End of the Parallel Between Patent Law's § 284 Willfullness and § 285 Exceptional Case Analysis

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END OF THE PARALLEL BETWEEN PATENT LAW’S § 284 WILLFULNESS AND § 285 EXCEPTIONAL CASE ANALYSIS

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Abstract

Patent law’s “willful infringement” analysis under 35 U.S.C. § 284 and the “exceptional case” analysis under 35 U.S.C. § 285 are largely considered parallel, and essentially identical. In 2014, the Supreme Court of the United States drastically changed the standards for the § 285 exceptional case analysis in its Octane Fitness, LLC v. ICON Health & Fitness, Inc. and Highmark Inc. v. Allcare Health Management System, Inc. decisions. This prompted two federal circuit judges to call for similar changes to the § 284 willful infringement analysis. On October 19, 2015, the Supreme Court granted certiorari to review whether such a change is warranted. This Article examines the legal and policy arguments on both sides and concludes that, while a drastic change of the substantive standard of the willful infringement analysis is unlikely, a change of the standard of review is possible. Consequently, the parallel between § 284 willfulness and § 285 exceptional case analysis will likely come to an end.

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TABLE OF CONTENTS

Introduction ..................................................................................313
I. The Historical Parallel Between § 284 Willfulness and § 285 Exceptional Case Analysis .................................315
   A. Section 285 Exceptional Case Jurisprudence ...........315
   B. Section 284 Willfulness Jurisprudence ......................317
II. The Interplay Between § 284 Willfulness and Pre-Octane § 285 Exceptional Case Analysis .........................319
III. The Arguments for Maintaining the Current § 284 Willful Infringement Jurisprudence ...........................................321
   A. Section 284 Enhancement Focuses on Commercial Behavior While § 285 Focuses on Litigation Expenses 321
   B. Section 284 Willfulness and Pre-Octane § 285 Exceptional Cases Developed Independently Through Case Law 323
   C. The Parallel and Overlap Between § 284 and § 285 Jurisprudence are Overstated .................................324
IV. Policy Concerns Revealed in the Supreme Court’s Recent Patent Cases Support the Current § 284 Analysis ...........325
   A. The Supreme Court’s Heightened Interest in Patent Law .................................................................................325
   B. Both Octane Fitness and Highmark Reflect The Court’s Concerns Over Patent-Exceptionalism and Pro-Patent Bias ..................................................................................................................327
   C. Maintaining the Current Substantive Standard of § 284, but Changing the Appellate Review Standard Comports with the Supreme Court’s Concerns ...........................................328
Conclusion ...................................................................................329
Practice Pointers ...........................................................................330
INTRODUCTION

Section 284 of the U.S. Patent Act grants federal judges the discretion to enhance damages up to three times the amount found by a jury or assessed by a court in patent infringement actions.\(^1\) The U.S. Court of Appeals for the Federal Circuit has established that “an award of enhanced damages [under § 284] requires a showing of willful infringement.”\(^2\) Section 285 of the Patent Act allows a court to award attorney fees to the prevailing party “in exceptional cases.”\(^3\) The analyses used in these two areas of law have long been considered parallel and at times even identical.

In *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, a panel of judges from the U.S. Court of Appeals for the Federal District upheld a decision denying enhanced damages based on the determination that the defendant’s infringement was not willful under 35 U.S.C. § 284.\(^4\) Significantly, two judges concurred and urged the full court to reconsider the current willfulness standard in light of the Supreme Court’s 2014 decisions in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* and *Highmark Inc. v. Allcare Health Management System, Inc.*\(^5\)

The *Halo* concurrence argues that the *Octane Fitness* and *Highmark* decisions mandate a change of the current willfulness jurisprudence.\(^6\) In *Octane Fitness*, the Supreme Court overruled the Federal Circuit’s objective/subjective two-prong test for

