Is The Seagate Test For Willful Infringement Here To Stay?

Law360, New York (April 07, 2015, 10:23 AM ET) -- In In re Seagate Technology LLC, the Federal Circuit raised the bar for patentees seeking to establish willful patent infringement under 35 U.S.C. § 284 by imposing a two-step test requiring satisfaction of both an objective and a subjective prong.[1] Recent unanimous decisions by the U.S. Supreme Court in Octane Fitness LLC v. Icon Health & Fitness Inc. and Highmark Inc. v. Allcare Health Management System Inc., which rejected the existing Federal Circuit standard for awarding attorneys' fees — a comparable two-part test — in favor of a “totality of the circumstances” analysis, have called into question the continued viability of the Seagate test.[2]

Although Octane Fitness and Highmark dealt with the fee-shifting provision of the Patent Act — 35 U.S.C. § 285 — rather than willfulness under § 284, both sections use similar language to authorize enhanced damages under certain circumstances in infringement cases, leading to suggestions that Seagate’s elaborate test might be the next Federal Circuit doctrine to be upended. Almost a year after Octane Fitness and Highmark, however, Seagate’s fate is still unclear.

The first indications that the reasoning in Octane Fitness and Highmark could effect a change in the willfulness analysis under § 284 came in Federal Circuit panel concurrences by Circuit Judge Kathleen O’Malley and Circuit Judge Todd Hughes in two separate cases. The first, a joint concurrence authored by Judge O’Malley in Halo Electronics Inc. v. Pulse Electronics Inc., called for the en banc Federal Circuit to reconsider its Seagate willfulness standard in a case where a unanimous panel upheld a post-trial dismissal of plaintiff’s willfulness claim. In particular, Judge O’Malley pointed to the two-prong approach of Seagate, the de novo standard of review, and the burden of proof on the party asserting willfulness as conflicting with Octane Fitness and Highmark.[3]

Subsequently, Judge Hughes wrote a concurrence in Bard Peripheral Vascular Inc. v. W.L Gore and Associates Inc., reiterating the view expressed in the Halo Electronics concurrence that “the full court should review our willfulness jurisprudence in light of the Supreme Court’s recent decisions [in Highmark and Octane Fitness],” notwithstanding the panel majority having upheld the district court’s finding in favor of willful infringement.[4]

The issue has now been brought to the forefront in the Federal Circuit’s March 23, 2015, denial of the petition for en banc rehearing in Halo Electronics.[5] That decision elicited a dissent by Judge O’Malley (joined by Judge Hughes), as well as a concurrence by Circuit
Judge Richard Taranto (joined by Circuit Judge Jimmie Reyna). While the majority decision leaves Seagate intact, the dissenting and concurring opinions suggest that a re-evaluation of the willfulness test remains a realistic possibility.

In her dissent from denial of the en banc petition, Judge O'Malley elaborated on the discussion in her Halo Electronics panel concurrence regarding the application of Octane Fitness and Highmark to the doctrine of willful infringement. Arguing that the full Federal Circuit should assess whether a more flexible totality of the circumstances test is appropriate for an award of enhanced damages in light of those opinions, Judge O'Malley relied heavily on the court’s historically analogous interpretation of §§ 284 and 285.[6]

The dissent specifically pointed out that the now-overturned analysis of fee-shifting under § 285 and Seagate’s analysis of willfulness under § 284 both rely on an interpretation of Professional Real Estate Investors Inc. v. Columbia Pictures Industries Inc. ("PRE") that was rejected by the Supreme Court in Octane Fitness.[7] Judge O'Malley suggested that the Federal Circuit “should reconsider whether those same interpretative errors have led us astray in our application of the authority granted to district courts under § 284,” arguing that just as the two-part test for sham litigation in PRE — which requires first determining if a lawsuit was objectively baseless and, if so, only then examining the litigant’s subjective motivation — is now understood to have no basis in the text of § 285, the current Seagate test may not comport with the similar text of § 284.[8]

The dissent also questioned whether the standard of proof (clear and convincing evidence), or the standard of review (de novo) employed by post-Seagate willfulness cases were appropriate in light of the Supreme Court decisions and the text of the statute.[9] Judge O’Malley reasoned that just as the Supreme Court rejected the heightened clear and convincing standard of proof because § 285 has no statutory language justifying a departure from the normal preponderance of the evidence standard, so should the Federal Circuit reconsider a higher burden for willfulness “that is at odds with the ordinary standard in civil cases … where nothing in the statutory text even hints that we [should apply the higher standard].”[10]

Regarding the appropriate standard of review, Judge O’Malley employed the Supreme Court’s reasoning in Highmark that since whether a case was “exceptional” under § 285 is a matter of discretion for district court judge, it should only be reviewed for abuse of discretion. Arguing that both §§ 284 and 285 authorized “the court” to decide the appropriate remedy, the dissent concludes that the Federal Circuit should grant more deference in both instances.[11]

