# Willful Infringement Under *In re Seagate*


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# Willful Infringement before *Seagate*

- Upon gaining knowledge of patent rights affirmative duty of due care not to infringe – *Underwater Devices*
    - Failure to meet duty = willful infringement
    - consequences = treble damages and attorney's fees
- Duty included obtaining an opinion of counsel
- Once patentee proved knowledge of patent, burden *effectively* shifted to accused infringer to show it exercised due care
- Accused infringer relies on an opinion of counsel
    - No opinion = adverse inference, until *Knorr* (2004)
- Catch-22 – Reliance on an opinion waives privilege
    - Scope of waiver was a mess in the district courts
    - Dicta in *EchoStar* waiver could extend to trial counsel

# *In re Seagate,*

497 F.3d 1360 (Fed Cir. Aug. 20, 2007) (*en banc*), *cert. denied*, Feb. 25, 2008

- Background
  - Discovery dispute from 2004
  - District court held that waiver from relying on an opinion of counsel extended to trial counsel and ordered production of privileged material
  - Accused infringer sought mandamus
- Federal Circuit *sua sponte* orders an *en banc* hearing to address whether
  - Relying on an opinion of counsel waives A/C privilege and WP immunity of trial counsel
  - Should the affirmative duty of due care be overruled

# The Willfulness Rulings

- Eliminates the affirmative duty of due care
  - Sought to remove the effective burden shifting
- Willfulness requires "at least a showing of *objective recklessness*."
  - Bring patent law in line with Supreme Court jurisprudence on punitive damages in other nonpatent contexts
- Two-part standard to prove willful infringement
  - Objectively reckless conduct showing a high risk of infringement
  - Constructive knowledge of the high risk

# Objective Recklessness

- "[P]atentee 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."
- Accused infringer's state of mind not relevant
- Appears to require the patentee prove a strong case of infringement
  - Closeness of case (*TGIP* – EDTex. JMOL overturning willfulness)
- "A *substantial question* about invalidity or infringement is likely sufficient … to avoid …a charge of willfulness …"
  - Preliminary injunctions (*Abbott Labs* – FC vacating PI against another)
  - Reexaminations (*Pivonka* – initial rejection of all claims in reexam)

# Constructive Knowledge

- *If* the "threshold objective standard" is met *then* patentee must also show that the "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."
  - "We leave it to future cases to further develop the application of this standard." (still in infancy – only 2 CAFC cases as of Mar. 7)
  - Expects that "standards of commerce would be among the factors a court might consider"
  - Role of litigation defenses left open
    - See *Black & Decker* (must account for defenses), *ResQNet* ("substantial defenses"), *Dell USA* (instructing jury on "substantial defenses")
  - Design around (*Rhino Assoc.*)
  - Constructive knowledge of patent? (pre-Seagate actual knowledge: *Gustafson, State Indus;* post-Seagate *Black & Decker; but see* ***Depomed***)
  - New role for patent-law experts?

# Are Opinions Still Needed?

- Seagate: “*No affirmative obligation* to obtain [an] opinion of counsel.”
- ***However*** **:**
  - Presence or absence of an opinion of counsel, although not dispositive, is “*crucial* to the analysis.”
  - Reasoning contained in an opinion “ultimately may preclude … conduct from being considered reckless if infringement is found[.]”
  - “Standards of commerce” will be a factor.
    - Willfulness is “a measure of *reasonable* commercial behavior …” and “requires prudent, and ethical, legal and commercial actions” (pre-*Seagate* CAFC cases)

# Overlooked Supreme Court Dicta

- SCT Dicta suggesting a duty of care
  - [I]t would seem to be no injustice, or hardship, to expect [a potential infringer], before he begins to infringe, to ascertain that the patentees' title is not valid, and if its invalidity depends on what is in a public work, that he should inform himself what that work contains, and, consequently, how to refer to it. We do not think it necessary so to construe this act [the prior-art notice requirement], designed for the benefit of patentees, as to enable the defendant to do, what we fear is too often done, to infringe first, and look for defen[s]es afterwards.
- *Silsby v. Foote*, 55 U.S. 218, 223 (1852) (affirming exclusion of prior art reference for not complying with prior art notice requirement)

# Post Seagate Cases (i)

- Opinion of counsel defeated willfulness
  - *Innogentics,* 512 F.3d at 1381 (aff'g JMOL overturning willful infringement finding – opn. lurking in background)
  - *Pivonka*, 2008 WL 486049, *2 (D. Colo. Feb. 19, 2008) (SJ no willful infringement – consulted with counsel upon learning of patent, all claims preliminarily rejected in a copending reexam)
  - *TGIP,* 2007 WL 3194125, *13 (E.D. Tex. Oct. 29, 2007) (JMOL overturning jury verdict of willful infringement with opinion from outside counsel, patentee reexamined patent before suing, infringement and validity issues were close, patentee only had evidence of actual notice and jury's verdict of infringement)
  - *Cohesive Tech.*, 2007 WL 2746805, *16-*18 (D. Mass. Aug. 31, 2007) (bench trial – no willful infringement in view of good faith opinion from in-house counsel – finds opinion was not objectively unreasonable)

# Post Seagate Cases (ii)

- Shoddy opinion did *not* preclude finding willful infringement
  - *VNUS Med.Tech.*, 2007 WL 3165548, *3 (N.D. Cal. Oct. 24, 2007) (denying SJ of no willfulness where opinion of counsel was conclusory – two e-mails from outside counsel lacking detailed analysis)
- Jury told of failure to obtain opinion
  - *Energy Trans.,* 2008 WL 114861, *1 (D. Del. Jan. 4, 2008) (denying motion in limine to exclude evidence that accused infringer had not obtained an opinion)

# Post Seagate Cases (iii)

- No willful infringement with no opinion of counsel
  - *ResQNet*, 2008 WL 4313921, *2 (S.D.N.Y. Feb. 1, 2008) (bench trial no willful infringement – defenses were “substantial, reasonable, and far from the sort of easily-dismissed claims that an objectively reckless infringer would be forced to rely upon” )
  - *Abbott Labs*, 2008 WL 4287503, *4 (N.D.Ill. Dec. 4, 2007) (dismissing willful infringement via Rule 12(c) despite TRO, where CAFC vacated a PI against another accused infringer since that showed substantial question of validity)
  - *Rhino*, 2007 WL 3490165, *4 (M.D.Pa Nov. 14, 2007) (default judgment of infringement, but no willful infringement in view of design around efforts)

# Questions

*Thank you! I hope you enjoyed the presentation.*


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