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\(^2\) *In re Seagate Tech.*, LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc).
\(^6\) *Halo Elecs.*, 769 F.3d at 1384.
determining an “exceptional case” under 35 U.S.C. § 285.\(^7\) The concurrence points out that the § 284 willfulness analysis entails a two-prong test that closely mirrors the now-overruled objective/subjective test for a § 285 “exceptional case.” However, the circuit court denied the petition for an en banc hearing.\(^8\)

On October 19, 2015, the Supreme Court granted certiorari to review whether the 2014 decisions on § 285 exceptional cases warrant a similar change to the § 284 willfulness analysis.\(^9\) The case has been consolidated with Stryker Corp. v. Zimmer, Inc. to further consider (1) whether it is appropriate to predicate an award of enhanced damages on a finding of willfulness, and (2) whether the Federal Circuit should apply the abuse of discretion standard instead of the current de novo standard when reviewing § 284 enhanced damages determinations.\(^10\)

This Article examines the legal arguments and the underlying policy implications of the upcoming Supreme Court review, and concludes that the possibility of a drastic change to the substantive standard of § 284 willfulness is rather low. It is true that the histories of § 284 willfulness and § 285 exceptional case present similar and paralleled patterns of development, and that many Supreme Court criticisms of the Federal Circuit’s pre-Octane § 285 jurisprudence apply equally to the current § 284 framework. However, § 284 and § 285 are distinct areas of patent law, serving very different policy purposes, and therefore warrant different treatment. Most importantly, a drastic change of the current § 284 willfulness analysis will directly contradict the current initiative to counter the impact of so-called “patent trolls” on national patent enforcement trends. Consequently, although a change of the standard of review remains possible, a drastic change of the substantive standard of § 284 jurisprudence is unlikely.

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\(^8\) Halo Elecs., Inc. v. Pulse Elecs., Inc., 780 F.3d 1357 (Fed. Cir. 2015) (per curiam) [hereinafter Halo Rehearing Denial Order].


Arguments for changing the current § 284 willfulness analysis largely hinge on the historical parallel between the jurisprudence of § 284 willfulness and § 285 exceptional case analysis. Thus, an examination of the evolving histories of both sets of cases is instructive for further analysis.

A. Section 285 Exceptional Case Jurisprudence

Section 285 of the U.S. Patent Act provides that, in the context of patent infringement actions, “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” Before the creation of the U.S. Court of Appeals for the Federal Circuit, regional courts applied § 285 “in a discretionary manner, assessing various factors to determine whether a given case was sufficiently ‘exceptional’ to warrant a fee award.” For over two decades, the Federal Circuit followed this approach and instructed district courts to consider the “totality of the circumstances” when making an exceptional case determination.

In 2005, the Federal Circuit radically changed course in Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.,...
applying a test that narrows the scope of analysis.\textsuperscript{15} Under \textit{Brooks Furniture}, a case is “exceptional” under § 285 only “when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions.”\textsuperscript{16} Citing the Supreme Court’s decision in \textit{Professional Real Estate Investors, Inc. v. Columbia Picture Industries, Inc.} (“PRE”), the Federal Circuit held that “[a]bsent misconduct in conduct of the litigation or in securing the patent, sanctions may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.”\textsuperscript{17} Courts typically refer to this two-part inquiry as the objective/subjective test. Further, exceptional cases must be established by clear and convincing evidence.\textsuperscript{18}

On April 29, 2014, the Supreme Court overruled the \textit{Brooks Furniture} standard for § 285 exceptional cases in \textit{Octane Fitness} and \textit{Highmark}.\textsuperscript{19} In \textit{Octane Fitness}, the Court criticized the objective/subjective test as “overly rigid” and “so demanding that it would appear to render § 285 largely superfluous.”\textsuperscript{20} The Court noted that the Federal Circuit imported its narrow exception for sham litigation, despite the fact that it “finds no roots in the [statutory] text of § 285.”\textsuperscript{21} The Court went on to point out that the only constraint on a court’s discretion in assigning attorney fees

