



Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016)

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HALO ELECS., INC. v. PULSE ELECS., INC., 136 S. Ct. 1923 (2016).

I. INTRODUCTION

In *Halo Elecs., Inc. v. Pulse Eng'g, Inc.*, Petitioner, Halo Electronics, Inc. (“Halo”), filed suit against Respondents, Pulse Electronics, Inc. and Pulse Electronics Corporation (“Pulse”), for patent infringement.¹ Halo alleged that Pulse infringed upon Halo’s patents, U.S. Patent No. 5,656,985 (the ’985 patent), U.S. Patent No. 6,297,720 (the ’720 patent), and U.S. Patent No. 6,344,785 (the ’785 patent), for electronic packages containing surface-mountable transformers for circuit boards.² Pulse counterclaimed, alleging that Halo infringed its patents, U.S. Patent No. 6,769,936 (the ’936 patent) and U.S. Patent No. 6,116,963 (the ’963 patent). Pulse also alleged that Halo’s patents were invalid on the grounds of obviousness.³ The United States District Court for the District of Nevada held that the Halo’s patents were not invalid because they were not obvious and that there was no willful infringement of Halo’s patents by Pulse.⁴

Both parties appealed the district court’s decision and the Federal Circuit, in *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, applied the two-part test of *In re Seagate Technology, LLC* to determine

¹ *Halo Elecs., Inc. v. Pulse Eng'g, Inc.*, 810 F. Supp. 2d 1173, 1182 (D. Nev. 2011).

² *Id.*

³ *Id.* A patent is invalid on grounds of obviousness if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. 35 U.S.C. § 103 (2011). Thus, when a patent simply arranges old elements with each performing the same function it had been known to perform and yields no more than one would expect from such an arrangement, the combination is obvious. *KSR Int'l. Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007).

⁴ *Halo* 810 F. Supp. 2d at 1200, 1209.

enhanced damages.⁵ The Federal Circuit affirmed the district court's decision by holding that there was no willful infringement of Halo's patents by Pulse. The Federal Circuit also denied the grant of enhanced damages to Halo because Halo failed to show objective recklessness on the part of Pulse to satisfy the first prong of the *Seagate* test.⁶

Both parties filed writs of *certiorari* and the United States Supreme Court granted *certiorari* in *Halo Elecs., Inc. v. Pulse Elecs., Inc.*⁷ Ultimately, the Supreme Court vacated the Federal Circuit's decision and remanded the case back to the Federal Circuit.⁸ The Supreme Court held that the standard of proof endorsed in the *Seagate* two-part test was inconsistent with the standard of proof for awarding enhanced damages under § 284 of the Patent Act.⁹ The Supreme Court rejected the *Seagate* test by

⁵ *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1382 (Fed. Cir. 2014) (citing *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007)). The United States Court of Appeals for the Federal Circuit adopted a two-part test for determining when a district court may award enhanced damages for willful patent infringement. To prevail on a claim of willful patent infringement under *Seagate*, the patent owner must demonstrate by clear and convincing evidence that:

- (1) the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent (the objective recklessness component); and
- (2) the risk of infringement was either known or so obvious that it should have been known to the accused infringer (the subjective intent component).

⁶ *Id.* at 1376-77.

⁷ *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1931 (2016).

⁸ *Id.* at 1935-36.

