

## Federal Circuit Patent Bulletin: *Stryker Corp. v. Zimmer, Inc.*

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September 12, 2016

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On September 12, 2016, in *Stryker Corp. v. Zimmer, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Prost,\* Newman, Hughes), on remand from the U.S. Supreme Court, affirmed-in-part, vacated-in-part and remanded the district court's judgment entering the jury verdict that Zimmer willfully infringed U.S. Patents No. 6,022,329, No. 6,179,807, and No. 7,144,383, which related to pulsed lavage devices. The Federal Circuit stated:

After taking into consideration the circumstances of a particular case, a court may exercise its discretion and award enhanced damages under 35 U.S.C. § 284. "[H]owever, such punishment should generally be reserved for egregious cases typified by willful misconduct." In making its willfulness determination, the district court applied the standard we had previously articulated in *Seagate*, which required a patentee to establish, by clear and convincing evidence, both that there was an objectively high likelihood that the accused infringer's actions constituted patent infringement, and that the risk was "either known or so obvious that it should have been known to the accused infringer." The Supreme Court [in *Halo*] rejected this approach and explained that "[t]he subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless." The Supreme Court also rejected the use of a clear and convincing standard in favor of a preponderance of the evidence standard.

On appeal, Zimmer did not appeal the jury's finding of subjective willfulness under the *Seagate* test. On the record in this case, willful misconduct is sufficiently established by the jury's finding. The jury made its determination under the clear and convincing evidence standard, which is a higher standard than is now necessary. We therefore affirm the jury's finding of willful infringement.

In doing so, we think the best course is to vacate the award of enhanced damages and remand to the district court for consideration of this issue. As *Halo* makes clear, the decision to enhance damages is a discretionary one that the district court should make based on the circumstances of the case, "in light of the longstanding considerations . . . as having guided both Congress and the courts." Thus, it is for the district court to determine whether, in its discretion, enhancement is appropriate here. We therefore vacate the district court's

award of enhanced damages and remand to the district court so that it may exercise its discretion.

The district court's award of attorneys' fees was based solely on its determination that Zimmer was liable of willful infringement. Though we uphold the district court's willfulness determination, it does not necessarily follow that the case is exceptional. As with the determination of whether enhanced damages are appropriate, "[d]istrict courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." Because there exist further allegations of litigation misconduct in this case and because the standard for finding an exceptional case has changed since the district court issued its ruling regarding attorneys' fees, we also remand this issue for further consideration by the district court.

For the aforementioned reasons, we affirm the jury's verdict of infringement and validity of all three patents at issue, as well as its award of lost profits and its willfulness determination. However, we vacate and remand the district court's award of trebled damages. We also vacate and remand the district court's finding of an exceptional case and its award of attorneys' fees. The case is remanded for further proceedings consistent with this opinion.