

HALO ELECTRONICS, INC. v. PULSE ELECTRONICS, INC., Appeal Nos. 2013-1472, 2013-1656. (Fed. Cir. August 5, 2016). Before Lourie, O'Malley and Hughes. Appealed from D. Nev. (Judge Pro).

Background:

The Federal Circuit previously affirmed summary judgment of no direct infringement of Halo patents by Pulse products manufactured and delivered outside the United States, and affirmed the judgments of infringement but no willful infringement of the Halo patents by products delivered in the United States manufactured abroad using Pulse components, applying the then-controlling *Seagate* standard for enhanced damages.

On appeal, the Supreme Court held that Section 284 of the Patent Act "gives district courts the discretion to award enhanced damages...in egregious cases of misconduct beyond typical infringement." The Court rejected the *Seagate* test as "unduly rigid" and "impermissibly encumber[ing] the statutory grant of discretion to the district courts." Because the Federal Circuit decided the enhanced damages issue under the *Seagate* framework, the Court vacated the Federal Circuit decision and remanded for further proceedings.

Issue/Holding:

The district court's decision of no willful infringement is vacated and remanded.

Discussion:

The Supreme Court rejected *Seagate*'s requirement of "a finding of objective recklessness in every case before district courts may award enhanced damages." The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages. Moreover, the Court held that Section 284 allows district courts to exercise their discretion in deciding whether to award enhanced damages, which "are generally reserved for egregious cases of culpable behavior" beyond "typical infringement."

The Federal Circuit reaffirmed and restated all of its previous holdings except on enhanced damages. With respect to products that were delivered in the United States manufactured abroad using Pulse components, the district court's determination of no willful infringement is vacated and remanded for the district court to exercise its discretion on whether enhanced damages are warranted. The jury awarded Halo \$1.5 million in reasonable royalty damages with respect to products that were delivered in the United States. The jury also found that it was highly probable that Pulse's infringement was willful. The jury's unchallenged finding of willfulness is one factor to be taken into consideration. In assessing the culpability of Pulse's conduct, the district court should also consider what Pulse knew or had reason to know at the time of the infringement of the Halo patents.