

Cuozzo Speed Technologies and *Halo Electronics*: The U.S. Supreme Court Decides Two Patent Cases in 2016, Upholding a Section of the America Invents Act and Respecting Established Patent Principles

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I. Introduction

Congress has the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹

The United States Supreme Court decided two patent cases in 2016: *Cuozzo Speed Technologies, LLC v. Lee*,² and *Halo Electronics, Inc. v. Pulse Electronics, Inc.*³ In *Cuozzo*, on June 20, 2016, the Supreme Court held, six to two, that a section of the Leahy-Smith America Invents Act, which allows inter partes review by the newly created Patent Trial and Appeal Board,⁴ does not give a right of judicial review of that decision, and a regulation made pursuant to the statute,⁵ which gives the standard of review of a patent claim its broadest reasonable construction, was properly promulgated, affirming the decision of the Court of Appeals for the Federal Circuit.⁶ In *Halo*, on June 13, 2016, the Court held, eight to zero, that enhanced patent damages are to be decided by the district court in egregious cases consistent with centuries of sound legal principles, and not under the rigid *Seagate* test of the Federal Circuit in 2007,⁷ vacating and remanding the decision of the Federal Circuit.⁸ The two patent decisions of 2016 were one less in number than the three patent cases of 2015, which were half of the record-setting six patent decisions by the Court in 2014,⁹ but in each term, the Court of Appeals was affirmed only once.¹⁰ In 2016, one patent case, *Halo*,

¹ U.S. CONST., art. I, § 8, cl. 8.

² *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131 (2016). *See infra* notes 17–63 and accompanying text.

³ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S.Ct. 1923 (2016). *See infra* notes 64–132 and accompanying text.

⁴ 35 U.S.C. § 314(d).

⁵ 37 C.F.R. § 42.100(b).

⁶ *Cuozzo*, 136 S.Ct. at 2131.

⁷ *In Re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

⁸ *Halo*, 136 S.Ct. at 1923.

⁹ *See generally* Sue Ann Ganske, *Marvel, Cisco, and Teva: The Supreme Court Decides Three Patent Cases in 2015, Respecting Stare Decisis*, *forthcoming*, 24 TEX. INTELL. PROP. L.J. — (2016); Sue Ann Ganske, *The U.S. Supreme Court Decides Six Patent Cases in 2014, Culminating in Alice Corp. v. CLS Bank International*, 23 TEX. INTELL. PROP. L.J. 183 (2015).

¹⁰ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), *aff'd sub nom.* *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131 (2016); *Halo*, 769 F.3d 1371, *rev'd*, 136 S.Ct. 1923 (2016); *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 723 F.3d 1363 (Fed. Cir. 2013), *vacated*, 135 S.Ct. 831 (2015); *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361 (Fed. Cir. 2013), *vacated in part*, 135 S.Ct. 1920 (2015); *Kimble v. Marvel Enters. Inc.*, 727 F.3d 856 (9th Cir. 2013), *aff'd sub nom.* *Kimble v. Marvel Entm't, LLC*, 135 S.Ct. 2401 (2015); *Medtronic Inc. v. Boston Sci. Corp.*, 695 F.3d 1266 (Fed. Cir. 2012), *rev'd sub nom.* *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S.Ct. 843 (2014); *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 496 F. App'x 57 (Fed. Cir. 2012), *rev'd*, 134 S.Ct. 1749 (2014); *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300 (Fed. Cir. 2012), *vacated sub nom.* *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S.Ct. 1744 (2014); *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012), *rev'd*, 134 S.Ct. 2111 (2014); *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891 (Fed. Cir. 2013), *vacated*, 134 S.Ct. 2120 (2014); *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269 (Fed. Cir. 2013), *aff'd*, 134 S.Ct. 2347 (2014).

was unanimous,¹¹ and the other patent case, *Cuozzo*, involved a dissent in part by Justice Alito, joined by Justice Sotomayor.¹² In the patent cases decided by the Court in 2015, there were dissents in each case, while all six patent decisions in 2014 were unanimous.¹³

The theme of the Supreme Court in the two patent decisions in 2016, if there is a theme, is that, in *Halo*,¹⁴ the Court respected broad and established principles when ascertaining patent enhanced damages. In *Cuozzo*,¹⁵ the Court upheld the section of the Leahy Smith America Invents Act that created inter partes review, as well as the implementing regulation.¹⁶ In other words, it was a clarifying year in patent jurisprudence at the Supreme Court, although not necessarily a ground-breaking or record-setting year. Each case, though, is essential to intellectual property and practice, and this article reviews and analyzes the two Supreme Court patent decisions of 2016. This article concludes with implications of this series of important cases.

II. *Cuozzo Speed Technologies, LLC v. Lee*

The Supreme Court, on June 20, 2016, in *Cuozzo*, held that inter partes review by the newly created Patent Trial and Appeal Board under the Leahy-Smith America Invents Act does not include a right to appeal a decision of that board.¹⁷ Further, a regulation pursuant to the America Invents Act was upheld.¹⁸

The 2011 Leahy-Smith America Invents Act made substantive changes to U.S. patent law. Effective in 2013, the U.S. became a first-inventor-to-file system,¹⁹ instead of the prior first-to-invent patent system, among many changes. Further, the America Invents Act added three new ways for the Patent Office to review issued patent claims: inter partes review,²⁰ post-grant review,²¹ and covered business method

¹¹ *Halo*, 136 S.Ct. at 1923. See *infra* notes 64–132 and accompanying text.

¹² *Cuozzo*, 136 S.Ct. at 2131. See *infra* notes 17–63 and accompanying text.

¹³ See cases cited *supra* note 10.

