Federal Circuit: Objective Prong Of The Willful Infringement Test Is A Question Of Law

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On June 14, 2012, the Federal Circuit issued a decision in Bard Peripheral Vascular Inc. v. W.L. Gore & Assocs. Inc., holding that the threshold objective prong of Seagate’s willful infringement test is a question of law based on underlying mixed questions of law and fact and is subject to de novo review. This decision may help patent litigants obtain greater certainty regarding the scope of potential damages before proceeding to trial.

Legal Standard for Willful Infringement

In a patent case, if willful infringement is found, the court may, under 35 U.S.C. § 284, enhance damages up to three times the damages awarded. In 2007, the Federal Circuit announced a new test for willful infringement in In re Seagate Tech., 497 F.3d 1360 (Fed. Cir. 2007) (en banc). Namely, to prove willful infringement a patentee must show by clear and convincing evidence that (1) the accused infringer “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent,” and (2) “[t]he objectively defined risk . . . was either known or so obvious that it should have been known to the accused infringer.” Id. at 1371. The first prong of this test is objective, whereas the second prong is subjective and involves the accused infringer’s state of mind.

Procedural History

The Bard case stems from a dispute spanning several decades concerning a patent for prosthetic vascular grafts. Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., 670 F.3d 1171, 1175 (Fed. Cir. 2012). A jury found that W.L. Gore had willfully infringed Bard’s patent and awarded damages. The district court subsequently denied W.L. Gore’s motion for judgment as a matter of law (“JMOL”) regarding willfulness and other issues. Id. at 1178. The court further awarded Bard enhanced damages for the willful infringement, as well as attorney’s fees and other costs. Id. On appeal, the Federal Circuit initially upheld the determination of willfulness, finding that, despite several defenses offered by W.L. Gore, there was sufficient evidence to satisfy both prongs of the willful infringement test under Seagate. Id. at 1175.

On Rehearing, Federal Circuit Panel Holds the Objective Prong is a Question of Law

On rehearing, the Federal Circuit panel composed of Judges Newman, Gajarsa, and Linn recognized that “[t]he ultimate question of willfulness has long been treated as a question of fact.” Bard Peripheral Vascular Inc. v. W.L. Gore & Assocs. Inc., No. 2010-1510, slip op. at 5 (Fed. Cir. June 14, 2012). However, “[f]ollowing Seagate, this court established the rule that generally the ‘objective prong of Seagate tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement.’” Id. at 4-5 (quoting Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc., 620 F.3d 1305, 1319 (Fed. Cir. 2010). The Court further noted that it previously had not been called upon to “clearly delineate the standard applicable to Seagate’s objective test.” Id. at 5.

The Federal Circuit looked to Supreme Court precedent regarding questions of law and fact. Namely, the Court recognized “it can be appreciated that ‘the decision to label an issue a “question of law,” a “question of fact,” or a “mixed question of law and fact” is sometimes as much a matter of allocation as it is of analysis.’” Id. at 6 (quoting Miller v. Fenton, 474 U.S. 104, 113-14 (1985)).

Here, with respect to the objective prong of the willful infringement test, the Federal Circuit concluded:

We believe that the court is in the best position for making the determination of reasonableness. This court therefore holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to de novo review.

Id. at 6-7. The Court further instructed:

In considering the objective prong of Seagate, the judge may when the defense is a question of fact or a mixed question of law and fact allow the jury to determine the underlying facts relevant to the defense in the first instance, for example, the questions of anticipation or obviousness. But, consistent with this court’s holding today, the ultimate legal question of whether a reasonable person would have considered there to be a high likelihood of infringement of a valid patent should always be decided as a matter of law by the judge.

Id. at 9.

In light of this clarification of the law regarding willful infringement, the Federal Circuit remanded to the district court for reconsideration of its denial of motion for JMOL of no willful infringement. Id. at 4. The Federal Circuit ordered the court to determine, based on the record made at the infringement trial, “whether a ‘reasonable litigant could realistically expect’ [W.L. Gore’s] defenses to succeed.” Id. at 10. The Federal Circuit also noted that “[i]f the court grants the JMOL, it should then reconsider its decisions on enhanced damages and attorneys’ fees.” Id. at 4.

Conclusion

The Federal Circuit’s clarification of the legal standard for the objective prong of willful infringement may encourage district courts to take a more active role in evaluating willful infringement allegations before trial. Since Seagate, some district courts have granted summary judgment of no willful infringement under the objective prong and this case may accelerate that trend. The Federal Circuit’s Bard decision may lead to patent litigants in some cases receiving greater guidance before trial regarding willful infringement allegations and, Consequently, the potential scope of damages.
If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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