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Breaking the “Link” Between Awards for Attorney’s Fees and Enhanced Damages in Patent Law

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NOTE

BREAKING THE “LINK” BETWEEN AWARDS FOR ATTORNEY’S FEES AND ENHANCED DAMAGES IN PATENT LAW

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INTRODUCTION

A man's useful inventions subject him to insult, robbery, and abuse.
– Benjamin Franklin

Patent litigation is a booming industry. In 2011, patent infringement litigation placed more than twenty-nine billions worth of corporate assets at risk. It is not uncommon for awards in patent infringement lawsuits to reach up into the hundreds of millions of dollars. When an infringer acts “willfully,” those awards may be enhanced up to three times the amount of compensatory damages awarded. Due to the enormous sums of money at risk, the standard used to determine the appropriateness of an award for enhanced damages is vital to the future of innovation in the United States.

Review of the current standard used to determine an award of enhanced damages for willfulness (i.e., willfulness standard) in patent infringement litigation is currently before the Supreme Court. Many experts agree the current willfulness standard requires modification to

1. Address of the Advocate of the Patentees, Inventors of Useful Improvements in the Arts and Sciences: In Defence of Mental Property 7 (Dec. 19, 1806).
4. Id. at 421-22.
close a loophole that unfairly allows select defendants to escape liability under 35 U.S.C. § 284. However, petitioners in *Halo* and *Stryker* contend the current willfulness standard should be lowered in accordance with the Court’s recent modification to the standard used to determine attorney’s fees (i.e., attorney’s fee standard) in patent cases, arguing the two standards are linked. A brief look into the jurisprudential histories of the respective statutes and contrasting legal purposes served by each, however, debunks the notion that these statutes are somehow linked — or should ever be linked — in any legally meaningful way. As such, any modification to the willfulness standard should not be predicated on the recently modified attorney’s fee standard.

This note begins with Part I providing a general overview of the patent infringement litigation process. Part II discusses the current debate surrounding the willfulness and attorney’s fee standards in patent infringement litigation. It provides brief statutory histories of the two statutes, details the Supreme Court’s rationale for nullifying the previous attorney’s fee standard, and lays out the general arguments currently before the Supreme Court. Part III examines the jurisprudential histories of the two standards in an effort to dispel the notion that the two standards are predicated on similar case law or legal reasoning. Part IV explores the distinctive legal functions performed by each award, and the unequal treatment of the litigants stemming from their respective legal purpose. Finally, Part V discusses the need for modification of the current enhanced damages standard and proposes a minor adjustment to cure this standard of two defects inherent in its current framework.

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I. OVERVIEW OF PATENT INFRINGEMENT LITIGATION

Inventors are eligible to receive a patent when they invent a "new and useful process, machine, manufacture, or composition of matter," or improve upon any existing invention in some unique, non-obvious manner.\(^9\) Patents exist "[t]o promote the [p]rogress of [s]cience and useful [a]rts"\(^10\) by giving an inventor, the patentee, exclusive rights\(^11\) of their innovation in exchange for its public disclosure.\(^12\)

If another party infringes on the patentee's exclusive rights, the patentee is entitled to compensation for the losses stemming from the infringement.\(^13\) The infringer's state of mind is not relevant to a baseline finding of infringement, making it a strict liability tort.\(^14\)

However, if the infringer acts "willfully" in infringing another's patent, the patentee becomes eligible to receive discretionary treble damages,\(^15\) in addition to actual damages and attorney's fees.\(^16\)

The willfulness and attorney's fee standards in patent law both evolved to require objective and subjective inquiries\(^17\) and are often discussed as being linked.\(^18\)

To determine whether such a link exists, an


\(^{10}\) U.S. CONST. art. I, § 8, cl. 8.

\(^{11}\) See 35 U.S.C. § 154(a)(1) (2012) (Patentees are granted exclusive rights to prevent others from making, using, offering for sale, or selling the patented invention).


\(^{15}\) Seaman, supra note 3, at 421.


\(^{17}\) See In re Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007); Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc., 393 F.3d 1378 (Fed. Cir. 2005), abrogated by Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749 (2014).

\(^{18}\) See Halo Elecs., Inc. v. Pulse Elecs., Inc., 769 F.3d 1371, 1384 (Fed. Cir. 2014) (O'Malley, J., concurring); iLOR, LLC v. Google, Inc., 631 F.3d 1372, 1377 (Fed. Cir. 2011) (stating "[i]n the objective baselessness standard for enhanced damages and attorneys' fees against a non-prevailing plaintiff under Brooks Furniture is identical to the objective recklessness standard for enhanced damages and attorneys' fees against an accused infringer for § 284 willful infringement actions under In re Seagate . . . .")

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examination of the statutory histories and jurisprudential evolution of the two standards becomes necessary.

II. THE CURRENT DEBATE: ARE THE STANDARDS LINKED?

A. Seagate: The Enhanced Damages Standard Under Section 284

Treble damages in patent litigation date back to 1793.19 Codified into 35 U.S.C. 284 (Section 284) in 1952, the statute grants to courts the discretion to increase damages by up to three times the amount awarded for compensatory damages.20 Though the statute fails to list specific instances when enhanced damages are appropriate, Section 284 has evolved to require “willful” conduct on the part of the infringer.21

“Willfulness” in the patent infringement context was originally considered to be a matter of degree, such as “unknowing, or accidental, to deliberate, or reckless[] disregard of a patentee’s legal rights.”22 This changed, however, when the courts instituted an “affirmative duty of care” standard to determine when an infringer has acted “willfully.”23 During the “affirmative duty of care” era, conduct akin to negligence was sufficient to prove willful infringement.24 Under this standard, a potential infringer had an “affirmative duty to exercise due care to determine whether or not he is infringing... [w]here [he] has actual notice of another’s patent rights.”25 This duty required the potential infringer to obtain an opinion of counsel prior to “the initiation of any possible infringing activity.”26 If a court found

24. In re Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
25. Id. at 1368 (quoting Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)).
26. Id. at 1368-69.
the infringer to have breached this affirmative duty, a court would then use prescribed factors — known as the Read factors — to calculate whether and by how much to enhance damages resulting from his breach. As time passed, the standard for proving "willfulness" became more stringent, until the Federal Circuit in In re Seagate Technology, LLC raised the standard to prove "willfulness" from an "affirmative duty of care" standard to an "objective/subjective" standard.