¹⁴ *Halo*, 136 S.Ct. at 1923. See *infra* notes 64–132 and accompanying text.

¹⁵ *Cuozzo*, 136 S.Ct. at 2131. See *infra* notes 17–63 and accompanying text.

¹⁶ 37 C.F.R. § 42.100(b).

¹⁷ *Cuozzo*, 136 S.Ct. at 2131. .

¹⁸ *Id.* at 2144.

¹⁹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3, 125 Stat. 284, 285–86 (2011) (codified as amended at 35 U.S.C. § 102). See generally Justin Nifong, *Impact of the America Invents Act*, 13 WAKE FOREST J. BUS. & INTELL. PROP. 339, 340 (2013) (explaining that “[t]he most significant change brought about by the AIA is the move from a first-to-invent to a first inventor-to-file system”); Wendell Ray Guffey & Kimberly Schreiber, *America Invents Act: The Switch to a First-to-File Patent System*, 68 J. MO. B. 156, 156 (2012) (explaining that a major change under the AIA was “the switch from a first-to-invent to a first-to-file patent system”); David W. Trilling, *Recent Development: Recognizing a Need for Reform: The Leahy-Smith America Invents Act of 2011*, 2012 U. ILL. J. L. TECH. & POL’Y 239, 246 (2012).

²⁰ See *infra* notes 23–27 and accompanying text. See generally Stefan Blum, *Ex Parte Reexamination: A Wolf in Sheep’s Clothing*, 73 OHIO ST. L. J. 395, 411, 431–32 (2012).

²¹ Under post-grant review, a third party may, within nine months, request that one or more patent claims be terminated based upon invalidity under 35 U.S.C. § 282(b)(2) or 35 U.S.C. § 282(b)(3).

patent review.²² Inter partes review was at issue in *Cuozzo*.²³ Under inter partes review, created by the America Invents Act, one who is not the patent owner may request review of a patent and cancellation of the claims only on a ground under section 102 (novelty) or 103 (nonobviousness) of the Patent Act based upon prior art consisting of patents or other printed material.²⁴ This review should only be authorized if the third party filing the review would have a reasonable likelihood of prevailing on at least one of the claims.²⁵ The decision to institute inter partes review is “final and nonappealable.”²⁶ Regulations on the standards and procedures of conducting inter partes review were to be promulgated, according to the America Invents Act.²⁷ The Patent Trial and Appeal Board conducts inter partes review, again according to the America Invents Act.²⁸

Petitioner Garmin²⁹ filed a petition for the first inter partes review under the America Invents Act in September 2012 of all claims, one through twenty, of U.S. Patent Number 6,778,074 (the “‘074 patent”), issued on August 17, 2004, for a speed limit indicator and method for displaying speed and the relevant speed limit.³⁰ Interestingly, and as a side issue, on June 15, 2012, Cuozzo Speed Technologies, LLC, the assignee of the patent as of June 1, 2012, had filed a patent infringement suit in New Jersey federal district court, against Garmin, among others.³¹

35 U.S.C. § 321(b). *See generally* Kaylen Fosen, Note, *The Post Grant Problem: America Invents Falling Short*, 14 MINN. J. L. SCI. & TECH. 573, 585 (2013) (explaining the features of the post-grant review system).

²² Transitional regulations will be promulgated on the post-grant review of covered business method patents. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329–31 (2011); 37 C.F.R. §42.300(d).

²³ *Cuozzo*, 136 S.Ct. at 2131.

²⁴ 35 U.S.C. § 311 (a)–(b).

²⁵ 35 U.S.C. § 314 (a). *See also* 35 U.S.C. § 315(a) (inter partes review may not be filed if the challenger has filed a civil action contesting patent claims, and if it is filed, the civil action is stayed); 35 U.S.C. § 315(b) (inter partes review also may not be filed more than a year after the petitioner has had a civil action for infringement of the patent filed against the petitioner).

²⁶ 35 U.S.C. § 314(d).

²⁷ 35 U.S.C. § 316(a).

²⁸ 35 U.S.C. § 316(c).

²⁹ The petitioners were Garmin International, Inc. and Garmin USA, Inc., together “Garmin.” *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-00001, 108 U.S.P.Q.2d 1852 (P.T.A.B. Nov. 13, 2013). *See generally About Us*, GARMIN, <http://www.garmin.com/en-US/company/about/> (last visited June 24, 2016) (noting that Garmin is a leading worldwide provider of navigation with 11,400 offices in 50 nations worldwide).

³⁰ U.S. Patent No. 6,778,074 (filed Mar. 18, 2012), *available at* <http://www.google.com/patents/US6778074>. The invention “relates to a speed limit indicator and a method for displaying speed and the relevant speed limit for use in connection with vehicles.” *Id.* at col. 1, ll. 9–11. The patent was assigned in February of 2012 to Empire IP LLP, and on June 1, 2012, assigned to Cuozzo Speed Technologies, LLC. USPTO Assignment Search, <http://assignment.uspto.gov/> (search “6778074”).

