Intellectual Property Advisory:

In re Seagate Technology, LLC

By Robert H. Resis

The recent en banc decision of the Federal Circuit Court of Appeals in *In re Seagate Technology, LLC,* Misc. Docket No. 830, overrules the Court's long time standard for evaluating willful infringement as set forth in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). In *Underwater Devices*, the Federal Circuit held that where "a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing" and that such "an affirmative duty includes, *inter* alia, the duty to seek and obtain competent legal advise from counsel *before* the initiation of any possible infringing activity." In *Seagate*, the Federal Circuit held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective willfulness." The Federal Circuit reemphasized that because it was abandoning the affirmative duty of care, "there is no affirmative obligation to obtain opinion of counsel."

The Federal Circuit went on hold that "to establish willful infringement, a 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" and that the "state of mind of the accused infringer is not relevant to this objective inquiry." The Federal Circuit further stated that "[i]f this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer." The Federal Circuit stated that it would "leave it to future cases to further develop the application of this standard."

In light of its new willfulness standard, the Federal Circuit held "that the significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel. . . . Therefore, fairness counsels against disclosing trial counsel's communications on an entire subject matter in response to an accused infringer's reliance on opinion counsel's opinion to refute a willfulness allegation." The Federal Circuit noted that "a willfulness claim asserted in the

original complaint must necessarily be grounded exclusively in the accused infringer's pre-filing conduct."

By contrast, the Federal Circuit noted that "when an accused infringer's post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement." Indeed, the Federal Circuit stated that "[a] patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct" and similarly, "if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness." Thus, a "substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct."

The Federal Circuit stated that "[b]ecause willful infringement in the main must find its basis in prelitigation conduct, communications of trial counsel have little, if any, relevance warranting their disclosure, and this further supports generally shielding trial counsel from the waiver stemming from an advice of counsel defense to willfulness. . . . In sum, we hold, as a general proposition, that asserting the advice of counsel defense and disclosing opinion of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel. . . . [As to work product protection], "Again we are here confronted with whether this waiver extends to trial counsel's work product. We hold that it does not, absent exceptional circumstances." The Federal Circuit held that "as a general proposition, relying on opinion counsel's work product does not waive work product immunity with respect to trial counsel" and that "work product protection remains available to 'nontangible' work product under [the Supreme Court's seminal case] *Hickman*."

The *Seagate* decision should not be interpreted as a reason to stop seeking opinions of counsel with respect to the patent rights of others. The *Seagate* case may move to the Supreme Court and it may resolve upon yet another standard. As well, companies need to recognize that their conduct will be judged by their shareholders at a minimum. Irrespective of the potential for treble damages based on a finding of willfulness, shareholders will want management to reasonably review patent issues and take a prudent approach before the company engages in significant commercial investments and efforts relating to proposed goods and services. Indeed, in some cases, infringement can be avoided based on some basic knowledge of the issues. Further, since the Federal Circuit stated it was leaving it to future cases "to further develop the application" of the recklessness standard, uncertainty exists as to how the application of the standard will develop in the future.

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