Although only Judge Hughes joined Judge O’Malley’s dissent, the curious concurrence to the denial of Halo’s en banc petition by Judge Taranto, which was joined by Judge Reyna, signals potential additional support for reevaluating Seagate in light of Octane Fitness and Highmark. Judge Taranto justified his vote to deny en banc review on the narrowness of the petition for rehearing itself, which sought only to determine “whether the objective reasonableness of Pulse’s invalidity position must be judged only on the basis of Pulse’s beliefs before the infringement took place,” a question he concluded was not of sufficient general importance to warrant granting en banc rehearing.[12]

Judge Taranto then identified at least five separate questions related to § 284 that may warrant being addressed by the Federal Circuit, many of which overlap with issues presented by Judge O’Malley. These questions include (1) whether a finding of willful infringement should even be required for increased damages under the “may” language of § 284; (2) whether the two-part Seagate test is the proper standard for finding willfulness; (3) if a judge or a jury should decide willfulness; (4) by what standard of proof (clear and convincing evidence or a preponderance of the evidence) should willfulness by governed; and (5) whether de novo review, abuse of discretion, or some combination should govern appellate review under § 284.[13] Ultimately, Judge Taranto left the door open for a future
evaluation of Seagate, noting “whether such questions warrant en banc review will have to be determined in other cases.”[14]

What happens next may depend on the course that Halo pursues in its own case. It may either abandon its attempt to obtain a finding of willful infringement against Pulse, or it may seek a writ of certiorari from the Supreme Court. Of course, certiorari is granted in an exceedingly small number of cases. Given the unanimous decisions in Octane Fitness and Highmark, however, and the similarity between §§ 284 and 285, Halo faces shorter odds than most.

Absent Supreme Court review of Halo Electronics, it will take a case with very particularized facts for the Federal Circuit to consider easing Seagate’s willful infringement standard.[15] Since the well-settled nature of the law in this area means that a Federal Circuit decision abandoning Seagate would almost certainly have to come from that court sitting en banc — a step it is rarely willing to take — the “right” case would seemingly need to have material disputes over at least a plurality of the factors discussed by Judge Taranto in order to bring more of the court into line with the views expressed by Judges O’Malley and Hughes.[16]

In addition, en banc review would almost certainly be denied unless changing the legal standard for establishing willful infringement would clearly affect the outcome of the case. For example, in Halo Electronics, Judge Taranto noted that adoption of a more deferential standard of review could not help Halo because the district court had already rejected willfulness.[17] In another case, Stryker Corporation v. Zimmer Inc., a Federal Circuit panel issued a revised opinion on the same day as the en banc decision denying Halo’s bid for rehearing, with the sole revision being an additional footnote indicating that although Octane Fitness or Highmark may have altered the standard of review for the objective prong of willfulness, the district court failed to undertake any objective assessment and thus erred under any standard of review.[18]

Thus the ideal case for re-evaluating Seagate will also likely need to feature record evidence of deliberate infringement, but where the district court nonetheless dismissed the willfulness claim as a matter of law — either because the objective prong of Seagate was not met, or the evidence failed to rise to the level of “clear and convincing.”

Although there are indications that the Federal Circuit may be gearing up to rethink its willful infringement test under Seagate, and possibly revamp entirely the law regarding enhanced damages under § 284, finding the right case may pose a significant obstacle to any change. Seagate has already survived one serious challenge, and may prove to be with us for the foreseeable future.

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[1] 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc). The objective threshold inquiry requires the patentee to show that the “infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” The second, subjective prong is whether the risk of infringement was, or should have been known, to the accused infringer.


[9] Id. at 5-6.

[10] Id. at 6.


[13] Id. at 2-4.

[14] Id. at 1.

[15] The Federal Circuit has yet to rule on defendant W.L. Gore’s en banc petition in Bard, which was filed on February 2, 2015. But despite Judge Hughes’s concurrence calling for en banc review of the willfulness standard, that case it appears poorly suited to act as a platform for changing the willfulness doctrine. Both the district court and the Federal Circuit panel upheld plaintiff/patentee Bard’s willfulness claim, finding defendant Gore’s conduct to meet both the objective and subjective tests. Since the bar to establish willfulness under a totality of the circumstances test would be lower than the current Seagate standard, en banc review of Bard could not both reverse the panel decision on the merits and announce a new, more liberal standard for proving willfulness.

[16] One study surveying over 15,000 Federal Circuit cases from 1999-2007 found that en banc review was granted only .18% of the time. Christopher A. Cotropia, Determining Uniformity within the Federal Circuit by Measuring Dissent and En Banc Review, 43 Loy. L.A. L. Rev. 801 (2010).
