

Halo Electronics v. Pulse Electronics and Stryker v. Zimmer

Banner & Witcoff offers the following content as a resource to help clients understand and prepare for the potential impact of this case:

On June 13, 2016, the Supreme Court issued an unanimous decision in companion cases *Halo Electronics, Inc. v. Pulse Electronics, Inc.* and *Stryker Corp. v. Zimmer, Inc.*, which rejected the Federal Circuit's rigid, two-part test for willful infringement and awarding enhanced damages in patent cases under 35 U.S.C. § 284. Although the Supreme Court decision provides district courts with more discretion, the Supreme Court repeatedly instructed that a district court's discretion is limited and its exercise should be "limited to egregious cases of misconduct beyond typical infringement."

Both *Halo* and *Stryker* challenged the Federal Circuit's *Seagate* standard following jury trials in which a jury found willful infringement. In *Halo*, the district court declined to award enhanced damages under § 284. The district court found that Pulse presented a not objectively baseless trial defense and, therefore, Halo failed to establish the objectively recklessness under the first step of *Seagate*.

In *Stryker*, the district court awarded enhanced damages and trebled the amount of damages. The Federal Circuit vacated the award of treble damages because it concluded that Zimmer had asserted reasonable defenses at trial.

In a decision authored by Chief Justice Roberts, the Supreme Court started with the plain language of 35 U.S.C. § 284 and noted that the statute had no explicit limitation or condition attached to awards of enhanced damages. Quoting its 2014 *Octane Fitness* decision that interpreted 35 U.S.C. § 285 (a discretionary statute relating to the award of attorney's fees), the Supreme Court held that there is "no precise rule or formula" for awarding damages under § 284." The Supreme Court again quoted from its 2014 *Octane Fitness* in holding that the *Seagate* test was "unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts."

After rejecting the *Seagate* two-part test, the Supreme Court reiterated the discretionary nature of enhanced damages and repeated that enhanced damages should "generally be reserved for egregious cases typified by willful misconduct."

Next, the Supreme Court found the *Seagate* requirement of clear and convincing evidence to prove recklessness "inconsistent with § 284."

Finally, the Supreme Court rejected "any rigid formula for awarding enhanced damages under § 284 and the Federal Circuit's framework for reviewing such awards." Relying on its 2014 *Highmark Inc. v. Allcare Health Management System, Inc.*, decision, the Supreme

Court instructed the Federal Circuit to review enhanced damages awards for “an abuse of discretion.”

IMPORTANT DATES

- June 13, 2016 – Supreme Court issues opinion
- Feb. 23, 2016 – Supreme Court oral arguments
- June 22, 2015 – Halo Electronics and Stryker file petitions for writ of certiorari
- Dec. 19, 2014 – Federal Circuit issues opinion in Stryker
- Oct. 22, 2014 – Federal Circuit issues opinion in Halo Electronics

COURT DOCUMENTS

- [Supreme Court decision](#)
- [Halo Electronics petition for writ of certiorari](#)
- [Stryker petition for writ of certiorari](#)
- [Halo Electronics Federal Circuit decision](#)
- [Stryker Federal Circuit decision](#)

MEDIA

Banner & Witcoff attorneys are available to answer questions and discuss this case. Media inquiries should be directed to Amanda Robert (312) 463-5465 or arobert@bannerwitcoff.com.