In 2007, the Federal Circuit used Seagate to rewrite the willfulness standard in an effort to align patent jurisprudence with related areas of tort law. The court reasoned the previous standard allowed for findings of "willfulness" for acts not consistent with the "egregious conduct typically associated with punitive damages." To be awarded enhanced damages under Section 284, the Seagate standard added an objective prong that requires the patentee to first show that the infringer "acted despite an objectively high likelihood that its actions constituted infringement ..." If the patentee satisfies the objective prong, the patentee must then satisfy the subjective prong by proving that the "objectively-defined risk ... was
either known or so obvious that it should have been known to the accused infringer." 34 Under this test, an infringer acts willfully only if his acts are determined to be both objectively and subjectively reckless, regardless of his state of mind at the time of infringement.35 The effect of this objective/subjective standard makes it extraordinarily difficult for patentees to prove willfulness.36 Accordingly, the Seagate standard is thought to be more favorable to defendant infringers than the previous "affirmative duty of care" standard.37 The Seagate standard is currently utilized to determine "willfulness" in patent litigation.38

B. Brooks: The Attorney's Fees Standard Under Section 285

The discretionary allowance of attorney's fees in patent litigation became available to litigants in 1946.39 Codified into 35 U.S.C 285 (Section 285)40 in 1952, this statute grants courts the discretion to award attorney's fees to reimburse an injured party41 when a case is held to be "exceptional."42 Throughout most of the statute's existence, courts had the discretion to determine whether a case was "exceptional" using a "totality of the circumstances" standard.43 In 2005, the Federal Circuit changed the attorney's fee standard when it held in Brooks Furniture Manufacturing, Inc. v. Dutailier Int'l, Inc. that a case is "exceptional" under Section 285 only when a party

34. Id.
35. See id. at 1371; see also Prati, supra note 32, at 60.
36. See Hopenfeld, supra note 30, at 20.
37. See Prati, supra note 32, at 50.
43. See Octane, 134 S. Ct. at 1754 (citing Rohm & Haas Co. v. Crystal Chemical Co., 736 F.2d 688, 691 (Fed. Cir. 1984)).
engages in “material inappropriate conduct” or — and most relevant to the focus of this note — when “both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.”

For litigation to be objectively baseless, it must be “so unreasonable that no reasonable litigant could believe it would succeed...” Litigation is brought in subjective bad faith only when the plaintiff “actually know[s]” the litigation is objectively baseless. This objective/subjective standard to award attorney’s fees came to be known as the “Brooks standard.”

C. Supreme Court Eliminates the Brooks Standard in Octane in 2014

During the 2014 term, the Supreme Court in Octane Fitness, LLC. v. ICON Health & Fitness, Inc. rejected the Brooks standard used to determine the appropriateness of awarding attorney’s fees in patent infringement cases under Section 285. Octane relaxed the standard to determine “exceptional” cases and returned to courts the discretion to determine when to award attorney’s fees under a “totality of the circumstances” standard.

In Octane, the Court denounced the Brooks standard as being unduly rigid and mechanical, impermissibly cumbersome, and inconsistent with the statutory text of Section 285. The Court proclaimed that a case may be deemed “exceptional” if a litigant either brings a case in subjective bad faith or the litigation is objectively baseless. Brooks’ requirement that both the objective and subjective prongs be satisfied prior to any award of attorney’s fees was too rigid.

45. Id. (emphasis added).
47. Id. at 1377.
48. See Octane, 134 S. Ct. at 1755.
49. See id. at 1758.
51. Octane, 134 S. Ct. at 1755.
52. Id. at 1753.
53. Id. at 1757.
fees, the Court says, renders Section 285 “largely superfluous.”\(^{54}\) The Court also found the _Brooks_ standard impermissibly encumbered the discretion granted to courts under the text of Section 285,\(^ {55}\) which “superimpose[ed] an inflexible framework onto statutory text that is inherently flexible.”\(^ {56}\) Ultimately, the Court revived and reinstituted the previous “totality of the circumstances” standard used to determine an award of attorney’s fees under Section 285.\(^ {57}\)

### D. Supreme Court Considers Eliminating the Seagate Standard in 2016

Today, the debate centers on the Court’s rationale in _Octane_, and how, if at all, _Octane_’s rationale should impact the _Seagate_ standard currently used to determine the enhancement of damages for willful infringement.\(^ {58}\) In October of 2015, the Supreme Court granted _certiorari\(^ {59}\)_ in two cases, _Stryker v. Zimmer\(^ {60}\)_ and _Halo v. Pulse,\(^ {61}\)_ to determine whether the _Seagate_ standard remains valid in light of its holding in _Octane_ in 2014.\(^ {62}\) The petitioners argue the _Seagate_ standard is virtually identical to the _Brooks_ standard rejected by the

\(^{54}\) _Id._ at 1758.

\(^{55}\) _Id._ at 1755.

\(^{56}\) _Id._ at 1756.

\(^{57}\) _See id._ at 1758.


\(^{62}\) _See_ Petition for _Writ of Certiorari at 7-8, Stryker, 782 F.3d 649 (No. 14-1520); _Petition for Writ of Certiorari at 6, Halo, 769 F.3d 1371 (No. 14-1513).
Supreme Court in Octane. Accordingly, the petitioners contend the Seagate standard should be rejected for the reasons the Court laid out in Octane. Like the Octane petitioners, the Stryker and Halo petitioners argue the objective/subjective inquiry required by the Seagate standard is too rigid, undermines the statute's “intended deterrent effect,” and “renders enhanced damages under Section 284 largely unattainable.” Finally, and perhaps most importantly, the petitioners argue the Seagate standard effectively strips courts of the discretion to determine the enhancement of damages granted to them under Section 284.