³¹ Complaint for Patent Infringement, *Cuozzo Speed Techs., LLC v. Garmin Int’l., Inc.*, No. 2:12cv03623, (D.N.J. June 15, 2012), ECF No. ___. That same day, Cuozzo Speed Technologies also filed suit against General Motors, Complaint for Patent Infringement, *Cuozzo Speed Techs., LLC v.*

In the inter partes review, the Patent Trial and Appeal Board (the “PTAB”) allowed a trial to go forward only on claims 10, 14, and 17.³² The PTAB instituted the trial on the grounds that the ‘074 patent claims under review were rendered obvious³³ by the prior art references.³⁴ Citing a newly enacted regulation of August 14, 2012,³⁵ pursuant to the America Invents Act,³⁶ under inter partes review, claim terms are given their broadest reasonable construction.³⁷ Examining the claims under review, the PTAB concluded that Garmin met the preponderance of evidence burden of proof that the three claims under review were obvious over prior art, and ordered those claims cancelled.³⁸

Cuozzo appealed to the Court of Appeals for the Federal Circuit, which held that first, it lacked jurisdiction to review the PTAB’s decision to conduct inter partes review, and second, it affirmed the PTAB’s final determination including the use of the broadest reasonable interpretation standard.³⁹

On the first issue, whether inter partes review was properly started by the PTAB, the Court of Appeals held that under the America Invents Act,⁴⁰ the issue is not appealable, even after a final decision by the PTAB.⁴¹ On the second issue, the appeals court stated that while the America Invents Act itself does not give the standard to be used for inter partes review, the America Invents Act does give rulemaking authority

Gen. Motors, No. 2:12cv03624, (D.N.J. June 15, 2012), ECF No. ___, and TomTom, Complaint for Patent Infringement, *Cuozzo Speed Techs., LLC v. TomTom.*, No. 2:12cv03626 (D.N.J. June 15, 2012) ECF No. ___, among others.

³² *Garmin Int’l*, 108 U.S.P.Q.2d at *1. Cuozzo filed both a Patent Owner Response and a Motion to Amend Claims. *Id.* The motion to amend the claims and substitute new claims was denied. *Id.* Independent claim 10 is for “a speed limit indicator comprising: a global positioning system receiver; a display controller connected to said global positioning receiver, . . . ; and a speedometer integrally attached to said color display.” *Id.* at *4. Claim 14 depends on claim 10, and claim 17 depends on claim 14. *Id.* at *23.

³³ See generally 35 U.S.C. § 103.

³⁴ *Garmin Int’l*, 108 U.S.P.Q.2d at *3. The prior art references were the Aumayer, Awada, Tegthoff, Evans, and Wendt, patents numbered U.S. 6,633,811, U.S. 6,515,596, German DE 19755470A1, U.S. 3,980,041, and U.S. 2,711,153, respectively. *Id.* The inventor of the ‘074 patent, Guiseppe Cuozzo, declared that he came up with the idea of using GPS to alert the driver when the driver was speeding when he was pulled over for speeding in 1999. *Id.* at *12. The PTAB stated that the “testimony of the inventor lacks corroboration.” *Id.* at *13. Further, there were two gaps in showing reasonable diligence of the inventor to reduce the invention to practice. *Id.* at *15–17.

³⁵ 37 C.F.R. § 42.100(b).

³⁶ 35 U.S.C. § 314(d).

³⁷ *Garmin Int’l*, 108 U.S.P.Q.2d at *4.

³⁸ *Id.* at *30.

³⁹ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015). Circuit Judge Dyk authored the decision, and was joined by Judge Clevenger. The Patent and Trademark Office, intervened, and pursuant to a settlement agreement with Cuozzo, Garmin agreed not to participate in the appeal. *Id.* at 1272 n.2.

⁴⁰ See 35 U.S.C. § 314(d).

⁴¹ *In re Cuozzo*, 793 F.3d at 1272–73 (citing *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014)).

to the Patent and Trademark Office,⁴² and the regulation promulgated states that patent claims are given their “broadest reasonable construction.”⁴³ The Federal Circuit reviewed the PTAB’s claim construction under this broadest reasonable construction standard, according to the Supreme Court’s 2015 opinion in *Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc.*,⁴⁴ and found no error in the PTAB’s claim construction.⁴⁵ Thus, the PTAB was affirmed.⁴⁶

The Supreme Court affirmed the Court of Appeals for the Federal Circuit,⁴⁷ holding both that the America Invents Act⁴⁸ does not allow an appeal of the decision to bring inter partes review,⁴⁹ and that the “broadest reasonable interpretation” regulation⁵⁰ was made under reasonable rulemaking delegated to the Patent Office.⁵¹ Writing for the majority, Justice Breyer was joined by the entire Court except for the issue of the ability to appeal the initiation of inter partes review. On this issue, Justice Alito dissented, joined by Justice Sotomayor.⁵²

On the issue of the initiation of inter partes review, the majority of the Court held that the determination to institute it is “final and nonappealable,”⁵³ according to the statute. This reinforces an objective of the America Invents Act, letting the Patent Office have “significant power to revisit and revise” patents.⁵⁴

On the issue of the PTO’s rulemaking of the “broadest reasonable interpretation” regulation, the Court conducted the *Chevron*⁵⁵ test, under which, if a statute is clear, the administrative agency must follow the statute, but if not, the agency has leeway to promulgate reasonable rules under the statute. In this case, the America Invents Act does not provide a specific test to use,⁵⁶ and the regulation is reasonable rulemaking by the Patent Office, given that such a standard has been in use for more than 100 years.⁵⁷

⁴² *Id.* at 1275. See also, Allyson E. Mackavage, *One-Off or a Sign of Things to Come? In Re Cuozzo and the Scope of the United States Patent and Trademark Office’s Rulemaking Authority*, 115 COLUM. L. REV. SIDEBAR 93 (2015).

⁴³ *In re Cuozzo*, 793 F.3d at 1275–76 (noting that this standard has been used by the PTO for more than 100 years).

⁴⁴ *Teva Pharm. U.S.A., Inc.*, 135 S.Ct. at 831.

⁴⁵ *In re Cuozzo*, 793 F.3d at 1280.

⁴⁶ *Id.* at 1283.