⁹ *Id.* at 1933-34. The relevant text of § 284 provides that the court may increase the damages up to three times the amount found or assessed. 35 U.S.C. § 284 (2011). The statutory language contains no explicit limit or condition, and the Court has emphasized that the "word 'may' clearly connotes discretion (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 136 (2005)). At the same time, discretion is not whim and a motion to a court's discretion is a motion, not to its inclination, but to its judgment; and its judgment is to be guided by sound legal principles (quoting *Martin*, 546 U.S. at 139). Thus, although there is no precise rule or formula for awarding damages under §284, a district court's discretion

holding that the amount of damages awarded, sometimes treble damages in cases of willful infringement, are within the district court's discretion and does not require both prongs of the *Seagate* test to be satisfied.¹⁰

The Supreme Court's decision in this case is noteworthy as it reduces the high burden on a patent holder to demonstrate willful infringement. Furthermore, this decision means that lower courts have unfettered discretion when deciding the amount of treble damages to award in patent infringement suits, thereby lifting the artificial construct of the *Seagate* test and instead allowing the determination to be based on judicial discretion as permitted under § 284 of the Patent Act.¹¹

II. BACKGROUND

A. Factual History

Halo Electronics, Inc. is a supplier of electronic components and owns the '985, '720 and '785 patents, which pertain to the design of electronic packages that are mountable on the surfaces of circuit boards found inside electronic devices like computers and internet routers.¹² Pulse Electronics, Inc., a competing electronic component manufacturer, designs and sells surface mount electronic packages that are manufactured in Asia.¹³ Some of Pulse's products were delivered to customers in the United States whereas other products were delivered to contract manufacturers of global companies for world-wide distribution.¹⁴ For products that were delivered abroad, Pulse received its sales

should be exercised in light of the considerations underlying the grant of that discretion (citing *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014)).

¹⁰ *Id.* at 1935.

¹¹ *Id.*

¹² *Halo*, 769 F.3d at 1374.

¹³ *Id.* at 1375.

¹⁴ *Id.*

offers at its foreign offices.¹⁵ However, on the pricing negotiation front, Pulse engaged in negotiations with global companies, such as Cisco within the United States. In these negotiations, Pulse approved the pricing structure for global sales, participated in design meetings with Cisco engineers, sent product-samples to Cisco for pre-approval, attended sales meetings with potential customers, and provided post-sale product-support.¹⁶

Since 1998, Pulse allegedly knew about Halo's patents.¹⁷ In 2002, Halo sent two letters to Pulse which offered licenses to its patents without accusing Pulse of infringement.¹⁸ Pulse's President contacted an in-house engineer, who reviewed Halo's patents and concluded that they were invalid in light of Pulse's prior products.¹⁹ Pulse did not further consult independent legal counsel to determine the validity of Halo's patents and continued to sell Pulse's surface mount electronic package products.²⁰

B. Procedural History

In 2007, Halo filed a lawsuit against Pulse for infringement of its three patents, the '985, '720, and '785 patents.²¹ Pulse counterclaimed, alleging that Halo's patents were invalid based on the grounds of obviousness and that Halo infringed Pulse's '963 patent.²² The jury held that

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 1376.

¹⁸ *Halo*, 769 F.3d at 1376.

¹⁹ *Id.* The products in question here are Pulse's surface mount electronic packages containing single, multiple and microelectronic connector assemblies which may include electronic components (citing *Halo Elecs., Inc. v. Pulse Eng'g, Inc.*, 721 F. Supp. 2d 989, 993 (D. Nev. 2010)).

²⁰ *Id.*

²¹ *Id.*

²² *Id.* Pulse's '963 patent outlines the construction of a microelectronic connector that incorporates a simplified design and permits rapid assembly of electronic components (citing *Halo Elecs.*, 721 F. Supp. 2d at 993).

that: (1) Pulse directly infringed Halo's patents with products that it shipped into the United States; (2) Pulse induced others to infringe Halo's patents with products that it delivered outside the United States but ultimately imported into the United States in finished end products; (3) a high probability exists that Pulse's infringement was willful; and (4) Halo's patents were not invalid on obviousness grounds.²³