The petitioners in Stryker and Halo ask the Court to abandon the Seagate standard and alter the standard used to determine willfulness to the “totality of the circumstances” standard laid out in Octane. The petitioners argue “totality of the circumstances” is the only standard which “keep[s] with the statutory text [of] Section 284.” Before the Court uses Octane as a guidepost in its examination of the current standard to award enhanced damages, the Court should first determine if the Seagate and Brooks standards are linked in any way.

63. Petition for Writ of Certiorari at 27, Stryker, 782 F.3d 649 (No. 14-1520); see also Petition for Writ of Certiorari at 26, Halo, 769 F.3d 1371 (No. 14-1513).

64. See Petition for Writ of Certiorari at 31, Stryker, 782 F.3d 649 (No. 14-1520).


66. Petition for Writ of Certiorari at 10, Stryker, 782 F.3d 649 (No. 14-1520); Petition for Writ of Certiorari at 7, Halo, 769 F.3d 1371 (No. 14-1513).

67. Petition for Writ of Certiorari at 31, Stryker, 782 F.3d 649 (No. 14-1520); see also Petition for Writ of Certiorari at 36, Halo, 769 F.3d 1371 (No. 14-1513).

68. Petition for Writ of Certiorari at 33, Stryker, 782 F.3d 649 (No. 14-1520).

69. Petition for Writ of Certiorari at 10, 47, Stryker, 782 F.3d 649 (No. 14-1520); Petition for Writ of Certiorari at 37, Halo, 769 F.3d 1371 (No. 14-1513).

70. Petition for Writ of Certiorari at 26, Halo, 769 F.3d 1371 (No. 14-1513) (“This Court should grant review to eliminate the Federal Circuit's unsupported artifice” that willfulness be proven using the objective/subjective test.).

71. See Petition for Writ of Certiorari at 34, Stryker, 782 F.3d 649 (No. 14-1520).

72. Id.
The petitioners in both *Stryker* and *Halo* attempt to link the *Brooks* and *Seagate* standards. The petitioners' reliance on such a linkage between the two standards is the crux of their respective case for repealing the *Seagate* framework. It is imperative to thoroughly examine the jurisprudential histories of the *Brooks* and *Seagate* standards to properly determine whether the two are, in fact, linked.

The notion that sections 284 and 285 and their respective standards are somehow linked is not without precedent. The Federal Circuit in *iLOR, LLC v. Google, Inc.* stated “the objective baselessness standard for enhanced damages and attorneys’ fees . . . under *Brooks Furniture* is identical to the objective recklessness standard for enhanced damages and attorneys’ fees . . . under [Seagate].” Similarly, in her concurrence in *Halo*, Federal Circuit Court Judge Kathleen M. O’Malley drew three analogies between the two frameworks: (1) “[o]ur current two-prong, objective/subjective test for willful infringement set out in [Seagate] is analogous to the test this court prescribed for the award of attorneys’ fees under Section 285 in *Brooks* . . .”; (2) “[t]he parallel between our tests for these two issues is not surprising [as] [b]oth enhanced damages and attorneys’ fees are authorized under similar provisions in Title 35 of the United States Code (the Patent Act of 1952);” and (3) “our standard for the award of enhanced damages under Section 284 has

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73. Petition for Writ of Certiorari at 27, *Stryker*, 782 F.3d 649 (No. 14-1520) (“*Brooks Furniture* imposed a two-part objective-subjective inquiry similar, if not identical, to the *Seagate* test for willfulness.”); Petition for Writ of Certiorari at 26, *Halo*, 769 F.3d 1371 (No. 14-1513) (“[W]illfulness can be proven only under the same rigid two-part objective/subjective test that this Court rejected in *Octane* for the similarly flexible § 285.”) (quoting In re *Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007)).


75. The *Brooks* standard to determine attorney fees; and the *Seagate* standard to determine enhanced damages.


78. *Id.*
closely mirrored our standard for the award of attorneys’ fees under Section 285.\textsuperscript{79}

Notably, Judge O’Malley makes the above assertions under the assumption that:

[the Seagate standard] and [the Brooks standard were] both predicated on [the Federal Circuit’s] interpretation of the Supreme Court’s decision in \textit{Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc. (“PRE”)},\textsuperscript{80} which [the Federal Circuit] believed required a two-step objective/subjective inquiry before either enhanced damages or attorneys’ fees could be awarded.\textsuperscript{81}

Contrary to the learned judge’s assumption in her concurring opinion, the two standards were not both predicated on \textit{PRE}. Though the Brooks standard was indeed based on an objective/subjective test introduced in \textit{PRE}, the Seagate standard’s origin is rooted in two very different objective/subjective tests established in \textit{Yurman Design, Inc. v. PAJ, Inc.}\textsuperscript{82} and \textit{Safeco Insurance Co. of America v. Burr.}\textsuperscript{83} \textit{Yurman} and \textit{Safeco} grapple with vastly dissimilar legal issues in legal contexts unrelated to than those found in \textit{PRE}. Further, \textit{Seagate}, which was decided two years after \textit{Brooks}, mentions neither \textit{PRE} nor \textit{Brooks}. Likewise, \textit{Brooks} mentions neither \textit{Yurman} nor \textit{Safeco}.

\begin{itemize}
  \item A. Jurisprudential Basis for the Brooks Standard: PRE
\end{itemize}

The Brooks standard finds its origins in \textit{PRE}, a case dealing primarily with the issue of antitrust liability under the Noerr doctrine.\textsuperscript{84} In \textit{PRE}, the Supreme Court defined when litigation is a “sham” (i.e. when a party brings a baseless lawsuit).\textsuperscript{85} The Federal Circuit in \textit{Brooks} imported \textit{PRE}’s rationale for determining “sham”

\begin{itemize}
  \item \textsuperscript{79} Id.
  \item \textsuperscript{80} Prof’l Real Estate Investors, Inc. v. Columbia Pictures Indus., 508 U.S. 49 (1993).
  \item \textsuperscript{81} \textit{Halo}, 769 F.3d at 1384 (internal citation omitted).
  \item \textsuperscript{82} \textit{See} Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101 (2001).
  \item \textsuperscript{83} \textit{See} Safeco Ins. Co. of Am. v. Burr, 551 U.S. 47 (2007).
  \item \textsuperscript{84} Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct 1749, 1757 (2014).
  \item \textsuperscript{85} Id.
\end{itemize}
litigation into its determination of when a case is "exceptional," sufficient to warrant an award of attorney's fees under Section 285.86 A basic understanding of the rationale delineated in PRE is crucial to understand the flaw in the Federal Circuit's importation of the PRE standard into attorney's fee awards in the patent litigation realm.

