to defeat claims of willful infringement at summary judgment unless they can also show that a patent is invalid or not infringed. In effect, after a lawsuit is filed, any future infringement may be considered willful.

In a year when patent lawsuit filings have been down significantly, perhaps due to the increased use of *inter partes* review proceedings to delay litigation, and invalidate patents or to the increased availability of attorneys' fees against bad faith plaintiffs, the decision by Chief Justice Roberts in *Halo* may embolden potential patent plaintiffs, who now face an easier path for obtaining substantial, enhanced damages awards if they win.

Dan Hall is a trial lawyer at the business litigation boutique law firm of Anthony Ostlund Baer & Louwagie P.A. in Minneapolis. Dan represents clients in a wide range of commercial disputes including patent infringement, misappropriation of trade secrets, copyright infringement, employment, breach of contract, real estate, business tort, and shareholder matters. Examples of Dan's cases are listed on his webpage <http://www.anthonystlund.com/dan-r-hall>.



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