

## Halo Gives Juries Bigger Role On Enhanced Patent Damages

By Ryan Davis

*Law360, New York (August 4, 2016, 4:55 PM ET)* -- The U.S. Supreme Court's Halo decision relaxing the standard for proving willful patent infringement will result in juries deciding that issue more often than they did previously, attorneys say, although judges will still decide whether to award enhanced damages and may wield that power vigorously.

The Supreme Court eliminated an aspect of the willfulness determination that had previously been reserved for judges, who had the power to grant summary judgment that no willful infringement occurred. That prevented questions of willfulness from ever getting to the jury in those cases, and so, under the high court's June ruling, juries will now have a bigger role to play.

"The only logical conclusion is that we will see more willfulness decisions being made by juries, as opposed to a judge granting summary judgment of no willful infringement," said Brian Ferguson, co-chair of the patent litigation practice at Weil Gotshal & Manges LLP.

It may be some time before it becomes clear how judges and juries are treating willfulness under the new standard, but the Supreme Court's decision to throw out the previous high bar leaves no doubt that proving willfulness will be "much easier than it was before," said Julianne Hartzell of Marshall Gerstein & Borun LLP.

Nevertheless, "I'm hopeful that judges will still serve a sort of a last-minute emergency brake kind of function," she said.

The previous willfulness standard, set in a 2007 decision known as *Seagate*, involved a two-part test patent owners had to meet to win enhanced damages.

They needed to show first that there was a high likelihood that the infringer's actions objectively constituted infringement, then that the infringer subjectively knew of that risk. The Federal Circuit held in 2012 that the objective prong must be decided by a judge, while the subjective prong was for the jury.

The Supreme Court held in *Halo* that the *Seagate* test was "unduly rigid" and particularly found fault with the objective prong, which it said shielded "many of the most culpable infringers" from punishment.

Discarding *Seagate*, the justices said district courts have broad discretion to decide when to award enhanced damages, which they said are warranted when the infringer engages in conduct that is

"willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or — indeed — characteristic of a pirate."

Although several amicus briefs asked the Supreme Court to address whether the question of willful infringement must go to a jury, the justices did not say anything about that issue. The Federal Circuit addressed it last month in a decision holding that an \$8.3 million willful infringement judgment against Kohler Co. passes muster under Halo.

"We do not interpret Halo as changing the established law that the factual components of the willfulness question should be resolved by the jury," the circuit court said, adding that the high court's decision not to address the issue "leaves in place our prior precedent that there is a right to a jury trial on the willfulness question."

"Of course, this is not to say that a jury verdict of willful infringement ought to result in enhanced damages," and the judge can decide if the infringer's conduct is sufficiently egregious, the Federal Circuit noted.

Under that framework, "it might be a situation where what you really have is an advisory jury verdict," with the judge making the final decision about whether enhanced damages are warranted, said Mark Lemley of Durie Tangri LLP.

There may even be an argument that the jury should not have any role in the willfulness analysis. The Supreme Court's decision is written in a way that seemed to contemplate the decision will be made by judges, not juries, said Lemley, a professor at Stanford Law School who looked at that issue in a recent paper.

However, following the Federal Circuit's ruling, it seems likely that juries from now on will make decisions on willfulness, while whether to enhance damages based on those findings will be up to judges.

What remains to be seen is how inclined judges will be to go against a jury's finding of willfulness and not award enhanced damages, which can triple the amount awarded by the jury.

In one case in July, a North Carolina federal judge held that a jury's finding of willful infringement is all that is needed, and that the judge has no role to play in making that determination under Halo. He has not yet ruled on whether enhanced damages are warranted.

As the Federal Circuit noted in its decision last month, even if a jury finds willful infringement, that doesn't mean the patent owner must be awarded enhanced damages. Whether or not to award enhanced damages is "committed to the sound discretion of the district court," the appeals court said.

But since the Halo decision has taken away their role on willfulness earlier in the case, many judges may closely scrutinize jury verdicts and decide that enhanced damages are not warranted, attorneys say.

"Post-Halo, juries will definitely be playing a more important role in determining willfulness, but I don't think judges are removed from the equation," said Rich Coller of Sterne Kessler Goldstein & Fox PLLC.

The Supreme Court said in Halo that enhanced damages should be awarded only in "egregious cases of culpable behavior." Judges are in a better position than juries to make that determination, since they

have “more of an understanding about what is normal and what is not,” Hartzell said.

Ferguson said that, in most cases, “if the judge believes there was egregious misconduct, they’re going to award enhanced damages. It might not be trebled, but it could be 50 percent, as an example.”

If the judge disagrees with the jury's finding, they would likely overrule it in a post-trial motion, rather than by declining to award enhanced damages, he said. A possible rare exception might be when the judge feels that the defendant engaged in egregious misconduct but feels the plaintiff engaged in misconduct as well and should not get enhanced damages.

Hartzell said she can see the logical appeal of saying that if the jury finds willfulness, the judge should be bound by that and award enhanced damages. However, she said that since judges have a better idea of whether conduct is egregious, they may often agree that willful infringement occurred but not enhance damages

"It's fair to say that judges will defer to juries a fair amount, but we may more often see judges putting in their own judgment," she said.

In addition to overhauling the enhanced damages analysis, the Halo decision also changed the appellate review standard for those decisions, making it more difficult for the Federal Circuit to overturn them. That could influence the thinking of judges considering whether to award enhanced damages, Collier said.

"Because of this, district court judges may now be less concerned about being overturned on appeal or about following a jury finding that they disagree with," he said. "That said, post-Halo, a jury's subjective willfulness findings will be given great weight by most judges."

One key question that remains unresolved after the Supreme Court's decision is what type of instructions judges should give jurors about when they should find willful infringement, and what constitutes the type of egregious misconduct Halo said warrants such a finding, Ferguson said.

The justices gave very little guidance on that point, and case law will develop as instructions given by judges are reviewed on appeal.

"That's something we need the Federal Circuit to provide guidance on, hopefully sooner rather than later," Ferguson said.

It may be a year or more before there is clarity about jury instructions and how judges will make decisions on enhanced damages. Until then, attorneys will keep close tabs on decisions involving willfulness, Collier said.

"It's still very early on and it probably too early to tell. It will be important to keep watching the cases," he said.

--Editing by Rebecca Flanagan and Brian Baresch.