When a party invokes the Noerr doctrine, they "seek immunity from a judicial declaration that their filing of a lawsuit was actually unlawful."87 In PRE, the plaintiffs brought suit against a competitor alleging copyright infringement.88 The defendants filed antitrust counterclaims alleging the plaintiff's copyright action was a "sham," or a veiled attempt to monopolize and disrupt the business activities of the defendant.89 If the defendants had convinced the court that the lawsuit was a "sham," the plaintiff would have been stripped of his antitrust immunity under the Noerr doctrine and exposed to treble damages and attorney's fees under the antitrust liability statute.90 If the defendant failed to prove the suit was a "sham," however, the Noerr doctrine would have immunized the plaintiff from antitrust liability,91 and shielded them from having to pay treble damages and attorney's fees.92

86. Id.
87. Id. at 1757-58.
88. Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., 508 U.S. 49, 52 (1993) (Though a copyright infringement case, the court's focus is on the antitrust liability statute.).
89. Id.
90. 15 U.S.C. § 15(a) (2012) ("and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee.").
91. See E. R. R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961); see also Octane, 134 S. Ct at 1757 (2014) ("Under the Noerr-Pennington doctrine defendants are immune from antitrust liability for engaging in... litigation... aimed at influencing decisionmaking by the government. But under a 'sham exception' to [the Noerr] doctrine, activity... 'directed toward influencing governmental action' does not qualify for Noerr immunity if it 'is a mere sham to cover... an attempt to interfere directly with the business relationships of a competitor.'").
92. E. R. R. Presidents Conference, 365 U.S. at n.5 (citing Section 4 of the Clayton Act) ("Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover...")
PRE's holding defines when a lawsuit is a "sham" sufficient to revoke immunity privileges under the Noerr doctrine. It outlines a two-part framework. "First the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits." Second, the court determines "whether the baseless lawsuit conceals ‘an attempt to interfere directly’ with the business relationships of a competitor." The Federal Circuit in Brooks found PRE's objective/subjective framework instructive in fashioning the standard used to determine when a case is sufficiently "exceptional" so as to award attorney's fees under Section 285. However, the Supreme Court in Octane ultimately rejected the Federal Circuit's importation of the PRE framework into its Brooks standard.

Octane determined the PRE standard "to have no roots in the text of Section 285," and found that it "makes little sense in the context of determining whether a case is so 'exceptional' as to justify an award of attorney's fees in patent litigation." As stated in Octane, the "Noerr-Pennington doctrine [was narrowly crafted]... to avoid chilling the exercise of the First Amendment right to petition the government for the redress of grievances." The Court was unable to grasp how the shifting of fees in an "exceptional" patent case would diminish any right to petition under the First Amendment. The Court then goes on to state that "[t]he threat of antitrust liability (and the attendant treble damages . . .) far more significantly chills the

threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee.” 15 U.S.C. § 15(a) (2012)).

93. Prof'l Real Estate Investors, 508 U.S. at 60; see generally E. R. R. Presidents Conference, 365 U.S. at 144 (Under the Noerr-Pennington doctrine, [threats of litigation] [are] protected as free speech and freedom to petition, and are generally immune from suit unless the threatened lawsuit was a 'sham.').

94. Prof'l Real Estate Investors, 508 U.S. at 60.

95. Id.

96. Id. at 60-61 (quoting E. R. R. Presidents Conference, 365 U.S. at 144).


99. Id. at 1757.

100. Id.

101. Id.
exercise of the right to petition than does the mere shifting of attorney's fees.”102 The Court describes an award of attorney's fees in patent litigation as “a far less onerous declaration” than a judicial declaration which potentially exposes a party to treble damages.103

Interesting to note, an award of attorney’s fees under Section 285 imposes no threat of treble damages, whereas enhanced damages under Section 284 does. For that reason, the treble damages available as a penalty for bringing “sham” litigation seems far more analogous to the treble damages available for “willful” infringement than to attorney’s fees in “exceptional” cases. This fact notwithstanding, the Seagate standard finds no roots in PRE.

B. Jurisprudential Basis for the Seagate Standard: Yurman & Safeco

In fashioning the current Seagate standard, the Federal Circuit in Seagate primarily relied on two cases. The first is Yurman, a 2001 Second Circuit Court of Appeal copyright infringement case.104 The second is Safeco, a 2007 Supreme Court punitive damages case centered on an alleged violation of the Fair Credit Reporting Act.105

1. Seagate's Reliance on Yurman

Like the Patent Act, the Copyright Act contains a provision that grants to courts the discretion to enhance damages for “willful” infringement.106 In Yurman, the court defines the minimum level of culpability required to entitle an infringed party to enhanced damages under the Copyright Act.107 Yurman held “[w]illfulness in [the copyright infringement] context means that the defendant ‘recklessly disregarded’ the possibility that ‘its conduct represented

102. Id. (emphasis added).
103. Id. at 1757-58.
106. 17 U.S.C § 504(c) (2012) (Important to note that the Copyright Act uses the term “willful” in the statute while § 284 does not.).
107. See Yurman, 262 F.3d at 112 (citing Hamil Am. Inc. v. GFI, 193 F.3d 92, 97 (2d Cir. 1999) and Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1010 (2d Cir. 1995)).
infringement,"\textsuperscript{108} and that "[r]eckless disregard of the copyright holder's rights... suffices to warrant award of enhanced damages."\textsuperscript{109} It further held that a "plaintiff is \textit{not} required to show the defendant 'had knowledge that its actions constitute[d] an infringement.'"\textsuperscript{110} The Federal Circuit used \textit{Yurman} as a guide in constructing the \textit{Seagate} standard, indicating its belief that enhanced damages available under the Copyright Act were, at least in some respects, analogous to enhanced damages under the Patent Act.

