

A Sea of Unanswered Questions Spawned by the Wake of *In re Seagate*

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Executive Summary

The Federal Circuit's en banc opinion of *In re Seagate Technology*, Misc. Dckt. No. 830, 2007 WL 2358677 (Fed. Cir. Aug. 20, 2007) (en banc), overrules the fundamental standard on which the court had built approximately twenty-five years of legal precedent for how it determines willful infringement². While announcing a new two-part standard applicable to all future determinations of willful infringement, the Federal Circuit's opinion provides little guidance on how the courts, litigants, and parties seeking to conform their behavior to the law should apply the new standard.

After summarizing the Federal Circuit's rulings and rationale in *Seagate*, this paper identifies and explores some of the many unanswered questions left by the adoption of the new standard; including whether courts should apply aspects of the law of sham litigation infringement claims – another area of the law using a two-part objective/subjective standard – when evaluating the new two-part standard for willful infringement. Additionally, this paper briefly considers the role of opinions of counsel in the post-*Seagate* world.

While *Seagate* raises many questions for willful infringement, the opinion does bring much needed clarification to the law of waiver arising from an accused infringer's reliance on an opinion of counsel. The Federal Circuit recognized that the different functions served by trial counsel and opinion counsel justify different treatment on the question of waiver. Noting that a client has a greater need to preserve privilege of communications with its trial counsel than opinion counsel, the Federal Circuit held in *Seagate* that, absent compelling circumstances, a waiver of privilege from relying on an opinion of counsel does not extend to trial counsel. This ruling will help clear up much confusion that has permeated throughout the district courts on whether waiver extends to trial counsel.³

Modifying the Law of Willful Infringement

Since its 1983 opinion in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), the Federal Circuit has 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.” *Id.* at 1389. This duty of due care normally required the potential infringer to obtain an opinion of counsel that its conduct did not infringe the patent or that the patent claims were invalid. *Id.* at 1390. The “affirmative duty of due care” formed the backbone of the court's willful infringement

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jurisprudence. But in *In re Seagate Technology*, the court unanimously⁴ overruled *Underwater Devices*, and abandoned the standard of an “affirmative duty of due care.” *Id.* at *5.

The court’s treatment of the “affirmative duty of due care” in *Seagate* is remarkable considering that the case arose from a mandamus petition to review a discovery ruling. The discovery issue addressed whether the waiver of attorney-client privilege associated with the accused infringer’s decision to disclose and rely on an opinion from opinion counsel, to defend against a charge of willful infringement, should extend to the accused infringer’s trial counsel.⁵ The trial court had ruled that the waiver extended to trial counsel. When the matter reached the Federal Circuit, the court sua sponte decided to hear the petition en banc and specifically requested the parties to address, in addition to the specific privilege issues, whether the en banc panel should overrule *Underwater Devices*.⁶

The Federal Circuit made the link connecting the affirmative duty of due care and the privilege issues associated with disclosing an opinion of counsel evident through the panel members’ questions and comments during the June 7, 2007 oral argument.⁷ There some members of the court showed that they view the practical effect of the affirmative duty of due care as shifting to an accused infringer an evidentiary burden to prove that it did not willfully infringe once the patentee shows that the accused infringer knew of the patent. This shift forces to the front the issue of whether to rely on an opinion of counsel and the ramifications to the accused infringer’s attorney-client privilege and work-product immunity from a decision to disclose an opinion of counsel.

The New Two-Part Standard

In its en banc opinion, the Federal Circuit considered the recent Supreme Court precedent construing a non-patent statute that provided penalties for “willful” conduct and required that conduct meriting the penalty had to rise to the level of “objective recklessness,” rather than mere negligence.⁸ In view of this precedent,⁹ the Federal Circuit concluded that the affirmative duty of due care improperly permits imposition of enhanced damages (something the court views as being a penalty)¹⁰ for mere negligence in proceeding with potentially infringing conduct. *Id.* Accordingly, the court held that the affirmative duty of due care no longer applies as the test for willfulness. *Id.* Instead, the court adopted a new two-part test for finding willful infringement.

Under the new standard, “to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an

The court referred to the strength of the parties' showing of infringement and invalidity as factors relevant to determining whether there is an "objectively high likelihood that its actions constituted infringement of a valid patent."

objectively high likelihood that its actions constituted infringement of a valid patent." *Id.* For this prong, "[t]he state of mind of the accused infringer is not relevant . . ." *Id.* If the patentee satisfies this objective threshold, it must then "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." *Id.*

Probably because the court considered the issue in the context of a discovery dispute, and not in the context of an actual ruling on willful infringement,¹¹ the court's analysis provides little guidance on how to assess and apply the two prongs in practice. For example, the court did not explain how the new standard would operate in the face of deliberate copying or continued infringing activity in the wake of actual notice to the accused infringer from the patentee; the classic examples where prior Federal Circuit precedent would generally uphold a finding of willful infringement and enhancement of damages.¹² Indeed, the court stated it would wait for "future cases to further develop the application of this standard." *Id.* Nonetheless, it did note, "the standards of commerce would be among the factors a court might consider." *Id.* at n.5.