⁴⁷ *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2146 (2016).

⁴⁸ *Supra* note 32 and accompanying text.

⁴⁹ *Cuozzo*, 136 S.Ct. at 2136.

⁵⁰ 37 C.F.R. § 42.100(b).

⁵¹ *Cuozzo*, 136 S.Ct. at 2144..

⁵² *Id.* at 2148.

⁵³ *Id.* at 2151.

⁵⁴ *Id.* at 2151.

⁵⁵ *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

⁵⁶ *Cuozzo*, 136 S.Ct. at 2142.

⁵⁷ *Id.* at 2145.

Justice Thomas concurred, because the America Invents Act clearly and expressly granted the Patent and Trademark Office the ability to make regulations.⁵⁸ But Justice Thomas stated that in appropriate future case, “this Court should reconsider that fiction of *Chevron* and its progeny.”⁵⁹

Justice Alito, joined by Justice Sotomayor, dissented on the issue that the institution of inter partes review is not appealable.⁶⁰ The dissent says that the majority does not follow a common sense approach, which would state that while the decision is not immediately appealable, it is appealable after the fact, in accordance with judicial review.⁶¹ Having said that, Justice Alito expressed doubts “that *Cuozzo* could ultimately prevail.”⁶²

So in its first challenge, a section of the America Invents Act and an implementing regulation were upheld by the Court.⁶³ The Court of Appeals for the Federal Circuit’s decision was upheld, which is not usually the case when its appeals reach the Supreme Court.⁶⁴

III. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*

The decision of the Court of Appeals for the Federal Circuit was unanimously vacated and remanded in two cases by the Supreme Court in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, and the *Seagate* test used by the appeals court on enhanced damages was thrown out.⁶⁵ Justice Roberts, writing for the entire Court, stated that “[e]nhanced damages are as old as U.S. patent law.”⁶⁶ Treble damages were mandated for successful patent infringement suits in the Patent Act of 1793.⁶⁷ Congress made treble damages discretionary with the Patent Act of 1836.⁶⁸ Congress kept these discretionary treble damages with the Patent Act of 1870.⁶⁹ The Patent Act of 1952 states that in successful patent infringement cases, “the court may increase the damages up to three times.”⁷⁰ Congress retained this section in the America Invents Act.⁷¹

In 2007, the Court of Appeals developed the two-part *Seagate* test for determining enhanced patent damages.⁷² Under this test, to obtain enhanced patent damages,

⁵⁸ *Id.* at 2148 (Thomas, J., concurring).

⁵⁹ *Id.*

⁶⁰ *Id.* at 2149 (Alito, J., dissenting).

⁶¹ *Id.* at 2150.

⁶² *Id.* at 2153.

⁶³ *Supra* notes 48, 50 and accompanying text.

⁶⁴ *Cuozzo*, 136 S.Ct. at 2146. *See also supra* note 10.

⁶⁵ *Halo*, 136 S.Ct. at 1923.

⁶⁶ *Id.* at 1928.

⁶⁷ *Id.* (citing the Patent Act of 1793, § 5, 1 Stat. 322).

⁶⁸ *Id.* (citing the Patent Act of 1836, § 14, 5 Stat. 123).

⁶⁹ *Id.* at 1929 (citing the Patent Act of 1870, § 59, 16 Stat. 207).

⁷⁰ 35 U.S.C. § 284 (1952).

⁷¹ 35 U.S.C. § 284 (2011); *Halo*, 136 S.Ct. at 1934–35.

⁷² *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

the patent holder must show by clear and convincing evidence both that the infringer was objectively reckless,⁷³ and that subjectively, the risk of infringement was either known by the infringer or was so obvious that it should have been known by the infringer.⁷⁴ The unanimous Supreme Court on June 13, 2016 threw out this test, or any rigid test, for assessing enhanced damages in patent infringement cases.⁷⁵

The Supreme Court granted a writ of certiorari in two cases, *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, and *Stryker Corp. v. Zimmer, Inc.*,⁷⁶ both were heard and decided together. In this author's opinion, there wasn't a better case for the Supreme Court to vacate and loosen the standard for assessing treble patent damages than in *Stryker*. *Stryker*⁷⁷ and *Zimmer*⁷⁸ were "the two principal participants in the market for orthopedic pulsed lavage devices."⁷⁹ *Stryker* entered the market in 1993.⁸⁰ *Stryker*'s patents on these devices include a patent for an "irrigation hand-piece with built in pulsing pump,"⁸¹ a "surgical/medical irrigating hand-piece with variable speed pump, integrated suction, and battery pack,"⁸² and a "surgical/medical irrigator with removable tip and integrated suction conduit."⁸³ *Zimmer* had no competing substitute product and, instead of developing a non-infringing competing product, inexplicably hired an independent contractor with no experience in this product line, gave the contractor *Stryker*'s product, and said, "make one for us."⁸⁴ *Zimmer* entered the market in 1998, and succeeded in getting market share from *Stryker*, until 2007, when, due to complaints and technical problems, *Zimmer* had to remove its product from the market for over a year.⁸⁵ When *Zimmer* returned to the market, it regained

⁷³ *Id.* at 1371.

⁷⁴ *Id.* ("The patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.").

⁷⁵ *Halo*, 136 S.Ct. at 1934 ("we eschew any rigid formula for awarding enhanced damages").

⁷⁶ *Id.* at 1931.

⁷⁷ *Fact Sheet*, STRYKER (Aug. 2015), <http://phx.corporate-ir.net/phoenix.zhtml?c=118965&p=irol-sec> (last visited June 27, 2016) (noting that *Stryker* is a broadly diversified leader in medical technology, with over 26,000 employees in more than 100 companies, and holding over 5,300 patents in 2014).