The \textit{Seagate} court also uses the language in \textit{Yurman} to reaffirm "willfulness" as an essential component of an award of enhanced damages,\textsuperscript{111} and to demonstrate that the "recklessness standard" for determining "willfulness" has been utilized in at least one context similar, if not identical, to patent infringement litigation — copyright infringement litigation.\textsuperscript{112} The \textit{Seagate} court cited various other cases employing the "recklessness standard" as a minimum standard for determining "willfulness" in similar civil contexts.\textsuperscript{113}

As discussed further in Part V, in its importation of the standard in \textit{Yurman}, the \textit{Seagate} court deviates from the \textit{Yurman} standard in one crucial way — it \textit{mandates} both objective and subjective recklessness rather than allowing mere objective recklessness to suffice as the minimum degree of conduct for a finding of willful infringement.

2. \textit{Seagate}'s Reliance on \textit{Safeco}

In addition to \textit{Yurman}, the \textit{Seagate} court heavily relied upon \textit{Safeco}, a case involving the Fair Credit Reporting Act (FCRA), for the proposition that "willfulness" is a "statutory condition of civil

\textsuperscript{108} \textit{Id.} (internal citations omitted).
\textsuperscript{109} \textit{Id.} (emphasis added) (quoting Knitwaves, 71 F.3d at 1010).
\textsuperscript{110} \textit{Id.} (quoting Knitwaves, 71 F.3d at 1010).
\textsuperscript{111} \textit{In re Seagate Tech., LLC}, 497 F.3d 1360, 1370 (Fed. Cir. 2007).
\textsuperscript{112} \textit{Id.}
\textsuperscript{113} \textit{Id.} (citing Hamil Am., Inc. v. GFI, 193 F.3d 92, 97 (2d Cir.1999); Wildlife Express Corp. v. Carol Wright Sales, Inc., 18 F.3d 502, 511–12 (7th Cir.1994); RCA/Ariola Int'l, Inc. v. Thomas & Grayston Co., 845 F.2d 773, 779 (8th Cir.1988); and eBay Inc. v. MercExchange, LLC., 547 U.S. 388, 392 (2006) (the Court notes that its structure of the permanent injunction standard under the Patent Act creates harmony with the Copyright Act)).
liability for punitive damages." The FCRA requires that insurers give notice to a consumer before taking legal action against them based upon information reflected in their credit report. The consumer becomes entitled to actual damages when the insurer negligently fails to give notice. However, if the consumer proves the insurer willfully failed to give notice, the insurer becomes liable for actual, statutory, and punitive damages under the relevant statute. In Safeco, a class action was brought against an insurer for willfully failing to give notice in violation of the FCRA.

Safeco reaffirms the notion that willfulness covers "not only knowing violations of a standard, but reckless ones as well." Quoting the treatise on the Law of Torts, the Court held that "reckless disregard" of the law is a "willful" violation under the common law usage of the term. The Court added that willful failure to comply includes "conduct marked by careless disregard [for] whether [] someone has the right to act." "Careless disregard" in the civil liability realm is determined by an objective standard and is that conduct which constitutes "an unjustifiably high risk of harm." Safeco allows a finding of willfulness to be predicated upon either a finding of objective or subjective recklessness, whereas Seagate requires a finding of both objective and subjective recklessness.

The statutory and jurisprudential histories of the separate standards utilized to award attorney's fees under Section 285 and enhance damages under Section 284 indicate no linkage between the two standards. Therefore, an alteration to one standard should have no bearing on any alteration to the other.

114. Seagate, 497 F.3d at 1370 (emphasis added) (citing Safeco Ins. Co. of Am. v. Burr, 551 U.S. 47 (2007)).
116. Id. at 53.
117. Id.
118. Id. at 55.
119. Id. at 57 (emphasis added).
120. Id. (quoting W. KEETON ET AL., PROSSER AND KEETON ON LAW OF TORTS § 34, at 212 (5th ed. 1984)).
121. Id. (citing United States v. Murdock, 290 U.S. 389, 395 (1933)).
122. Id. at 49 (quoting Farmer v. Brennan, 511 U.S. 825, 836 (1994)).
IV. SECTIONS 284 AND 285 SHOULD NOT BE LINKED

A. The Two Statutes Serve Distinct Legal Purposes

There are two main types of damages awarded in patent infringement cases: compensatory damages and punitive damages. Each serves a purpose distinct from the other. Compensatory awards seek to reimburse a victim for the direct loss suffered at the hands of another. Punitive damages, on the other hand, aim to punish a defendant for his or her actions and deter future misconduct. Unlike compensatory damages, punitive damages require certain constitutional safeguards to ensure that property is not taken arbitrarily. As detailed below, Section 285 serves a compensatory purpose, while Section 284 operates as a punitive remedy. The constitutional implications stemming from the punitive nature of an award under Section 284 require it to maintain a higher standard than is allowable for an award of compensatory attorney’s fees under Section 285. The distinct legal purposes served by each award bolster the notion that the two standards should not be considered “linked.”

1. Section 285 is Compensatory

An award for attorney’s fees serves a compensatory purpose, and the discretion to award attorney’s fees most often resides within

124. Id.
125. Id.
126. Id.
129. Prati, supra note 32, at 63.
130. See Eddy, 59 F.3d at 203; see also Knorr-Bremse Systeme Fuer Natzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1347 (Fed. Cir. 2004).
the inherent power of the court. Historically, in the United States each party to a lawsuit fronts the bill for their own litigation costs. An exception to this rule exists when a litigant acts with malice or in bad faith. If the litigant acts in bad faith, a court may award attorney’s fees to the aggrieved party. Courts are typically granted wide latitude in awarding attorney’s fees as a mechanism to maintain control over litigation and litigants, as well as to compensate parties forced to defend against bad faith litigants. Attorney’s fees awarded in patent infringement cases are no different. Section 285 exists to reimburse an injured party forced to undergo patent litigation deemed to be “exceptional” in nature. The rationale behind Section 285 is to award reasonable attorney’s fees in circumstances where a party to patent infringement litigation acts in bad faith, which results in unnecessary litigation costs for the opposing party.

