

Federal Circuit Patent Bulletin: *WesternGeco LLC v. ION Geophysical Corp.*

September 22, 2016

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On September 21, 2016, in *WesternGeco LLC v. ION Geophysical Corp.*, the U.S. Court of Appeals for the Federal Circuit (Dyk,* Wallach, Hughes), on remand from the U.S. Supreme Court in light of *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 579 U.S. ___ (2016), affirmed-in-part, reversed-in-part, vacated-in-part and remanded the district court's judgment that ION willfully infringed U.S. Patents No. 6,691,038, No. 7,080,607, No. 7,162,967, and No. 7,293,520, which related to seismic streamer array tracking and positioning systems, and the refusal under 35 U.S.C. § 284 to enhance the jury's damages award of \$93.4 million in lost profits and a reasonable royalty of \$12.5 million. The Federal Circuit stated:

Halo emphasized that subjective willfulness alone—i.e., proof that the defendant acted despite a risk of infringement that was "either known or so obvious that it should have been known to the accused infringer,"—can support an award of enhanced damages. "The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless." Additionally, the Court stressed throughout *Halo* that, if willfulness is established, the question of enhanced damages must be left to the district court's discretion. So too, *Halo* stressed that "[a]wards of enhanced damages . . . are not to be meted out in a typical infringement case, but are instead designed as a 'punitive' or 'vindictive' sanction for egregious infringement behavior." "[N]one of this is to say that enhanced damages must follow a finding of egregious misconduct. As with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount. Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test." . . .

After *Halo*, the objective reasonableness of the accused infringer's positions can still be relevant for the district court to consider when exercising its discretion. [T]here is "no precise rule or formula" to determine whether enhanced damages should be awarded and that district courts should generally "exercise[] [their discretion] in light of the considerations' underlying the grant of that discretion." [I]n determining whether to award attorney's fees under § 285, a district court should "consider[] the totality of the circumstances." [I]n

determining whether to award fees . . . , district courts could consider a ‘nonexclusive’ 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.’” . . .

Here, in granting ION’s motion for JMOL of no willful infringement, the district court found that WesternGeco had not proved that ION’s defenses to infringement were objectively unreasonable and consequently concluded that the first, objective prong of the *Seagate* test had not been met. As *Halo* has rejected the *Seagate* rule that a patentee’s failure to establish the objective recklessness of the defendant’s infringement precludes a finding of willfulness, we must vacate the district court’s determination of no willful infringement by ION.

On remand the district court must consider two questions. The first of these is subjective willfulness. . . . On remand, the district court must review the sufficiency of this evidence as a predicate to any award of enhanced damages, mindful of *Halo*’s replacement of *Seagate*’s clear-and-convincing evidence standard with the “preponderance of the evidence standard.” The second issue that the district court must consider on remand, if the jury’s finding of willful infringement is sustained, is whether enhanced damages should be awarded. *Halo* emphasized that the question of enhanced damages under § 284 is one that must be left to the district court’s discretion. The district court, on remand, should consider whether ION’s infringement constituted an “egregious case[] of misconduct beyond typical infringement” meriting enhanced damages under § 284 and, if so, the appropriate extent of the enhancement.