⁷⁸ *About the Company*, ZIMMER BIOMET, <http://investor.zimmerbiomet.com/index.cfm> (last visited June 27, 2016) ("Zimmer Biomet is a global leader in musculoskeletal healthcare.").

⁷⁹ *Stryker Corp. v. Zimmer, Inc.*, No. 1:10-CV-1223, 2013 WL 6231533, at *1 (W.D. Mich. Aug. 7, 2013). *See also* *Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649, 652 (Fed. Cir. 2015) (explaining that these devices deliver pressurized irrigation, both spraying and suctioning, for medical procedures including orthopedic surgery and wound cleansing. Additionally, the devices at issue are portable, handheld, battery operated devices.).

⁸⁰ *Stryker*, 782 F.3d at 652.

⁸¹ U.S. Patent No. 6,022,329 (filed Jan. 20, 1998), [hereinafter the '329 patent], available at <https://www.google.com/patents/US6022329>.

⁸² U.S. Patent No. 7,144,383 (filed May 4, 2004), [hereinafter the '383 patent], available at <https://www.google.com/patents/US7144383>.

⁸³ U.S. Patent No. 6,179,807 (filed Oct. 22, 1999), [hereinafter the '807 patent], available at <https://www.google.com/patents/US6179807>.

⁸⁴ *Stryker*, 2013 U.S. Dist. LEXIS 171817, at *4. *Zimmer* did not seek advice of patent counsel on this. *Id.* Before *Zimmer* left the market it had \$55 million in sales. *Stryker*, 782 F.3d at 652.

⁸⁵ *Stryker*, 2013 U.S. Dist. LEXIS 171817, at *5.

market share until 2010 when Stryker sued for infringement of its patents.⁸⁶

At the district court, “Zimmer lost every argument it advanced at claim construction, then lost most of the disputed claims on summary judgment. It lost all of its remaining claims at trial.”⁸⁷ The jury awarded Stryker \$70 million in lost profits, and found that Zimmer’s infringement was willful.⁸⁸ The district court found that “there is simply no good reason *not* to treble the award of supplemental damages here.”⁸⁹ Further, Zimmer still hadn’t changed its design.⁹⁰

On appeal to the Court of Appeals for the Federal Circuit, the court affirmed the jury’s verdict that the patents were valid and were infringed, and upheld the award of damages.⁹¹ But, the appeals court reversed the finding that the infringement was willful and vacated the award of treble damages.⁹² While the appeals court affirmed that Zimmer lost on its defenses of non-infringement and invalidity, the appeals court found that Zimmer’s defenses were not unreasonable.⁹³ Under the two-part test for willful infringement set out in *In re Seagate Tech., LLC*,⁹⁴ the patentee must first establish by clear and convincing evidence that the infringer acted despite an objectively high likelihood that it was infringing a valid patent, and then, that this objective risk was either known or should have been known to the infringer.⁹⁵ The appeals court in *Stryker* stated that the district court did not conduct an objective risk assessment, which would have shown that Zimmer had reasonable defenses.⁹⁶ Since Zimmer did not act recklessly, the award of exemplary damages and attorney’s fees was reversed by the Federal Circuit.⁹⁷

Halo Electronics is a privately held company with over 1,000 employees worldwide, which designs and manufactures a broad range of communication and power

⁸⁶ *Id.* It is unclear why Stryker waited so long to initiate suit. In 2000, Stryker sued another infringer, Davol, and settled in 2001. *Stryker*, 782 F.3d at 652.

⁸⁷ *Stryker*, 2013 U.S. Dist. LEXIS 171817, at *4.

⁸⁸ *Id.* at *3. Zimmer also lost all of its post-verdict motions. *Id.* at *9. Stryker prevailed on all five of its post-verdict motions. *Id.* at *69.

⁸⁹ *Id.* at *98. (emphasis in original).

⁹⁰ *Id.* at *5.

⁹¹ *Stryker*, 782 F.3d at 652.

⁹² *Id.* The award of attorney’s fees was also vacated. *Id.*

⁹³ *Id.* at 654. Concerning the ‘329 patent, claim 2 states that the motor is in the handle, whereas Zimmer’s motor was in the nub of the handpiece behind the barrel. *Id.* While Stryker prevailed on this, Zimmer’s positions “were not unreasonable.” *Id.* at 657.

⁹⁴ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

⁹⁵ *Stryker*, 782 F. 3d at 660–61 (citing *In Re Seagate* 497 F.3d 1360 at 1371).

⁹⁶ *Stryker*, 782 F. 3d at 661. Concerning the ‘329 patent, patent claim 2 states that the motor is in the handle while Zimmer’s motor is in the nub. *Id.* See *infra* note 100. Concerning the ‘807 patent, the specification stated female nozzles on the front of the device and male nozzles on the tip, whereas Zimmer’s device reversed this. *Stryker*, 782 F.3d at 661. Concerning the ‘383 patent, Zimmer relied on references also raised by a PTO examiner during an office examination in discovery in this litigation, thus making Zimmer’s defense reasonable. *Id.* at 662.

⁹⁷ *Id.*

magnetics.⁹⁸ Pulse Electronics, Inc. is one of the largest electronics manufacturers in the world,⁹⁹ and has a long operating history in magnetics, antennas, and connectors.¹⁰⁰ Halo Electronics, Inc. owns four patents¹⁰¹ at issue in this case, which relate to “an improved design for an electronic surface-mount package.”¹⁰² Pulse Electronics, Inc., owns two patents¹⁰³ at issue on electronic connectors. Pulse allegedly was aware of Halo’s patents as early as 1998.¹⁰⁴ In 2002, Halo sent letters to Pulse offering patent licenses, but did not accuse Pulse of infringement.¹⁰⁵ Pulse continued to sell its products without licensing.