Previous patent litigants have unsuccessfully argued that an award of attorney’s fees under Section 285 is not compensatory, but punitive in nature. In 2004, litigants in Knorr-Bremse v. Dana Corp., a Federal Circuit case, argued that Section 285 is punitive in situations where no actual damages are awarded. The court summarily rejected the litigant’s contention, stating that such an argument finds support in neither statute nor precedent. The court went on to affirm that an award of attorney’s fees under Section 285 is wholly compensatory.

133. Id. at 4.
134. Id.
139. Id.
140. Id.
141. Id.
Octane, in upholding the statutory discretion granted to courts under Section 285, found the Federal Circuit overstepped its bounds when it attempted to constrain the courts' discretion in awarding compensatory attorney's fees under the Brooks standard. Octane determined the Brooks standard to be "unduly rigid," in part, because it constrained the discretionary compensatory nature of the statutory language of Section 285. As a result, Octane stripped Section 285 of the Brooks framework, and returned to courts the discretion to award attorney's fees in exceptional cases under Section 285. The Court was justified in doing so due to the compensatory nature of the attorney's fee statute.

2. Section 284 is Punitive

The rationale in Octane for returning to courts the discretion to award compensatory attorney's fees under Section 285 does not extend to the discretion given to courts to award punitive enhanced damages under Section 284. Enhanced damages under Section 284 seek to penalize and discourage behavior found to be more egregious than that typically found in ordinary infringement cases. By definition, the awards are punitive, and punitive damage awards require certain constitutional safeguards to protect against the arbitrary deprivation of property under the Due Process Clause of the United States Constitution. These constitutional safeguards require that Section 284 have a stricter standard than the virtually unfettered discretion to award compensatory attorney's fees under Section 285.

142. See Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749, 1751 (2014) (The Court found the Brooks Standard unduly rigid and impermissibly cumbersome on the discretion granted to the lower courts under the statute.).

143. Id. at 1755-56.


146. U.S. Const. amend. V.


148. See id.
Punitive damages are available to plaintiffs only as a remedy for a defendant’s willful or outrageous conduct.\textsuperscript{149} The outrageousness of a defendant’s conduct is based upon his or her evil motive or reckless indifference to the plaintiff’s rights.\textsuperscript{150} Without evidence of the requisite outrageous standard of conduct, an award of punitive damages cannot be upheld, as such an award would violate basic constitutional principles.\textsuperscript{151} In light of this constitutional requirement, the Federal Circuit in \textit{Beatrice Foods Co. v. New England Printing and Lithographing Co.} reattached to Section 284 a required finding of "willfulness" prior to any award of enhanced damages.\textsuperscript{152} This requirement sets Section 284 apart from the unfettered discretion granted to courts by Section 285 in the wake of \textit{Octane}. Absent the Federal Circuit’s "willfulness" requirement, the statutory language of Section 284 would grant courts unconstrained discretion to award punitive damages without proof of the defendant’s willful or wanton conduct.\textsuperscript{153} This would not comport with the Due Process Clause or legal precedent regarding punitive damage awards,\textsuperscript{154} which require, at a \textit{minimum}, that the infringer act with reckless indifference to the rights of the patentee.\textsuperscript{155}

\textit{Beatrice} examined the punitive purpose and effect of Section 284 in some detail. The court began its examination by bifurcating the two paragraphs of the statute.\textsuperscript{156} The first paragraph of Section 284, the court says, houses the actual damages to be awarded to compensate the patentee for the direct harm caused by the defendant’s

\begin{itemize}
  \item \textsuperscript{149} Atl. Sounding Co. v. Townsend, 557 U.S. 404, 409 (2009).
  \item \textsuperscript{150} BARRY A. LINDAHL, MODERN TORT LAW: LIABILITY AND LITIGATION § 21:24 (2d ed. 2015).
  \item \textsuperscript{151} See \textit{State Farm}, 538 U.S. at 408.
  \item \textsuperscript{153} 35 U.S.C. § 284 (2012).
  \item \textsuperscript{154} Exxon Shipping Co. v. Baker, 554 U.S. 471, 493 (2008) ("The prevailing rule in American courts [] limits punitive damages to cases of [] ‘enormity,’ where a defendant’s conduct is ‘outrageous,’ [] owing to ‘gross negligence,’ ‘willful, wanton, and reckless indifference for the rights of others,’ or behavior even more deplorable.").
  \item \textsuperscript{155} Prati, \textit{supra} note 32, at 63; \textit{see also} Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 112 (2d Cir. 2001) (citing Hamil Am., Inc. v. GFI, 193 F.3d 92, 97 (2d Cir. 1999); Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1010 (2d Cir. 1995).
  \item \textsuperscript{156} See \textit{Beatrice}, 923 F.2d at 1578.
\end{itemize}
infringement.\textsuperscript{157} The enhanced damages available under the second paragraph of the statute are to be awarded "only as a penalty for an infringer's increased culpability, namely willful infringement . . . ."\textsuperscript{158} The court held that "the enhanced portion of the damage award [] cannot be compensatory, and it, therefore, is punitive."\textsuperscript{159} The Supreme Court also considers the enhanced damages paragraph of Section 284 to allow for a punitive, non-compensatory award.\textsuperscript{160} In \textit{Aro Manufacturing. v. Convertible Top Replacement Co}, the Supreme Court specifically describes Section 284 as an award of "punitive or 'increased' damages."\textsuperscript{161} The punitive nature of Section 284, and the constitutionally mandated requirement for a showing of willfulness prior to an award of enhanced damages under Section 284 sets the statute apart from the virtually unrestrained discretion granted to courts by Section 285 under \textit{Octane}.

\textbf{B. The Statutes Treat Litigants Unequally}

Another key distinction between Sections 284 and 285 is their respective treatment of litigants. As previously stated, an award of attorney's fees serves to compensate a party for the cost to defend against bad faith litigation.\textsuperscript{162} Awards under Section 285 are granted to a party who proves the opposing party acted in bad faith, regardless of whether the party is the patentee or the accused infringer.\textsuperscript{163} For that reason, Section 285 is considered a double-edged sword,\textsuperscript{164} as either party may be awarded attorney's fees under Section 285.

