Federal Circuit Passes Torch From Juries to Judges for Willful Infringement Determinations

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Just in time for the London 2012 Summer Olympics, the Federal Circuit, in *Bard Peripheral Vascular v. W.L. Gore & Assocs.,*[1] passes the torch from juries to judges on willful infringement determinations in patent litigation. With an *en banc* rehearing, the Federal Circuit authorizes judges to make the threshold objective determination on an infringers potentially reckless conduct required to establish willful infringement of patent claims.[2] Patent owners pursuing potentially multiplied damages and attorneys fees, the bronze, silver, and gold medals that come with a finding of willful infringement in patent litigation, should keep the new audience in mind when deciding whether to move forward with willful infringement arguments.

Prior Willful Infringement Doctrine – Torch in Jury's Hands Originally

The Federal Circuit last made significant alteration to its analysis of willful infringement about five years ago in its previous *In re Seagate Technology*[3] decision. *In re Seagate* first established the two-prong test for willful infringement that requires: (i) a patentee 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; and (ii) the patentee to demonstrate that this objectively defined risk was either known or so obvious that it should have been known to the accused infringer. The Federal Circuit's establishment of this framework shifted the test for the willful infringement determination from a negligence-resembling duty of due care standard[4] to a more onerous recklessness-based standard consistent with Supreme Court precedent in similar areas of the law.[5] Notably, although the patentee must make this prong-one showing under a clear-and-convincing-evidence standard, the highest evidentiary standard in civil litigation, the determination of whether the evidence met the standard remains with the jury.

Torch Passes to Judges

The Federal Circuit adopts a similar two-prong test in the recent *Bard* decision by retaining the *Seagate* test but shifts the decision-maker from the jury to the judge.[6] Much as track athletes continually raise the hurdles in their competitions, by passing the prong-one willfulness determination torch from juries to

judges, the Federal Circuit has raised the bar for proving willful infringement. The Federal Circuit specifically makes this shift based on a recognition of what it calls "the complexity of the determination" of the objective recklessness standard required under prong-one of the test. Commenting on what is involved in this determination, the court states, "that [the] determination entails an objective assessment of potential [patent infringement] defenses based on the risk presented by the patent." In considering the reasonableness of patent infringement defenses, a court may consider evidence such as patent invalidity opinions prepared by the infringer, opinions asserting non-infringement of patent claims, or other due diligence type actions taken by the infringer.[7] The court leaves room for a judge to let a jury determine underlying facts but states that, "the judge remains the final arbiter of whether the defense was reasonable." By placing the decision in the judge's hands, it may be much more difficult for patentees to establish willful infringement in future patent litigation.

Litigants May Still Try for the Bronze, Silver, and Gold

The stakes are high for willful infringement. If a judge makes a finding of willful infringement, the judge is permitted to award enhanced damages, "up to three times the amount found or assessed."[8] The jury in the *Bard* district court case awarded royalty damages in the amount of $185 million, and found willful infringement. Subsequently, the district court judge awarded enhanced damages, doubling the award to $371 million based on the willful infringement finding.[9] With the Federal Circuit's latest changes to the doctrine, the finding of willful infringement in *Bard* has been vacated and remanded back to the district court for further proceedings. When the district court judge makes a decision on the merits as to willful infringement, the decision may come back to the Federal Circuit on appeal yet again where it would be subject to a non-deferential *de novo* review.[10]

Fewer Medals Awarded in Future

Only time will tell if findings of willful infringement will decline under the new standard. Nevertheless, patent litigants must recognize this precedential change and its associated higher hurdle. From now on, judges will carry the torch on the issue of willful infringement, likely issuing fewer willful infringement findings, and patentees must take a hard look at their evidence before seeking future medals in the form of enhanced damages.

As always, should questions about the legal issues discussed in this article arise, please contact your Bracewell & Giuliani LLP technology attorneys.

[1]*Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, No. 2010-1510 (Fed. Cir. June 14, 2012) (original opinion issued February 10, 2012 followed by en banc order issued authorizing opinion modification on the issue of willful infringement).

[2]Order On Petition for Panel Rehearing and Rehearing *En Banc*, No. 2010-1510 (Fed. Cir. June 14, 2012).

[3]*In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*).

[4]*See Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) (original application of negligence resembling duty of due care analysis to willful infringement).

[5]*See In re Seagate* at 1370-71 (citing *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47 (2007) (finding that for punitive liability to attach in the context of the Fair Credit Reporting Act, reckless conduct was necessary to satisfy the "willful" requirement)).

[6]*Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, No. 2010-1510 (Fed. Cir. June 14, 2012).

[7]*Bard*, slip op. at 6.

[8]35 U.S.C. § 284 (2000).

[9]*Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, No. 03-CV-0597 (D. Ariz. Aug. 24, 2010).

[10]*Bard*, slip op. at 4.