\textsuperscript{16} Brooks Furniture, 393 F.3d at 1381.
\textsuperscript{17} Id. (citing Prof’l Real Estate Investors v. Columbia Picture Indus., Inc., 508 U.S. 49, 56, 60–61 (1993) (holding that, within the meaning of the “sham exception” to Noerr doctrine immunity from antitrust liability, a lawsuit must be objectively baseless)).
\textsuperscript{18} Brooks Furniture, 393 F.3d at 1382.
\textsuperscript{20} Octane Fitness, 134 S. Ct. at 1756, 1758.
\textsuperscript{21} Id. at 1757.
Section 284 of the Patent Act reads: “[T]he court may increase the damages up to three times the amount found or assessed.”\textsuperscript{27} The current statutory language and its previous versions do not impose a specific standard for awarding enhanced damages, but early courts read a “willfulness” requirement into it.\textsuperscript{28}

Shortly after its establishment, the Federal Circuit adopted an affirmative duty of due care standard for determining willfulness in \textit{Underwater Devices, Inc. v. Morrison-Knudsen Co.}\textsuperscript{29} Specifically,
the Federal Circuit explained that “[w]here . . . a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.”\(^{30}\) This includes “the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activities.”\(^{31}\) The court further announced that willful infringement would be based on the “totality of the circumstances presented.”\(^{32}\)

*Underwater Devices* and its progeny “set[] a lower threshold for willful infringement that is more akin to negligence.”\(^{33}\) This development resulted in enhanced damages being regularly awarded in patent cases. In a study conducted from 1983 to 2000, willfulness was found in 67.7% of jury trials and in 52.6% of bench trials.\(^{34}\) Furthermore, enhanced damages were imposed 95% of the time when a judge found willfulness, and 63% of the time when a jury found willfulness.\(^{35}\) *Underwater Devices*’ progeny made it the subject of continuing criticism from academics and litigators.\(^{36}\)

In 2007, the Federal Circuit unanimously overruled the “affirmative duty of due care” standard in *In re Seagate Tech., LLC.*\(^{37}\) In *Seagate*, the Federal Circuit referenced the Supreme Court’s *Safeco Ins. Co. of America v. Burr* decision, and developed

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\(^{30}\) *Underwater Devices*, 717 F.2d at 1389–90.

\(^{31}\) Id. at 1390 (emphasis added).

\(^{32}\) Id.

\(^{33}\) *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).


\(^{37}\) *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
a two-prong test for establishing willful infringement. This test requires (1) an objective inquiry into whether the defendant acted despite a high likelihood that his or her actions would infringe a valid patent, and (2) a subjective inquiry into whether the defendant knew or should have known that he or she was engaged in objective risk of infringing a valid patent.\textsuperscript{38} \textit{Seagate} also shifted the burden of proof for establishing willfulness back to the patentee and raised the evidentiary burden to “clear and convincing evidence.”\textsuperscript{39} The Federal Circuit subsequently ruled that the objective prong of the test is a question of law, and thus is subject to de novo review.\textsuperscript{40} These holdings remain controlling today.

\section*{II. THE INTERPLAY BETWEEN § 284 WILLFULNESS AND PRE-OCTANE § 285 EXCEPTIONAL CASE ANALYSIS}

\textit{Seagate}’s two-prong test for willfulness is strikingly similar to the pre-\textit{Octane} test for exceptional cases in terms of formality. Both tests require a showing that the accused’s actions are likely to be deemed objectively wrongful,\textsuperscript{41} and a showing of subjective bad faith.\textsuperscript{42} Furthermore, the dissent in the \textit{Halo Rehearing Denial Order} appeared to suggest that the § 284 willfulness standard and the pre-\textit{Octane} § 285 exceptional case standard both rely on the Supreme Court’s ruling in \textit{PRE}, and therefore share common case law roots.\textsuperscript{43}

\textsuperscript{38} \textit{Seagate}, 497 F.3d at 1371 (citing Safeco Ins. Co. of Am. v. Burr, 551 U.S. 47, 57–60 (2007) (holding that when a statute leaves the standard of willfulness undefined, the common law’s objective recklessness standard should be applied)).