Halo filed suit and an amended complaint in 2007, alleging that Pulse infringed on claims of its patents by selling surface-mount transformers with electronic surface-mount packages; Pulse counterclaimed that Halo infringed on claims of its patents by selling products that contain connectors covered under the claims of Pulse’s patents.¹⁰⁶ A number of issues were dealt with before trial, including the grant of summary judgment that Pulse did not infringe concerning allegedly infringing products sold by Pulse outside the United States.¹⁰⁷ After a jury trial in November 2012, the

⁹⁸ *Company at a Glance*, HALO ELECTRONICS, INC., <http://www.haloelectronics.com/pdf/HALO-at-a-Glance.pdf> (last visited June 28, 2016).

⁹⁹ *Pulse Careers*, PULSE ELECTRONICS, http://search9.smartsearchonline.com/pulseelectronics/jobs/process_jobsearch.asp (last visited June 28, 2016). Pulse manufactures in Asia, with many products sold and delivered outside the United States, although some products are delivered to the United States. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371, 1375 (Fed. Cir. 2014).

¹⁰⁰ *Corporate Profile*, PULSE ELECTRONICS, http://www.pulseelectronics.com/investor_relations (last visited June 28, 2016).

¹⁰¹ U.S. Patent No. 5,656,985 (filed Aug. 10, 1995), *available at* <http://www.google.com/patents/US5656985>. (the parent patent, from which the others derive, for an electronic surface mount package) U.S. Patent No. 6,297,720 (filed Dec. 27, 1996), *available at* <http://www.google.com/patents/US6297720>. U.S. Patent No. 6,297, 271 (filed Nov. 24, 1997), *available at* <http://www.google.com/patents/US6297721>. U.S. Patent No. 6,344,785 (filed Aug. 6, 1997), *available at* <http://www.google.com/patents/US6344785>.

¹⁰² *Halo Electronics, Inc. v. Pulse Eng’g, Inc.*, 721 F. Supp. 2d 989, 993 (D. Nev. 2010). *aff’d sub nom.* *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded*, 136 S. Ct. 1923 (2016), and *aff’d sub nom.* *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 2013-1472, 2016 WL 4151239 (Fed. Cir. Aug. 5, 2016). The package mounts to a circuit board for electronic devices.

¹⁰³ U.S. Patent No. 6,769,936 (filed May 6, 2002), *available at* <http://www.google.com/patents/US6769936>. (patent for a connector with insert assembly and method of manufacturing) U.S. Patent No. 6,116,963 (filed Oct. 9, 1998), *available at* <http://www.google.com/patents/US6116963>. (patent for a two-piece microelectronic connector and mount).

¹⁰⁴ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371, 1376 (Fed. Cir. 2014), *vacated* 136 S. Ct. 1923 (2016).

¹⁰⁵ *Id.* A Pulse engineer spent about two hours reviewing the Halo patents, but concluded that they were invalid, based upon Pulse’s products on the market prior to those patents. *Id.* Like Zimmer, Pulse did not consult legal counsel. *Stryker*, 2013 U.S. Dist. LEXIS 171817, at *98.

¹⁰⁶ *Halo*, 721 F.Supp. 2d at 993. In 2008, during discovery, Pulse requested and received a temporary stay when a third party challenged the validity of claims of Halo’s patents. Upon reexamination, all claims were upheld. Halo then was allowed to add 66 claims, most of which were also asserted against Pulse. *Id.*

¹⁰⁷ *Halo Electronics, Inc. v. Pulse Eng’g, Inc.*, 810 F. Supp. 2d 1173, 1210 (D. Nev. 2011), *aff’d sub*

jury found 1) that all but one of Pulse's allegedly infringing products sold in the United States directly infringed claims of Halo's patents, 2) that Pulse indirectly infringed concerning products made outside the United States but shipped into the United States incorporating Pulse's infringing products, and 3) that it was highly probable that this infringement was willful and determined damages accordingly.¹⁰⁸ The district court held that Halo did not prove by clear and convincing evidence that Pulse acted with an objectively high likelihood that its actions constituted infringement.¹⁰⁹ The district court granted Halo a permanent injunction,¹¹⁰ which was stayed.¹¹¹

Halo appealed the summary judgment concerning products sold outside the United States,¹¹² and the district court's finding that the infringement for products sold within the United States was not willful.¹¹³ Pulse cross-appealed.¹¹⁴ The Court of Appeals for the Federal Circuit affirmed.¹¹⁵ Concerning the products sold outside the United States, the Patent Act states that "whoever without authority makes, uses, offers to sell, or sells any patented invention within the United States" infringes.¹¹⁶ Thus the judgment of no infringement for the products outside the United States was affirmed.¹¹⁷ Using the *Seagate* test,¹¹⁸ the appeals court also unanimously affirmed that Pulse's infringement was not objectively willful,¹¹⁹ in a decision authored by Circuit Judge Lourie.

In a concurrence that anticipates the Supreme Court's decision, Circuit Judge

nom. Halo Electronics, Inc. v. Pulse Electronics, Inc., 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded*, 136 S. Ct. 1923 (2016), and *aff'd sub nom.* Halo Electronics, Inc. v. Pulse Electronics, Inc., No. 2013-1472, 2016 WL 4151239 (Fed. Cir. Aug. 5, 2016). Pulse's motion for summary judgment on direct infringement was denied in all other respects. Pulse's motion for summary judgment on no infringement was denied. Halo's motion for summary judgment of no invalidity was granted; Pulse's motion of invalidity was denied. *Id.*

¹⁰⁸ Halo Electronics, Inc., v. Pulse Electronics, Inc., No. 2:07-dv-0031-PMP-PAL, 2013 Dist. LEXIS 74799, at *2-3 (D. Nev. May 28, 2013), *vacated and remanded*, 136 S. Ct. 1923 (2016).