The United States District Court for the District of Nevada denied Halo enhanced damages under § 284 of the Patent Act.²⁴ The district court reasoned that Pulse's defense was not "objectively baseless."²⁵ For instance in its defense, Pulse argued that Halo failed to sufficiently allege that Pulse committed patent infringement in its 2002 letters to Pulse.²⁶ Furthermore, the district court found that Pulse's argument that Halo's prior art disclosed each element of the asserted claims, which could then be combined and modified to make Pulse's electronic packages, had merit.²⁷ Lastly, applying the two-part test for determining enhanced damages from *Seagate*, the district court also held that Halo failed to satisfy the first prong of objective recklessness and found Halo's willful infringement claims unpersuasive.²⁸ The Federal Circuit affirmed the district court's decision.²⁹

The Supreme Court granted *certiorari*, vacated the Federal Circuit judgment, and remanded the case.³⁰ The Court reasoned that the standard of proving objective recklessness under the *Seagate* test is clear and convincing evidence, which is inconsistent with the standard of proof governing patent infringement litigation under § 284 of the Patent Act, which

²³ *Id.*

²⁴ *Halo*, 769 F.3d at 1376.

²⁵ *Id.*

²⁶ *Id.* at 1382.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.* at 1383.

³⁰ *Halo*, 136 S. Ct. at 1935-36.

requires the less stringent standard of preponderance of evidence.³¹ The Supreme Court also rejected *Seagate's* two-pronged test for willful infringement in patent cases stating that subjective willfulness is enough to warrant enhanced damages.³² According to the Supreme Court, such enhanced damages can be awarded solely based on judicial discretion.³³

III. DISCUSSION

In determining the standard of proof for enhanced damages in patent infringement cases, the Supreme Court looked at the statutory text of § 284 of the Patent Act.³⁴ Section 284 of the Patent Act provides that “the court may increase the damages up to three times the amount found or assessed.”³⁵ The term “may” clearly connotes judicial discretion.³⁶ Although the statute does not specify any limits upon the court’s discretion, the court’s discretion in awarding enhanced damages must be guided by sound legal principles.³⁷ Enhanced damages awarded over the past 180 years have established that such awards are not disbursed in lay infringement cases, but instead are reserved for egregious infringement behavior.³⁸ Such behavior can include willful, wanton, malicious, bad-faith conduct on the part of infringers.³⁹

The Supreme Court also rejected the *Seagate* two-prong test.⁴⁰ The Supreme Court reasoned that although the test required egregious conduct to award enhanced damages, its two-pronged analysis was unduly rigid and unacceptably obstructed the

³¹ *Id.* at 1934.

³² *Id.* at 1933.

³³ *Id.* at 1935.

³⁴ *Id.* at 1931.

³⁵ *Id.*

³⁶ *Halo*, 136 S. Ct. at 1931 (quoting *Martin*, 546 U.S. at 136).

³⁷ *Id.* at 1932.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

discretion of district courts.⁴¹ The Supreme Court noted that the *Seagate* test would be unduly burdensome as it could have the effect of insulating some of the worst patent infringers from any liability for enhanced damages.⁴² According to the Supreme Court, patent infringers are insulated from liability under *Seagate* in that: (A) the test requires a showing of objective recklessness on the part of the infringer rather considering the subjective willfulness to infringe; and (B) *Seagate* applies the incorrect burden of proof standard.⁴³

*A. Objective Recklessness Prong of the Seagate Test is Not
Required to Award Enhanced Damages in Patent
Litigation*

The Supreme Court's primary issue with the *Seagate* test is that it requires a principal finding of objective recklessness before enhanced damages can be awarded in patent infringement cases.⁴⁴ This standard allows the most culpable, wanton and malicious offenders, who intentionally infringe another's patent, to be protected from liability.⁴⁵

The Supreme Court relied on its prior decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, a patent infringement suit involving an elliptical exercise machine.⁴⁶ There, while determining the award of attorney's fees under § 285 of the Patent Act to the prevailing party, the Supreme Court found the machine manufacturer's subjective bad faith to be dispositive, in lieu of the asserted claim being both objectively baseless and being brought in subjective bad faith.⁴⁷ The Supreme Court

⁴¹ *Id.*

⁴² *Halo*, 136 S. Ct. at 1932.