\textsuperscript{39} \textit{Id.}

\textsuperscript{40} Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc., 682 F.3d 1003, 1005 (Fed. Cir. 2012).

\textsuperscript{41} The \textit{Seagate} willfulness analysis requires a patentee to show an objectively high likelihood that the infringer’s actions constituted infringement. The pre-\textit{Octane} exception case analysis requires the prevailing party to establish that the litigation is objectively baseless.

\textsuperscript{42} The pre-\textit{Octane} exceptional case analysis requires a showing of “subjective bad faith,” while the \textit{Seagate} willfulness analysis requires a showing that the infringer acted despite knowledge that his or her action was highly likely to be wrongful.

\textsuperscript{43} Halo Elecs., Inc. v. Pulse Elecs., Inc., 780 F.3d 1357, 1361–62 (Fed. Cir.}
Closer examination suggests that the interplay between § 284 willfulness and pre-Octane § 285 exceptional case analysis goes beyond formalistic similarities and historical connections. In the seven years between Seagate and Octane Fitness, courts treated the two areas of law as inseparable, and even identical, in practice. Even the Federal Circuit has commented that the § 284 willfulness and the § 285 exceptional case standards are “parallel” or “identical” to each other. In cases where the patentee prevailed under a § 285 exceptional case analysis, a finding of willful infringement alone can be sufficient to declare a case exceptional. In other cases, the Federal Circuit makes no distinction between the two areas of law, citing cases from one area as precedents for the other. Commentators were quick to

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44 Bard, 682 F.3d at 1007 (“Our holding is consistent with similar holdings in other parallel areas of law. Our precedent regarding objectively baseless claims, which allow courts to award enhanced damages and attorneys’ fees under 35 U.S.C. § 285, and the Supreme Court’s precedent on ‘sham’ litigation are instructive.”); iLOR, LLC v. Google, Inc., 631 F.3d 1372, 1377 (Fed. Cir. 2011) (“The objective baselessness standard for enhanced damages and attorneys’ fees against a non-prevailing plaintiff under Brooks Furniture is identical to the objective recklessness standard for enhanced damages and attorneys’ fees against an accused infringer for § 284 willful infringement actions under [Seagate].”).

45 See, e.g., Golden Blount, Inc. v. Robert H. Peterson Co., 438 F.3d 1354, 1373–74 (Fed. Cir. 2006) (affirming award of attorneys’ fees after ruling district court did not err in finding that the infringement was willful and infringer did not challenge the fee award on any substantive bases other than the alleged error in the finding of willful infringement); Golight, Inc. v. Wal-Mart Stores, Inc., 355 F.3d 1327, 1340 (Fed. Cir. 2004) (“Based on a finding of willful infringement, it is within the district court’s discretion whether to award attorney fees under § 285.”); Avia Grp. Int’l, Inc. v. L.A. Gear Cal., Inc., 853 F.2d 1557, 1567 (Fed. Cir. 1988) (“[T]he willfulness of the infringement provided a sufficient basis for a section 285 attorney fee award to the prevailing patent owner.”).

46 See, e.g., Highmark Inc. v. Allcare Health Mgmt. Sys., Inc., 701 F.3d
point out that the Federal Circuit “has practically equated a finding of willfulness with a finding that a case is exceptional.”

Due to the common and overlapping elements between the two areas of law, the Supreme Court’s criticisms of the Federal Circuit’s pre-October § 285 exceptional case analysis can arguably apply to the current § 284 willfulness analysis. First, similar to the pre-October § 285 jurisprudence, the Federal Circuit’s reading of the objective/subjective test and its inclusion of the word “willfulness” in § 284 jurisprudence did not have any “roots in the [statutory] text,” but rather was “imported” from Supreme Court case law. Second, the objective/subjective test under § 284 is just as “overly rigid” as the now-overturned Brooks Furniture test. Lastly, the de novo standard of review that applies in the objective prong of the Seagate willfulness test appears to be incompatible with the discretion allowed in a § 284 enhanced damages determination.