¹⁰⁹ *Id.* at *46-47.

¹¹⁰ Halo Electronics, Inc. v. Pulse Electronics, Inc., No. 2:07-dv-0031-PMP-PAL, 2013 Dist. LEXIS 84672, at *39 (D. Nev. June 17, 2013).

¹¹¹ Halo Electronics, Inc. v. Pulse Electronics, Inc., No. 2:07-dv-0031-PMP-PAL, 2013 Dist. LEXIS 99772, at *11 (D. Nev. July 16, 2013). Pulse's request for a new trial was denied. Halo Electronics, Inc. v. Pulse Electronics, Inc., No. 2:07-dv-0031-PMP-PAL, 2013 Dist. LEXIS 117190, at *48 (D. Nev. Aug. 16, 2013).

¹¹² *Halo*, 810 F. Supp. 2d at 1181.

¹¹³ *Halo*, 2013 Dist. LEXIS 74799, at *3.

¹¹⁴ *Halo*, 769 F.3d at 1374.

¹¹⁵ *Id.* at 1383. See generally Georgi Korobanov, *Higher Standards – The Real Issue Within Halo v. Pulse*, 98 J. PAT. & TRADEMARK OFF. SOC'Y 100 (2016); Tyler A. Hicks, Note, *Breaking the "Link" Between Awards for Attorney's Fees and Enhanced Damages in Patent Law*, 52 CAL. W. L. REV. 191 (2016).

¹¹⁶ 35 U.S.C. § 271 (a) (2010).

¹¹⁷ *Halo*, 769 F.3d at 1381.

¹¹⁸ *In Re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007). See also *supra* text accompanying notes 72-74.

¹¹⁹ *Halo*, 769 F.3d at 1383. There was also no reversible error on Pulse's cross appeal. *Id.*

O'Malley, joined by Circuit Judge Hughes, observed that they were bound by *Seagate*,¹²⁰ but should “reevaluate our willfulness jurisprudence in light of the Supreme Court’s decisions in *Highmark* and *Octane Fitness*.”¹²¹ The standard for the award of enhanced damages has mirrored the award of attorneys’ fees, and a flexible test examining the totality of circumstances could be the appropriate flexible test for both, according to the concurrence.¹²² Possibly spurred on by the concurrence, Halo requested a rehearing en banc, which was denied.¹²³

On a writ of certiorari, the Supreme Court unanimously vacated and remanded both cases.¹²⁴ Justice Roberts, writing for the Court, observed that enhanced patent damages over the last 180 years are awarded only for egregious, willful, wanton, deliberate, or flagrant behavior.¹²⁵

The *Seagate* test used by the Court of Appeals for the Federal Circuit since 2007 is “unduly rigid, and it impermissibly encumbers the statutory grant of discretion to the district courts.”¹²⁶ While *Octane Fitness* was in a different context – patent attorney’s fees in exceptional cases – the Supreme Court found that it “points in the same direction.”¹²⁷ Like *Octane Fitness*, which rejected the higher “clear and convincing” burden of proof for attorney’s fees in exceptional patent cases, the Court in *Halo* unanimously rejected *Seagate*’s higher standard for the award of enhanced patent damages.¹²⁸

Just as the Court in *Highmark Inc. v. Allcare Health Management Systems, Inc.* rejected a multiple part standard of review, the Court in *Halo* rejected *Seagate*’s two-part test.¹²⁹ Congress’ retention of the section on enhanced damages in the America Invents Act does not necessarily mean that Congress meant to retain the *Seagate* test, but could also mean that they retain nearly two hundred years of patent enhanced damages discretionary jurisprudence.¹³⁰ Enhanced patent damages should be awarded carefully, “limiting the award of enhanced damages to egregious cases of misconduct beyond typical infringement.”¹³¹ Thus the Court continued in its reasoning consistent with recent precedent, as anticipated by the concurrence at the Federal

¹²⁰ *Id.* at 1386 (O’Malley, CJ, concurring). *See also supra* text accompanying notes 72–74.

¹²¹ *Halo*, 769 F.3d at 1386.

¹²² *Id.* at 1385.

¹²³ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 780 F.3d 1357, 1358 (Fed. Cir. 2015). Not surprisingly, Circuit Judges O’Malley and Hughes dissented. *Id.* at 1361.

¹²⁴ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, Nos. 14-1513 and 14-1520, 2016 U.S. LEXIS 3776, at *14 (U.S. June 13, 2016).

¹²⁵ *Id.* at *14–15.

¹²⁶ *Id.* at *15 (citing *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S.Ct. 1749 (2014)).

¹²⁷ *Id.* at *16.

¹²⁸ *Id.* at *19–20.

¹²⁹ *Id.* at *20 (citing *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S.Ct. 1744 (2014)).

¹³⁰ *Halo*, 2016 U.S. LEXIS 3776, at *21–22.

¹³¹ *Id.* at *24.

Circuit.¹³²

IV. Conclusion

The U.S. Supreme Court in the 2015-16 term decided two important patent cases in *Cuozzo Speed Technologies, LLC v. Lee*¹³³ and *Halo Electronics, Inc. v. Pulse Electronics, Inc.*¹³⁴ While not a record-setting term for the Court, each case is important and adds to patent jurisprudence.