⁴³ *Id.* at 1932-34.

⁴⁴ *Id.* at 1932.

⁴⁵ *Id.*

⁴⁶ *Id.* (citing *Octane Fitness*, 134 S. Ct. at 1754-55).

⁴⁷ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1751, 1756 (2014).

reasoned that a two-part objective and subjective test imposes an inflexible framework onto statutory text that is inherently flexible.⁴⁸

Applying its reasoning in *Octane Fitness*, the Supreme Court in *Halo Elecs.*, held that subjective willfulness on the part of a patent infringer is enough to warrant enhanced damages, without any regard to whether the infringement was objectively reckless.⁴⁹ The Supreme Court noted that the *Seagate* test imposes an artificial construct of objective recklessness which thereby shields the bad faith infringer from liability.⁵⁰ The willful infringer can escape liability under § 284 of the Patent Act simply based on the patentee's failure to demonstrate objective recklessness.⁵¹ Thus, the infringer prevails in cases where the infringer was not aware of the defense at the time of the infringing act.⁵² The Supreme Court emphasized that nothing in § 284 of the Patent Act requires a finding of egregious misconduct to be made prior to the award of enhanced damages.⁵³ Courts should consider the particular circumstances surrounding the infringing conduct on a case-by-case basis in determining the amount and award of damages.⁵⁴ The Supreme Court, in rejecting the rigid *Seagate* framework, reasoned that enhanced damages awards in patent infringement cases should be a discretionary decision for the district courts, that should be reserved for instances of egregious, willful misconduct.⁵⁵

Under Federal Circuit precedent, an award of enhanced damages under *Seagate* is subject to tripartite appellate review: the first step of objective recklessness is reviewed *de novo*; the second step of subjective knowledge is reviewed for substantial evidence;

⁴⁸ *Id.*

⁴⁹ *Halo*, 136 S. Ct. at 1933.

⁵⁰ *Id.* at 1935.

⁵¹ *Id.* at 1933.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Halo*, 136 S. Ct. at 1935.

and the final decision of awarding enhanced damages is reviewed for abuse of discretion.⁵⁶ In *Halo Elecs.*, the Supreme Court avoids using a rigid formula to calculate enhanced damages under § 284 of the Patent Act, and also rejects the tripartite framework for appellate review as advocated by the Federal Circuit.⁵⁷ Citing the Court's prior decision in *Octane Fitness*, the Court in *Halo Elecs* noted that § 284 of the Patent Act gives complete discretion to district courts in meting out enhanced damages in patent infringement cases, which are only reviewable on appeal for abuse of discretion.⁵⁸ The Supreme Court responded to concerns regarding the district courts ready, unwavering grant of damages to patentees and the distortion of balance between the protection of patent rights on one hand and the attention to technological innovation on the other.⁵⁹ In order to offset the above-mentioned concerns the Supreme Court reasoned that district court decisions should be informed by the considerations identified by this Court in *Octane Fitness*, which involves a non-exclusive list of factors, including frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.⁶⁰

⁵⁶ *Id.* at 1930. See *Bard Peripheral Vascular, Inc. v. W. L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1005, 1008 (Fed. Cir. 2012) (noting that the threshold objective prong of the willfulness standard enunciated in *Seagate* is a question of law based on underlying mixed questions of law and fact and is subject to *de novo* review, and the subjective willfulness findings can be reviewed for substantial evidence); *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1347 (Fed. Cir. 2011) (holding that the district court's decision on enhancement of damages is reviewed for abuse of discretion, that is, whether the decision was based on clearly erroneous findings of fact, an incorrect conclusion of law, or a clear error of judgment).

⁵⁷ *Id.* at 1934.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* See *Octane Fitness*, 134 S. Ct. at 1756 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)).