III. THE ARGUMENTS FOR MAINTAINING THE CURRENT § 284 WILLFUL INFRINGEMENT JURISPRUDENCE

At first glance, arguments for changing the current § 284 willfulness standard have some merit. However, several reasons support maintaining it.

A. Section 284 Enhancement Focuses on Commercial Behavior While § 285 Focuses on Litigation Expenses

Enhanced damages serve to penalize and deter unethical
“commercial behavior.” As the Federal Circuit explains, “[t]he rules of patent infringement are rules of business ethics, and require prudent commercial actions in accordance with law. . . . 35 U.S.C. § 284 provides [a] remedy to the patentee when these standards are not met, up to three times the amount of found or assessed damages.” Thus, an award of enhanced damages seeks to deter unacceptable business behavior, such as deliberately copying a patented invention without performing an analysis as to the legality of the copying. But lawful practices of competition, including studying a competitor’s patents and designing around these patents, are permissible. The focus is solely on the alleged infringer’s behavior in the marketplace—behavior during litigation is irrelevant.

By contrast, § 285’s fee-shifting targets improper litigation behavior, and thereby serves a different purpose from enhanced damages under § 284. The fees awarded under § 285 serve to reimburse a party for legal expenses incurred from participating in an exceptional case. For example, it can reimburse a party who is impacted by bad faith litigation tactics. The fees awarded are not tied to the value of the technology or any party’s market behavior, but rather to the cost of the litigation itself.

Furthermore, courts have noted that § 284’s enhanced damages and § 285’s fee-shifting are different in nature. Cases suggest that by fulfilling their deterrent purpose, § 284’s treble damages are punitive. By contrast, the fees awarded under § 285 are

51 Vulcan Eng’g Co., v. Fata Aluminium, Inc., 278 F.3d 1366, 1378 (Fed. Cir. 2002); see also Hoechst Celanese Corp. v. BP Chems. Ltd., 78 F.3d 1575, 1583 (Fed. Cir. 1996) (“The issue of ‘willful’ infringement measures the infringing behavior, in circumstances in which the infringer acted against an objective standard of reasonable commercial behavior in the same circumstances.”).
52 MATTHEWS, supra note 50, at § 31:1.
53 5 ROBERT A. MATTHEWS, ANNOTATED PATENT DIGEST § 33:1 (2015); see also Mathis v. Spears, 857 F.2d 749, 753(Fed. Cir. 1988) (“The purpose of Section 285 is to reimburse a party injured when forced to undergo an ‘exceptional’ case.”).
compensatory, not punitive, even when they are based on a finding of willful infringement.\textsuperscript{55} The Supreme Court has held that “in our judicial system[,] compensatory and punitive damages, although usually awarded at the same time by the same decision maker, serve different purposes,” and thus should entail different standards.\textsuperscript{56}

\textbf{B. Section 284 Willfulness and Pre-Octane § 285 Exceptional Cases Developed Independently Through Case Law}

One argument for changing the current § 284 willfulness standard relies on the premise that “[the Federal Circuit’s] willfulness test, as described in \textit{Seagate} and \textit{Bard}, and [its] old § 285 test, under \textit{Brooks Furniture}, were predicated on [the Court’s] interpretation of the Supreme Court’s decision in \textit{Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc. (“PRE”), 508 U.S. 49 (1993”).}\textsuperscript{57} Following this premise, the Federal Circuit should reconsider whether there is any justification for using the narrow \textit{PRE} standard in analyzing § 284 willfulness, since its reliance on \textit{PRE} in § 285 exceptional case analysis has been

\textsuperscript{55} Knorr-Bremse Sys. Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1347 (Fed. Cir. 2004) (“The appellants also argue that the award of attorney fees is a matter of punitive damages, and is therefore improper. Precedent and statute do not support this position . . . and the court has confirmed that a finding of willful infringement may qualify a case as exceptional under § 285. That there were not actual damages does not render the award of attorney fees punitive.”).