The America Invents Act got a boost from the Supreme Court in *Cuozzo* when the Court upheld both the aspect of the process of inter partes review, which makes the decision to institute review nonappealable,¹³⁵ as well as the regulation setting the standard of claims review as “the broadest reasonable interpretation,”¹³⁶ affirming the Court of Appeals for the Federal Circuit on both issues.¹³⁷

The year 2016, like 2015 and 2014, was not a good year for patent assertion entities at the United States Supreme Court, thanks to the *Cuozzo* case. The term “patent troll” was not actually used by the Court in 2016, as it was by the late Justice Scalia in the dissent in *Commil USA, LLC v. Cisco Systems, Inc.* in 2015.¹³⁸ The Court in 2014 in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*¹³⁹ and *Highmark Inc. v. Allcare Health Management System, Inc.*,¹⁴⁰ made attorney’s fees easier to recover in patent infringement suits, and in *Alice Corporation v. CLS Bank International*,¹⁴¹ the Supreme Court held that “mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” The Court in 2016, though, did strike a blow against patent trolls by upholding a portion of the America Invents Act making the inter partes review initiation by the PTAB nonappealable.¹⁴² This sends the message that Congress is the appropriate branch to enact patent legislation, to promote the progress of science and useful arts.¹⁴³ In *Cuozzo*, the non-practicing entity could not appeal the initiation of inter partes review, which held that the patent’s claims were obvious under prior art.¹⁴⁴

As of March 31, 2016, there have been in cumulative total 4743 petitions to the

¹³² *Halo*, 780 F.3d at 1358.

¹³³ *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131 (2016).

¹³⁴ *Halo Electronics., Inc. v. Pulse Electronics., Inc.*, 136 S.Ct. 1923 (2016).

¹³⁵ 35 U.S.C. § 316.

¹³⁶ *Cuozzo*, 136 S.Ct. at 2144..

¹³⁷ *Id.* at 2136.

¹³⁸ *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S.Ct. 1920, 1932 (2015) (Scalia, J., dissenting).

¹³⁹ *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 134 S.Ct. 1749 (2014).

¹⁴⁰ *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S.Ct. 1744 (2014).

¹⁴¹ *CLS Bank Int’l v. Alice Corp. Pty.*, 134 S.Ct. 2347, 2358 (2014).

¹⁴² 35 U.S.C. § 316.

¹⁴³ U.S. CONST., art. I, § 8, cl. 8.

¹⁴⁴ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015). See *supra* text accompanying note 39.

Patent Trial and Appeal Board.¹⁴⁵ Ninety percent of these were for inter partes review, while nine percent were for covered business methods,¹⁴⁶ and one percent were post-grant review.¹⁴⁷ Of the 2,872 inter partes reviews completed to date, about half, or 1,429, resulted in no trial, and 1433 resulted in trial initiation.¹⁴⁸ Of the trials initiated, 594 were terminated,¹⁴⁹ and 894 were completed. Of the completed PTAB inter partes review trials, 640 trials, or 72% of written decisions, found all instituted patent claims unpatentable.¹⁵⁰ Among the remaining trials, 123, or 14% of final written decisions, found some instituted patent claims unpatentable, and¹⁵¹ 131, or 15% of final written decisions, found no instituted claims unpatentable.¹⁵² This data could support the contention that PTAB inter partes review is an effective mechanism against claims which should not have been granted. There is no data at this point on how many trials were instituted on claims owned by non-practicing entities.

The Court in *Halo*¹⁵³ unanimously vacated the decision of the Court of Appeals for the Federal Circuit, and its use of the *Seagate*¹⁵⁴ test when assessing exemplary patent damages. Courts should consider many factors, as they have for many years, and not use a rigid formula.¹⁵⁵

An unintended consequence of *Halo* could be that non-practicing entities could find it easier to get, or threaten, exemplary patent damages in suits against legitimate businesses.¹⁵⁶ In both cases vacated in *Halo*, the parties were competitors and not non-practicing entities. Justice Roberts stated that “consistent with nearly two centuries of enhanced damages under patent law, however, such punishment should generally be reserved for egregious cases typified by willful misconduct.”¹⁵⁷ This wording in dicta tends to put the brakes on the threats of unwarranted patent enhanced damages. Similarly, the concurrence, written by Justice Stevens, contained words of warning for considering cases involving non-practicing entities, asserting that enhanced damages should be awarded carefully and only in cases of egregious

¹⁴⁵ U.S. PAT. AND TRADEMARK OFF., *Patent Trial and Appeal Board Statistics*, at 2 (Mar. 31, 2016), <http://www.uspto.gov/sites/default/files/documents/2016-3-31%20PTAB.pdf> (last visited, June 26, 2016).

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ *Id.* at 10. Of the trials not initiated, 869 petitions were denied by the PTAB, while 560 were terminated before the decision to initiate review. Of those 560, 506 resulted in a settlement. *Id.*

¹⁴⁹ *Id.* Four hundred were settled, while 17 were dismissed, and 134 ended by a request for an adverse judgment. *Id.*

¹⁵⁰ *Id.*

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, Nos. 14-1513 and 14-1520, 2016 U.S. LEXIS 3776, at *6–7 (U.S. June 13, 2016).

¹⁵⁴ *In Re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

¹⁵⁵ *Halo*, 2016 U.S. LEXIS 3776, at *20.

¹⁵⁶ *Id.* at *29 (Stevens, J., concurring).

¹⁵⁷ *Id.* at *19.

misconduct.¹⁵⁸ With that in mind, judges can use discretion to apply such enhanced damages as appropriate.

¹⁵⁸ *Id.* at *30–31.