The Supreme Court noted that the language used by Congress to reenact § 284 of the Patent Act unambiguously conferred discretion to the district courts.⁶¹ Respondents pointed to isolated snippets of legislative history referring to an endorsement of the *Seagate* framework by Congress, but the Supreme Court rejected their arguments by pointing to Congress's failure to adopt a proposed codification similar to *Seagate*.⁶² The Supreme Court acknowledged that patent law reflects a careful balance between the need to facilitate innovation through patent protection, and the need to implement refinement of innovation through imitation which in turn, is highly necessary to invention itself and is indispensable to maintain a competitive economy.⁶³ That balance can be disrupted if enhanced damages are awarded for infringement in ordinary cases.⁶⁴ However, § 284 of the Patent Act confirms judicial discretion in awarding damages for patent infringement.⁶⁵ Lifting the unduly confining barrier imposed on the decision-making of the courts by *Seagate*, the Supreme Court advocated in favor of discretionary judgments for damages awards by district courts in patent infringement cases.⁶⁶ In applying this discretion, district courts are to be guided by sound legal principles developed over 200 years of application and interpretation of the Patent Act, which will direct the judgments to limit the award of enhanced damages in patent infringement cases only in egregious instances of misconduct that fall way beyond the purview of lay infringement.⁶⁷

⁶¹ *Halo*, 136 S. Ct. at 1934-35.

⁶² *Id.* See Patent Reform Act of 2009, H.R. 1260, 111th Cong., 1st Sess., § 5(e) (as introduced Mar. 3, 2009).

⁶³ *Id.* at 1935. (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989)).

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Halo*, 136 S. Ct. at 1935.

B. *Incorrect Burden of Proof Standard Applied in Seagate*

The Supreme Court looked to the statutory text of § 284 of the Patent Act to reinforce the inconsistency between *Seagate* and the statute.⁶⁸ The *Seagate* test requires a clear and convincing standard of proof in order to prove objective recklessness and this stringent standard was rejected by the Court in *Octane Fitness*, while determining attorney's fees awards in patent infringement cases.⁶⁹ Similar to § 285 of the Patent Act, which was at issue in *Octane Fitness*, § 284 of the Patent Act, which is at issue in *Halo Elecs.*, imposes no specific evidentiary burden on the patentee, much less such a high standard in order to determine infringement.⁷⁰ The Supreme Court emphasized that of importance here, is the enactment of a higher standard of proof erected by Congress elsewhere in the Patent Act, in § 273(b), which shifts the burden of proof to the person asserting the defense by a clear and convincing standard.⁷¹ According to the Supreme Court, nothing in the statutory text of § 284 imposes a heightened standard of proof on the patentee's part and patent infringement litigation has typically been governed by a preponderance of evidence standard, a less stringent burden on the plaintiff, which should be upheld in cases of enhanced damages awards.⁷²

IV. FUTURE IMPLICATIONS

The Supreme Court's analysis in *Halo Elecs.* to lower the evidentiary burden on the plaintiff in patent infringement cases

⁶⁸ *Id.*

⁶⁹ *Octane Fitness*, 134 S. Ct. at 1758.

⁷⁰ *Halo*, 136 S. Ct. at 1935. *See* 35 U.S.C. § 285 (1952) (noting that the court in exceptional cases may award reasonable attorney fees to the prevailing party but there is no mention of a specific burden of proof on the patentee's part in order to demonstrate infringement).

⁷¹ *Id.* (quoting 35 U.S.C. § 273(b) (2011)).