\textsuperscript{57} Halo Elecs., Inc. v. Pulse Elecs., Inc., 769 F.3d 1371, 1384 (Fed. Cir. 2014) (O’Malley, J., concurring).
However, a close reading of the respective histories of § 284 and § 285 reveals a different picture. In fact, the two areas of law were largely developed through independent and unrelated lines of authority. In *Seagate*, the Federal Circuit established the objective/subjective test without mentioning PRE at all. Instead, the Federal Circuit looked to several Supreme Court decisions and essentially adopted the well-established meaning of “willfulness” from other civil contexts. In *Bard*, the Federal Circuit in no way relied on PRE, but merely referenced the case, recognizing that the de novo standard of review of the *Seagate* test “is consistent with similar holdings in other parallel areas of law,” that is, the pre- *Octane* § 285 exceptional cases.

C. The Parallel and Overlap Between § 284 and § 285 Jurisprudence are Overstated

Fee awards under § 285 may be granted to a prevailing party regardless of whether it is a prevailing patentee or a prevailing accused infringer. In contrast, § 284’s enhanced damages can only be applied to alleged infringers. The overlap between § 284 and § 285 jurisprudence only applies to situations where the award of attorneys’ fees is based on a finding of willful infringement.

On further examination, cases where attorneys’ fees were awarded after a finding of willfulness under § 285 illustrate how even the overlap between § 284 willfulness analysis and pre- *Octane* § 285 exceptional case analysis can be overstated. A finding of willful infringement under § 284 may be sufficient for

58 *Id.* at 1384–85.
59 *See In re Seagate Tech., LLC*, 497 F.3d 1360, 1370–71 (Fed. Cir. 2007).
60 *Id.*
62 *See, e.g.*, Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp., 267 F.3d 1370 (Fed. Cir. 2001) (affirming summary judgment where attorneys’ fees were awarded against a patentee); *Beckman Instrument, Inc. v. LKB Produkter AB*, 892 F.2d 1547 (Fed. Cir. 1989) (affirming award of attorney fees against the accused infringer).
awarding fees under § 285, but it does not mandate them. Moreover, conduct that shows intentional infringement, but falls short of willful infringement under Seagate, may still support an award of attorneys’ fees.

IV. POLICY CONCERNS REVEALED IN THE SUPREME COURT’S RECENT PATENT CASES SUPPORT THE CURRENT § 284 ANALYSIS

While the legal arguments for changing the § 284 willfulness analysis and the arguments against doing so appear to be equally strong, policy arguments tilt the scale in favor of maintaining § 284’s current substantive standard with an adjustment of its standard of review.

A. The Supreme Court’s Heightened Interest in Patent Law

The Supreme Court’s interest in patent cases has been rising in recent years. The Court’s decisions reflect two predominant policy themes: (1) an interest in moving patent law back to the mainstream of general civil law, and (2) an increasingly skeptical attitude towards the Federal Circuit’s pro-patent stance.

The Supreme Court’s paradigmatic role is to harmonize the application of federal law across the country, particularly on jurisdictional or procedural questions. Recently the Supreme Court rejected patent-specific procedures as sanctioned by the Federal

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63 See, e.g., Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1460 (Fed. Cir. 1998) (en banc) (ruling that it was proper for the trial court not to declare the case exceptional despite the jury verdict of willful infringement); Mentor H/S, Inc. v. Med. Device Alliance, Inc., 244 F.3d 1365, 1380 (Fed. Cir. 2001) (affirming the district court’s decision not to award attorney fees even though the jury found willful infringement).


