

In Halo Electronics SCOTUS gives district courts discretion to award triple damages for willful infringement



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Earlier today, in a unanimous decision delivered by Chief Justice John Roberts in [Halo Electronics, Inc. v. Pulse Electronics, Inc.](#), the United States Supreme Court did what much of the patent world expected it would do, which is to overrule the Federal Circuit’s “unduly rigid” test for the awarding of enhanced damages for willful damages put in place by *In re Seagate Technology, LLC*, 497 F. 3d 1360, 1371 (2007)(en banc).

Under *Seagate*, in order for a patent owner to be entitled to receive enhanced damages of up to triple the original damages award the patent owner first had to “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood

that its actions constituted infringement of a valid patent.” Then, the patentee was required to demonstrate, again 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 held that this test was not consistent with the express language of 35 U.S.C. §284.

In the Supreme Court’s recent decisions in [*Highmark Inc. v. Allcare Health Management Systems, Inc.*](#), 134 S. Ct. 1744 (2014) and [*Octane Fitness, LLC v. ICON Health & Fitness, Inc.*](#), 134 S. Ct. 1749 (2014) the Court, interpreting [35 U.S.C. § 285](#), found that there was no textual support in the statute to impose an onerous, rigid test for the awarding of attorneys’ fees to a prevailing party in a patent infringement lawsuit. Most notably, the Supreme Court explained to the Federal Circuit that they misinterpreted a key ruling of the Supreme Court when they created the test that would result in attorneys’ fees never being award. That same exact misinterpretation was at the heart of Federal Circuit case law relating to the awarding of enhanced damages to a victorious patent owner, and was why so many believed that the Supreme Court would grant district courts the same discretion with respect to enhanced damages that they were given with respect to attorneys fees in 2014 in *Highmark* and *Octane Fitness*.

Ultimately, the same logic employed by the Supreme Court in 2014 prevailed today. *In re Seagate* adopted a two-part test for determining when a district court could increase damages pursuant to §284, which was simply too rigid. If we have learned anything about this Supreme Court and their approach to patent law over the last decade it is that they dislike all bright line or rigid rules, that is unless of course they are their own bright line or rigid rule. Here, the rigid rule adopted by the Federal Circuit ignored the easy to understand, straight-forward language of the statute could not stand.

It is, however, worth noting that the Supreme Court explained that in many respects the *Seagate* test rightly reflects the historic guidance the Court has given on the issue of enhanced damages. It is, however, “unduly rigid, and . . . impermissibly encumbers the statutory grant of discretion to district courts.”