⁷² *Id.* (citing *Octane Fitness*, 134 S. Ct. at 1758).

ultimately comes down to a matter of policy.⁷³ Respondents are concerned that allowing district courts such unfettered discretion in awarding treble damages in infringement cases will stifle innovation as companies will try to avoid any plausible interference with someone else's patent rights.⁷⁴ There is also widespread concern that easy availability of such damages will encourage patent trolls to terrorize weaker parties into settlement negotiations.⁷⁵

Halo Elecs. has also left open the question of what constitutes "willful infringement" and the importance of letters from counsel with regard to the determination of "willfulness".⁷⁶ Willfulness may not be inferred from the mere fact that the alleged infringer knew about the patent and nothing more.⁷⁷ Willfulness should be assessed in the context in which it appears, and the majority in *Halo Elecs.* has determined that intentional and knowing infringement "may" warrant a punitive sanction, indicating that enhanced damages might not be available in all instances of egregious conduct.⁷⁸

In the highly competitive economy, firms can use patents to force companies into structuring licensing arrangements, and parties afraid of enhanced damages may be encouraged to settle or abandon any challenging activity, in turn impairing innovation.⁷⁹ This approach, might in turn, pose a risk that a patent's scope can be impermissibly expanded to curtail lawful activity and patentees

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.* (noting trolls to be entities that hold patents for the primary purpose of enforcing them against alleged infringers, often collecting enormous licensing fees by threatening litigation).

⁷⁶ Gauri Prakash-Canjels, Matthew Harrison, Alex Mann, Brewer Attorneys and Counselors, *Thoughts on Patent Damages Landscape Post-Halo*, LAW 360, Aug. 8, 2016, <https://www.law360.com/articles/825161/thoughts-on-patent-damages-landscape-post-halo>.

⁷⁷ *Halo*, 136 S. Ct. at 1936 (Breyer, J., concurring).

⁷⁸ *Id.* at 1933, 1936 (Breyer, J., concurring).

⁷⁹ *Halo*, 136 S. Ct. at 1936 (Breyer, J., concurring).

in going after potential infringers for enhanced damages will frustrate the objectives of Article I of the Constitution.⁸⁰ Thus, in the context of enhanced damages, there are risks on both sides of the equation.⁸¹ This elucidates the importance of the cautious application of the enhanced damages awards, only in cases of egregious misconduct.⁸²

Enhanced damages in patent infringement cases post *Halo Elecs.* have been awarded where defendants were aware of the infringement and tried to conceal the infringement, or were aware of prior patents and made no efforts to investigate available defenses.⁸³ In *Halo Elecs.*, the Supreme Court appropriately made it much easier for patentees to recover against bad faith defendants by lifting the statutory construct on the burden of proof for patentee-plaintiffs.⁸⁴ One consequence of the decision in *Halo Elecs.* is the inflection in the paradigm of patent litigation, owing to the removal of the objective component and focus being drawn on the subjective willfulness aspect and dismissal of certain

⁸⁰ *Id.* at 1937. See U.S. CONST. art. I, § 8, cl. 8 (noting that the progress of science and useful arts can be promoted by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries). See Brief of Public Knowledge as Amici Curiae, *supra*, at 77 (noting predatory patent practices undermined a new and highly praised virtual-reality glasses shopping system); Brief of Amici Curiae Internet Companies, *supra*, at 77 (recognizing threat of enhanced damages hindered collaborative efforts to set industry-wide standards for matters such as internet protocols).

⁸¹ *Id.* at 1938 (Breyer, J., concurring).

⁸² *Id.*

⁸³ See *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, 193 F. Supp. 3d 133, 148 (N.D.N.Y. 2016) (noting willful infringement where a defendant reused features previously known to be infringing, concealed its infringement, and continued to infringe plaintiff's patents even after being sued); *Georgetown Rail Equip. Co. v. Holland LP*, 2016 U.S. Dist. LEXIS 78365 *79-80 (E.D. Tex. June 16, 2016) (enhancing damages awards where there was circumstantial evidence of copying on part of the defendant, defendant was aware of plaintiff's patents, the defendant made no efforts to investigate defenses).