65 James R. Barney & Jason W. Melvin, The Supreme Court Shows Unprecedented Interest in IP Issues, FINNEGAN (July 17, 2014), http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=4a125f5a-4d15-4f90-81fd-99e16212570c. For example, the Supreme Court only took on one patent case in 1980, whereas the Court heard an unprecedented six patent cases 2013.
Circuit, bringing them back in line with mainstream jurisprudence in other civil contexts. In eBay Inc. v. MercExchange, L.L.C., the Court made it clear that the availability of injunctive relief in patent cases should be no different from its availability in other areas of law.\textsuperscript{66} In MedImmune, Inc. v. Genentech, Inc., the Court relied on its broader declaratory judgment jurisprudence to reject the Federal Circuit’s patent-specific standard.\textsuperscript{67} In Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc., the Court sternly criticized the Federal Circuit’s jurisprudence in claim constructions and stated that “we did not create an exception from the ordinary rule governing appellate review of factual matters.”\textsuperscript{68}

Recent case law indicates that the Court is also acting to combat the Federal Circuit’s alleged pro-patent bias. For example, in Nautilus, Inc. v. Biosig Instruments, Inc., the Court gave powerful ammunition to companies seeking to invalidate patents by heightening the definiteness requirement under 35 U.S.C. § 112.\textsuperscript{69} In Limelight Networks, Inc. v. Akamai Technologies, Inc., the Court made induced infringement harder to prove by holding that there can be no induced infringement without an act of underlying direct infringement.\textsuperscript{70} In Alice Corp. v. CLS Bank International, the Court substantially heightened the bar for § 101 patent eligibility in order to root out abstract patents.\textsuperscript{71} Scholars have long recognized that the Supreme Court’s patent law jurisprudence swings like a pendulum between pro-patent and anti-patent stances.\textsuperscript{72} Many suspect that the recent shift from pro-patent to anti-patent was triggered by its concern over patent trolls.\textsuperscript{73} The Court explicitly acknowledged this concern for the first time in its recent decision, Commil USA, LLC v. Cisco Sys., Inc.\textsuperscript{74}

\textsuperscript{70} Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S. Ct. 2111 (2014).
\textsuperscript{71} Alice Corp. v. CLS Bank Int’l, 134 S. Ct. 2347 (2014).
\textsuperscript{72} DONALD S. CHISUM, CHISUM ON PATENTS § 5 (2015).
\textsuperscript{74} Commil USA, LLC v. Cisco Sys., Inc., 135 S. Ct. 1920, 1930 (2015) (“The Court is well aware that an ‘industry has developed in which firms use
B. Both Octane Fitness and Highmark Reflect the Court’s Concerns Over Patent- Exceptionalism and Pro-Patent Bias

The Supreme Court’s Octane and Highmark decisions on § 285 exceptional case analysis comport with the concerns for both patent exceptionalism and pro-patent bias. In Octane Fitness, the Supreme Court brought the evidentiary burden of proving the exceptional case standard back to a preponderance of the evidence—the “standard generally applicable in civil actions.” Furthermore, in Highmark, the Supreme Court switched the standard of review for § 285’s fee-shifting back to an abuse of discretion—the traditional standard for matters of discretion. Once again, the Supreme Court knocked down one of the Federal Circuit’s patent-specific rules bringing the jurisprudence back to mainstream civil law.

On the other hand, by abandoning the rigid Brooks Furniture test for finding an exceptional case, the Supreme Court gave companies incentives to incur the cost of litigating with the hope of winning back their fees and essentially signaled that lower courts should discourage aggressive suits brought by patent trolls. Even before Octane Fitness, judges and scholars had long championed the idea of developing § 285’s fee- awarding into an effective tool

\[\text{patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees} \ldots \text{it is still necessary and proper to stress that district courts have the authority and responsibility to ensure frivolous cases are dissuaded.} \text{'} \text{(quoting eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837, 1842 (2006)).}\]


77 Ryan Davis, One Year On, Octane Causing More Hard-Fought Patent Cases, LAW 360 (May 1, 2015 5:00 PM), http://www.law360.com/articles/648905/one-year-on-octane-causing-more-hard-fought-patent-cases. See also Commil, 135 S. Ct. at 1930–31 (2015) (“[D]istrict courts have the authority and responsibility to ensure frivolous cases [brought by trolls] are dissuaded . . . It is [also] within the district court’s discretion to award attorney’s fees to prevailing parties in ‘exceptional cases.’”).
to battle patent trolls.\textsuperscript{78}