If an award of attorney's fees under Section 285 is a double-edged sword, an enhanced damage award under Section 284 is a single-bladed guillotine available for use only by patentees who prove the

\textsuperscript{157} Id.
\textsuperscript{158} Id. at 1579 (emphasis added).
\textsuperscript{159} Id. at 1580 (citing Paper Converting Mach. Co. v. Magna-Graphics Corp., 745 F.2d 11, 23 (Fed. Cir. 1984)).
\textsuperscript{161} Id.
\textsuperscript{162} See Cohen, supra note 133, at 4.
\textsuperscript{164} See id.
infringer acted "willfully." Moreover, if a patentee successfully proves the infringer acted willfully, under both the previous Brooks standard and the current Octane standard, the defendant’s willful conduct may deem the case "exceptional," entitling the patentee to attorney’s fees under Section 285, in addition to enhanced damages under Section 284. No provision akin to Section 284 is available to an alleged infringer who successfully overcomes a patentee’s unfounded allegations of infringement. No matter how outrageous the patentee’s behavior, alleged infringers are entitled only to compensation for their defense of an “exceptional” case brought in bad faith. The nature of Section 284 being one-sided in favor of patentees makes a higher standard for Section 284 critical to safeguarding the interests of defendants in patent infringement litigation.

As indicated in Part III of this note, the standards utilized to determine awards under Sections 284 and 285 have not been linked historically. To link the two now would be unwise as each serves a distinct legal purpose, and the two standards necessarily treat litigants in an unequal manner.

V. THE SEAGATE STANDARD SHOULD BE MODIFIED WITHOUT GUIDANCE FROM OCTANE

The current standard used to determine enhanced damage awards under Section 284 requires modification to close a loophole that currently allows intentional infringers to escape liability so long as they can show their infringement was not objectively reckless. Alteration is also necessary because the Seagate standard mandates that the infringer’s conduct be objectively reckless. This requirement misconstrues the long-held civil law standard that objective recklessness serves as the minimum degree of conduct sufficient to prove willful conduct, not a necessary one. Both of these flaws stemming from the current Seagate standard are easily rectified by simply converting it from its current “and” test — which requires both

165. See In re Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007).
167. See Prati, supra note 32, at 63.
objective recklessness and subjective intent to be proven — to an “or” test, which would allow either objective recklessness or subjective intent to prove willful infringement. As articulated in Parts III and IV of this note, Octane’s rationale should not factor into the Court’s discussion of the current Seagate standard, or have any bearing on Seagate’s modification.

A. The Seagate Loophole

Seagate indicates the focus of an inquiry into willful infringement should center on the infringer’s prelitigation conduct. However, an infringer can currently defeat a finding of willful infringement — even when the infringer acts intentionally — if their defense counsel raises a “not-unreasonable” defense concocted after the infringement suit is brought against them. The infringer is not currently required to show proof of knowledge concerning the existing patent’s invalidity prior to the commencement of the litigation for their defense to be successful. This is one of the central issues the Supreme Court has agreed to review in Stryker and Halo. A basic recitation of the facts of Stryker and Halo highlight the controversy surrounding the loophole found in the current Seagate framework.

In Stryker, the patentee, Stryker, successfully proved its competitor, Zimmer, replicated its patented medical device with the subjective intent to do so. Zimmer unsuccessfully defended on the grounds the medical device was obvious, therefore not entitled to a patent, and thus is invalid — the so-called “invalidity defense.” The jury heard testimony that the infringer “all but instructed its design team to copy the [patentee’s] products,” and determined the infringer’s actions to be willful. The trial court agreed and awarded the patentee treble damages under Section 284. The Federal Circuit

168. Seagate, 497 F.3d at 1374.
171. Id.
172. Id. at 661.
173. Id. at 653.
reversed the award of enhanced damages finding that Zimmer’s defense, though unsuccessful, was nonetheless “not unreasonable.”

According to the court, Zimmer’s “not unreasonable” invalidity defense precludes a finding of objective recklessness.

Similarly, in Halo, the patentee, Halo, successfully proved Pulse, the infringer, copied its patented electronic device with the subjective intent to do so. The jury found that Pulse knew of Halo’s existing patents four years prior to inducing its manufacturers to infringe upon Halo’s patent and made no attempts to obtain an opinion of counsel seeking to clarify the validity of the existing patents. Like the infringer in Stryker, Pulse unsuccessfully asserted the invalidity defense. The jury determined Pulse’s infringement to be willful. The trial court, however, entered judgment of no willful infringement, finding Pulse had “reasonably relied on [its not unreasonable invalidity] defense,” and thus could not have acted in an objectively reckless manner. The Federal Circuit affirmed.

In both cases, the infringers knew of the existence of the patents held by their competitors, and evidence proved their subjective intent to replicate their competitors’ patents. Neither infringer obtained an opinion of counsel prior to litigation regarding the validity of the patent they were found to have infringed. Yet both defendants’ assertion of the invalidity defense precluded a finding of objective recklessness under the objective prong of the Seagate standard. Both escaped enhanced damage liability as a result. Stryker and Halo illustrate that a patent can be intentionally infringed yet determined

174. Id. at 662.
175. Id.
177. Id.
178. Id.
179. Id.
180. Id. (quoting Order, Halo, 769 F.3d 1371 (No. 14-1513), 2013 WL 2319145, at *15).
181. See id.; see also Stryker Corp. v. Zimmer Inc., 782 F.3d 649, 653 (Fed. Cir. 2014).
not to have been infringed "willfully." This defies logic and is counter to common sense.