⁸⁴ *Halo*, 136 S. Ct. at 1935.

defenses typically employed to avoid infringement penalties.⁸⁵ In the wake of *Halo Elecs.*, potential infringers being wary of willful infringement findings down the line, may be more willing to settle litigation suits in order to avoid paying treble damages to the other side, thus reducing typically expensive patent litigation.⁸⁶

At the cost to some potential curtailment of innovation, *Halo Elecs.* has resulted in removing the insulations for some of the worst, malicious patent infringers to escape potential liability through reliance on *post-hoc* defenses.⁸⁷ Plaintiffs should investigate all possible facts of potential infringement cases, including instances demonstrating copying by defendants and access to the patented products.⁸⁸ Defendants should argue in favor of willfulness determinations by the court instead of a jury, to prevent spillover effects on liability or damages.⁸⁹

⁸⁵ See Prakash-Canjels, Harrison, Mann, Brewer Attorneys and Counselors, *Thoughts on Patent Damages Landscape Post-Halo*, LAW 360, Aug. 8, 2016, <https://www.law360.com/articles/825161/thoughts-on-patent-damages-landscape-post-halo>.

⁸⁶ *Id.* See Corp. v. Portec, Inc., 970 F.2d 816, 827 (Fed. Cir. 1992) (noting once willful infringement is demonstrated, in determining whether to enhance damages and the amount of the enhancement warranted, courts may now apply the non-exclusive *Read* factors: (1) whether the infringer deliberately copied the ideas of another; (2) whether the infringer investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; (3) the infringer's behavior as a party to the litigation; (4) the defendant's size and financial condition; (5) the closeness of the case; (6) the duration of the defendant's misconduct; (7) remedial action by the defendant; (8) the defendant's motivation for harm; and (9) whether the defendant attempted to conceal its misconduct); *Georgetown Rail*, 2016 U.S. Dist. LEXIS 78365 *45 (E.D. Tex. June 16, 2016) (reasoning no single factor is determinative, and not all factors need to weigh in favor of an enhanced damages award, and applying the *Read* factors to enhance damages from \$1.5M to \$2.5M and awarding fees where there was circumstantial evidence of willful copying by the defendant and the defendant made no efforts to investigate defenses).

⁸⁷ CRAIG COUNTRYMAN, FISH & RICHARDSON, ENHANCED DAMAGES IN PATENT CASES AFTER HALO V. PULSE (2016), available at http://www.fr.com/wp-content/uploads/2016/06/Final_Halo_6_23_16.pdf.

⁸⁸ *Id.*

⁸⁹ *Id.*

V. CONCLUSION

Halo Electronics, Inc. filed suit against Pulse Electronics, Inc. and Pulse Electronics Corporation (“Pulse”) alleging patent infringement of three Halo patents. Pulse counterclaimed, alleging infringement on Halo’s part of two Pulse patents and invalidity of the Halo patents on grounds of obviousness. The Supreme Court affirmed the Federal Circuit’s holding that Halo’s patents were non-obvious and hence, valid, but reversed the Federal Circuit’s decision of non-infringement by Pulse, and remanded the case back for consideration by the Federal Circuit. The Supreme Court noted that the standard of proof advocated in *Seagate* that was accepted by the Federal Circuit was inconsistent with the standard of proof for awarding enhanced damages under § 284 of the Patent Act. The Supreme Court dismissed the more stringent *Seagate* test by holding that the amount of enhanced damages awarded in cases of willful patent infringement are a matter of discretion for the district court and does not require both prongs of the *Seagate* test to be satisfied. Subjective bad faith on the infringer’s part is enough to justify an award of treble damages to the patentee. The Supreme Court also emphasized that patent litigation is governed by a preponderance of evidence standard, which is in accordance with § 284 of the Patent Act. Post-*Halo*, potential infringers might be more willing to settle patent litigation suits, in an effort to avoid paying enhanced damages to the prevailing patentees. This case has also left some of the worst patent infringers vulnerable to liability by removing the 2-part test insulation provided by *Seagate*.

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