\textit{C. Maintaining the Current Substantive Standard of § 284, But Changing the Appellate Review Standard Comports with the Supreme Court’s Concerns}

Drastically lowering the substantive standard of the enhanced damages of § 284 willfulness analysis—as proposed in the \textit{Halo} concurrence—will directly contradict the Supreme Court’s desire to rein in pro-patent bias and patent troll problems. Unlike § 285’s double-edged fee-shifting, § 284’s enhanced damages only apply to alleged infringers. Bringing down the barrier of establishing willfulness does nothing to deter aggressive suits and frivolous litigation brought by patent trolls. On the contrary, it provides patent trolls with more incentives to ramp up their activities.\textsuperscript{79} Furthermore, abolishing the current two-prong test for establishing willfulness would pave the path for a patentee to establish an exceptional case under 35 U.S.C. § 285. Specifically, a patentee seeking attorneys’ fees under § 285 will have a much easier time doing so by alleging that the infringement is willful as a result of a lowered standard. This change would roll back progress made by the Supreme Court in \textit{Octane Fitness} and \textit{Highmark} with respect to § 285 exceptional case jurisprudence—an unthinkable scenario.


\textsuperscript{79} Given that an accused infringer must be found liable before invoking enhanced fees under § 284, and the fact that the majority of patent cases settle without a determination of liability (whether by trial or motion), it is unlikely that a change of § 284 standard will lead to a dramatic increase in awards under § 284. However, such a change will materially alter the dynamics of the settlement negotiations, since it increases patentees’ leverage. A lowered standard for § 284 encourages patentees to pursue enhanced damages more aggressively, or at least to threaten to do so. An alleged infringer would be forced to revise his settlement position in response, given that a more credible threat of § 284 would lead to an increase in both the potential damages award and the expected litigation cost in defending the case.
after the Court expressed its concerns in *Commil*.  

However, switching the standard of review from de novo to abuse of discretion brings another patent-specific rule back in line with mainstream civil law jurisprudence. Such a switch would resolve the inherent tension between the de novo review standard and the clear and convincing evidentiary standard, as Justice Breyer pointed out in *Microsoft Corp. v. i4i Limited Partnership*. Furthermore, an abuse of discretion standard does not directly contradict the Supreme Court’s concern over patent trolls, and leaves breathing room for Federal Circuit review.

**CONCLUSION**

The Supreme Court’s upcoming review of the willful infringement standard under 35 U.S.C. § 284 for enhanced damages carries particular significance. Considering its policy implications on the patent troll problem, the Court is unlikely to lower the current willfulness standard substantially. However, a change of its standard of review from de novo to abuse of discretion remains possible. Consequently, this decision is likely to end the parallel between § 284 willfulness and § 285 exceptional case analysis.

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80 *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (Kennedy, J., majority) (“The Court is well aware that an ‘industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.’” (quoting *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006))); *see also id.* at 1932 (Scalia, J., dissenting) (“[I]t is by no means clear that the Court’s holding, which increases the in terrorem power of patent trolls, is preferable.”).

81 *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2253 (2011) (Breyer, J., concurring) (noting that the clear and convincing evidentiary standard only applies to question of fact whereas de novo standard applies to question of law).

PRACTICE POINTERS

- Oral arguments were conducted on February 23, 2016, for the consolidated suit between *Halo Electronics, Inc.* v. *Pulse Electronics, Inc.* and *Stryker Corp.* v. *Zimmer, Inc.*. Notably, Justice Breyer and Justice Sotomayor seemed to recognize the necessity of maintaining the relatively high willfulness requirement currently in force, but also were receptive to minor adjustments to the substantive standard to give patentees “some leeway around the edges.”

- Pending the Supreme Court’s decision, the Federal Circuit will hold in abeyance any requests for en banc review regarding § 284 enhanced damages.

- Distinguish case law regarding 35 U.S.C. § 284 and 35 U.S.C. § 285 that has been overruled by *Octane Fitness* and *Highmark*, especially where cases in one area reference cases in the other as precedent or support.

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