Recent changes in the patent law landscape have left patent holders and patent practitioners uncertain about issues that have a major impact on the value and viability of patents. As 2016 unfolds, questions regarding enhanced damages and inter partes review are teed up for Supreme Court review. In addition, uncertainty surrounding subject matter patentability in the aftermath of Alice Corp. v. CLS Bank is expected to generate petitions to the Supreme Court, which may provide greater clarity on subject-matter patentability under 35 USC § 101.
I. ENHANCED DAMAGES

The Supreme Court has granted certiorari in two cases, *Halo Electronics v. Pulse Electronics* and *Stryker Corp. v. Zimmer*, that consider whether it is proper for courts to apply a two-part test in determining whether to award enhanced damages for willful infringement under 35 USC § 284. The question presented in these cases mimics that asked and answered by the Supreme Court in *Octane Fitness* in 2014 regarding whether a two-part test to award attorneys’ fees for “exceptional” cases under 35 USC § 285 is appropriate.

In contrast to the *Octane Fitness* test, however, the Federal Circuit’s two-prong test for willfulness has a strong basis in the Supreme Court’s jurisprudence on punitive damages. Both the Supreme Court and legislatures have declared that punitive damages should only be awarded in cases where a defendant’s conduct is “outrageous” and demonstrates “reckless indifference to the rights of others.” The Federal Circuit’s willfulness test provides structure around this standard by asking first, whether there was an objectively high likelihood of infringement, that is, was it plainly clear the conduct would harm the rights of others, and second, whether the defendant acted despite the objectively high risk, that is, did the defendant act with reckless indifference. In both *Halo* and *Stryker*, the defendants had raised objectively reasonable (though ultimately unsuccessful) defenses to the asserted infringement claims.

If the Supreme Court strikes down the two-prong test or sets forth a different standard for proving willfulness, district courts will be faced with applying a new and untested standard for willfulness and will likely have to deal with an influx of new willful infringement cases.

**WILLFUL INFRINGEMENT TWO PRONG TEST**

I. Was there was an objectively high likelihood of infringement?  
   Was it plainly clear the conduct would harm the rights of others?

II. Was action taken despite the objectively high risk?  
    Was there reckless indifference?
infringement pleadings and motions. Changing the standard for willfulness may also encourage non-practicing entities to assert more patents against product-producing companies. If the Supreme Court leaves the current willfulness standard in place, district courts will continue to consider whether a defendant's conduct was willful using the familiar two-part test.

II. 35 USC § 101 - NATURAL PHENOMENA AND ABSTRACT IDEAS
The definition of patent eligible subject matter is up for review again this year. In June 2015, the Federal Circuit decided in Ariosa Diagnostics v. Sequenom that amplification and detection of compounds from a pregnant woman's blood is a “natural phenomenon” under 35 USC § 101 and thus is not patentable. In December, the Federal Circuit denied the petition for an en banc rehearing of that decision. Because of the profound consequences the Federal Circuit's decision might have on the life science industry, many expect the Ariosa decision will make its way to the Supreme Court.

In the abstract ideas corner of § 101 law, many had high hopes in 2014 that the Supreme Court would finally answer the question of what constitutes an abstract idea under Alice v. Bilski. That did not happen, however, and the application of 35 USC § 101 post-Alice left many confused as to what is and is not abstract. One much-anticipated § 101 decision will come from the Federal Circuit in the McRO (Planet Blue) v. Namco Bandai Games Am. case involving patents on software for automated animation of speech and facial expressions. McRO presents an opportunity for the Federal Circuit to clarify the contours of § 101 law post-Alice, but it is not clear that the Federal Circuit will choose to face the problem of defining “abstract ideas” head-on.
In the district court below, Judge Wu of the C.D. Cal analyzed McRO’s patent by filtering out the part of the claim that was known in the art and focusing his §101 analysis on the claimed inventive aspect of the patent. Judge Wu concluded that in the “novel portion” of the invention, “what the claim adds to the prior art is the use of rules, rather than artists” to match speech to an animation wherein “the user, not the patent, provides the rules.” Finding that this inventive aspect was merely an application of an abstract idea, he held the patent invalid under 35 USC § 101. At oral argument before the Federal Circuit, the judges showed interest in § 101 policy as well as the specific steps taken by Judge Wu in his analysis of the patent claims.

Because Judge Wu isolated the inventive aspect of the patent by stripping the claim of “prior art” before assessing § 101 patentability, a method not specifically endorsed by the Federal Circuit or Supreme Court, the Federal Circuit has an available ground to remand the case without addressing § 101 definitions or policy. In the event that the Federal Circuit does issue an opinion on the scope of patentable subject matter, the decision will likely only affect those patents that can arguably be likened to the McRO patents. Nevertheless, a decision that broaches the topic of abstract ideas may open the door to petitions for more guidance from the Supreme Court.
III. IPR - CLAIM CONSTRUCTION AND JURISDICTION FOR JUDICIAL REVIEW

The Supreme Court recently granted certiorari in *Cuozzo Speed Technologies LLC v. Michelle K. Lee*, which poses two separate questions about *inter partes* review. First, *Cuozzo* asks whether the PTAB may construe claims in an IPR according to their broadest reasonable interpretation rather than the plain and ordinary meaning standard used in federal courts. *Cuozzo*’s petition argues that “the Board’s broad interpretation allows for differing determinations of validity in IPR proceedings and litigation.” It seems likely that IPR proceedings have worked as Congress intended, however. A change in the current claim construction standards would put significant limits on the avenues available to challenge patents and would arguably undermine the statutory scheme. Conversely, a decision narrowing the claim construction standard at the PTAB to that used by courts might reduce the burden of construing claims under multiple standards.

The second question in *Cuozzo* is whether the Federal Circuit has jurisdiction over the PTAB’s decisions and findings regarding whether to institute IPR. In *Cuozzo*, the patent owner argues that the PTAB overstepped its authority to institute IPR and to invalidate the patents-at-issue. The Federal Circuit has held that the PTAB’s decisions and findings regarding authority to institute IPR are outside the Federal Circuit’s jurisdiction. The petitioner argues that this violates the rule that the actions of administrative agencies are subject to judicial review. If the Supreme Court finds that Federal Circuit review of institution decisions is appropriate, it could give both patent owners and defendants a second opportunity to institute or defend against an IPR. Additionally, Federal Circuit review of institution decisions could make patent disputes more uniform and predictable for both sides.