If prelitigation conduct is truly the focus of the inquiry into willfulness, invalidity defenses should only be deemed reasonable when the defendant can offer proof of their belief that a patent's invalidity existed prior to the patentee taking legal action. As a matter of public policy, post hoc litigation defenses should not factor into whether the infringer acted in an objectively reckless manner prior to the commencement of the lawsuit, especially where evidence proves either the infringer acted intentionally or in a subjectively reckless manner at the time of infringement. An opinion of counsel detailing the reasoning for a patent's invalidity drafted prior to the commencement of litigation would be strong evidence in this regard. This would encourage both the proper investigation of an existing patent's validity, and the taking of steps necessary to more successfully defend against a claim of willful infringement. Liability under the objective prong of the Section 284 analysis should only be imposed when defendants fail to take steps to ensure non-infringement prior to marketing their "invention."

Some may argue the cost to obtain an opinion of counsel regarding a patent's validity would disenfranchise those non-corporate conglomerates with shallower pockets. They may argue that big corporations have an advantage — by way of monetary capacity — in determining whether an existing patent is valid. This advantage, it could be argued, would then extend to give the large corporations an advantage in defending against an allegation of willful infringement under the objective prong of the willfulness inquiry. This is true and important considering the majority of filings for patents in recent years are by wealthy, publically held corporations. However, an argument that one may have a greater opportunity to hire counsel to more fully investigate an existing patent prior to infringement is no different than an argument that wealthy defendants have an advantage in litigation due to their ability to hire superior counsel. Section 284 exists to protect patentees, not those who willfully infringe a

183. See In re Seagate Tech., LLC, 497 F.3d 1360, 1374 (Fed. Cir. 2007).
patentee’s property rights. Patent holders should not be penalized due
to a perceived disparity of wealth among those who infringe their
patents.

The author, like *Seagate*, believes opinions of counsel should be
couraged, not required. Moreover, an opinion of counsel is not the
most important piece in the willfulness inquiry. As stated in *
Seagate*, the use of an opinion of counsel in defending against an
allegation of willful infringement is only one factor to be considered
in the inquiry and is not dispositive. It is crucial to remember that a
finding of willfulness merely permits an award of enhanced damages.
It does not mandate one. If the court so chooses, it has the discretion
under Section 284 to take the wealth of the defendant into account
when calculating how little or how much an award should be
enhanced.

**B. Convert the Seagate Standard from an “And” to an “Or” Test**

Aside from the loophole for “not-unreasonable” invalidity
defenses, the current Seagate standard should be modified to align it
with the minimum degree of culpability required to find willful
conduct in other civil contexts. This can be achieved simply by
converting the *Seagate* standard from an “and” test to an “or” test.
The most apparent defect in the current *Seagate* standard resides
within the language of *Seagate* itself. *Seagate* overruled the prior
“affirmative duty of care” test by requiring “at least a showing of
objective recklessness” to prove willful infringement. As indicated
in Part III of this note, this standard would comport with the requisite
minimum degree of culpability to show willfulness in other civil
punitive contexts. However, *Seagate* went on to require a finding of
both objective and subjective recklessness. A requirement that both
levels of culpability exist in order to find willfulness fails to conform

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Life Scis., Inc., 34 F.3d 1048, 1056 (Fed.Cir.1994) (“Possession of a favorable
opinion of counsel is not essential to avoid a willfulness determination; it is only one
factor to be considered, albeit an important one.”).

186. *Id.*

187. *Id.* at 1371 (emphasis added).

188. *See id.* (The court can only begin an inquiry into the subjective prong
after finding the objective prong is satisfied.).
to the standard to prove willfulness in all other civil contexts. It also fails to conform to the principles laid out in *Safeco*, the primary case relied upon by the *Seagate* court when it fashioned the *Seagate* standard.

Under *Safeco*’s rationale, objective recklessness on the part of a patent infringer alone — even absent a showing of subjective recklessness — should be sufficient to prove willfulness. Similar to its treatment of the rationale in *Yurman*, however, *Seagate* imports the *Safeco* objective recklessness standard into the *Seagate* framework with a drastic and meaningful modification: objective recklessness is not a minimum standard of conduct to determine willfulness — it is a mandatory one.189 Perplexingly, the court did so after opining that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”190

*Seagate* gives no indication why willfulness in the patent infringement context requires both objective and subjective recklessness, while willfulness in the copyright infringement context under *Safeco* and the antitrust liability context in *Yurman* require only objective recklessness. Is it necessary that a patent infringer act both objectively and subjectively reckless to prove willfulness under Section 284? A proper reading of *Safeco* and *Yurman*, and prior determinations of willfulness in other civil contexts indicate not. Reckless disregard of the law is a lower level of culpability than knowing violations, and “knowing violations are sensibly understood as a more serious subcategory of willful ones.”191 Common sense dictates that if the more serious subcategory of culpability is proven, inquiry into the less serious subcategory becomes irrelevant.

The *Seagate* standard needs to be modified. The Supreme Court has the opportunity in *Stryker* and *Halo* to strip *Seagate* of its requirement that both levels of culpability exist to find willfulness sufficient to permit the enhancement of damages, and to close a loophole which allows certain defendants to escape liability. The Court should undertake this task without any guidance from the *Brooks* or *Octane* standards used to determine attorney’s fees under

189. Id. at 1371.
190. Id. (emphasis added).
Section 285, as no linkage exists between the awards for attorney's fees and enhanced damages.

CONCLUSION

The current standard to prove willfulness sufficient to award enhanced damages in patent infringement litigation requires modification. It is clear, however, the current standard cannot be returned to the pre-Seagate standard, as punitive damages require a showing of more than mere negligence. In fashioning the new enhanced damages standard, the Court should opt against using Octane's rationale as guidance because the two standards are predicated on different case law, and their respective statutes serve distinct legal purposes. The punitive nature of an enhanced damage award under Section 284 requires it to have in place a stricter standard than an award for compensatory attorney's fees under Section 285. The Seagate standard's requirement that both objective and subjective recklessness be proven in order to allow an award of enhanced damages is too strict, and not aligned with the requisite level of conduct in similar civil punitive contexts. Modifying the Seagate standard to permit proof of either objective or subjective recklessness to justify a finding of willful infringement cures this major deficiency inherent in Seagate, while remaining within the confines of the Due Process Clause.

Tyler A. Hicks*

192. See Seagate, 497 F.3d at 1371.

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