Elsewhere in the opinion, however, the court referred to the strength of the parties' showing of infringement and invalidity as factors relevant to determining whether there is an "objectively high likelihood that its actions constituted infringement of a valid patent." *Id.* at *8. Indeed, given that the accused infringer's state of mind has no relevance to the objective prong, *Id.* at *5, the strength of the infringement case appears to be the only factor left for a court to consider. As an example of the analysis considering the strength of the infringement case in the context of alleged willful infringement arising from post-filing conduct, the Federal Circuit instructed that if the patentee failed to move for a preliminary injunction or failed to obtain a preliminary injunction to stop the post-filing conduct, that would tend to show that the patentee could not have met the "objectively high likelihood" standard. *Id.* at *8. According to the court, "if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness." *Id.* Additionally, the court instructed, "[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." *Id.* Hence, it

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appears that the standard of an “objectively high likelihood that its actions constituted infringement of a valid patent” focuses on the strength of the infringement charges and the accused infringer’s inability to raise any legitimate defenses. Judge Gajarsa’s concurring opinion provides additional support for this view of the standard where he summarized the new test as follows:

[the patentee] must show, by clear and convincing evidence, (1) that [the accused infringer]’s theory of non-infringement/invalidity was not only incorrect, but *was objectively unreasonable*, and (2) that [the accused infringer] ran a risk of infringing [the patentee]’s patents substantially greater than the risk associated with a theory of noninfringement/invalidity that was merely careless.

Id. at *17 (emphasis added).

Although Judge Newman joined the court’s opinion, she wrote separately in a concurring opinion to state her concerns that the “objectively reckless” standard may be construed as permitting intentional disregard for a patentee’s rights in some circumstances. She stated:

Although new uncertainties are introduced by the court’s evocation of “objective standards” for such inherently subjective criteria as “recklessness” and “reasonableness,” I trust that judicial wisdom will come to show the way, in the common-law tradition. The standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular circumstances. It cannot be the court’s intention to tolerate the intentional disregard or destruction of the value of the property of another, simply because that property is a patent; yet that standard of “recklessness” appears to ratify intentional disregard, and to reject objective standards requiring a reasonable respect for property rights. The fundamental issue remains the reasonableness, or in turn the culpability, of commercial behavior that violates legally protected property rights.

Id. at *18 (Newman, J., concurring).

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Unanswered Questions in Applying the New Willfulness Standard

Undoubtedly future cases will have to sort out and address the many unanswered questions regarding how the new willfulness standard will apply in both substance and procedure. For example:

- What factors will apply in analyzing whether the patentee showed by clear and convincing evidence an “objectively high likelihood that [the accused infringer’s] actions constituted infringement of a valid patent”?
- Should a court accept expert testimony on whether there is an “objectively high likelihood that [the accused infringer’s] actions constituted infringement of a valid patent”? If so, has the Federal Circuit inadvertently created a new use for patent-law experts?
- Should the objective analysis (i.e., how a reasonably prudent business person would view the facts) be limited to those facts known to the accused infringer or should the analysis additionally include all facts readily ascertainable by a reasonable business person, even if not known by the accused infringer?
- Are such facts limited to those known or ascertainable when infringement first began, or can later-developed facts be used in the analysis?

Traditionally, willful infringement was analyzed based on the facts existing when the accused conduct first began.¹³ But in the context of evaluating the objective prong for sham litigation claims, the Supreme Court has permitted post-filing developments to be used in the analysis.¹⁴

- If later-developed facts may be used, does that make litigation defenses more relevant to the analysis?¹⁵
- If litigation defenses are relevant to the analysis, should those defenses be viewed from the perspective of how they first appeared when the accused infringer filed its answer, or how they appear after the patentee has had an opportunity to challenge the defenses?

In the sham litigation context, the law holds that objective unreasonableness of a plaintiff’s claim is not determined based on the circumstances existing at the conclusion of the lawsuit, where the plaintiff has lost, but on how the claim appeared when the plaintiff filed the lawsuit.¹⁶

- Should the “objectively baseless” standard for analyzing sham litigation infringement claims apply in assessing an accused infringer’s noninfringement or invalidity defenses under the patentee’s burden to prove “objectively reckless” conduct?

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- Should the court, as a question of law, or the jury, as a question of fact, assess whether the patentee's evidence meets the "objectively reckless" standard?

Before *Seagate*, the Federal Circuit typically permitted the jury to determine whether the totality of the circumstances showed that an infringer acted willfully, with the trial court thereafter exercising its discretion on whether to enhance damages.¹⁸ In the context of sham litigation claims, however, the law treats the "probable cause" determination, i.e., the objective prong of the analysis, as a question of law for the court.¹⁹ Should this apply to the *Seagate* standard?

- Should the courts routinely stay discovery on the second prong of the standard – the accused infringer knew, or should have known of, the objectively high risk of infringement – until the patentee proves there was an objectively high risk of infringement?

Discovery of a plaintiff's subjective motives for purposes of sham litigation claims may be stayed until the defendant has proved the objective prong of the sham litigation standard.²⁰ Would staying discovery on the second prong of the *Seagate* standard help to avoid the *Quantum* dilemma of choosing between reliance on an opinion of counsel or waiver of attorney-client privilege?²¹

- Should a granted request for reexamination provide a complete defense to willful infringement for any acts of infringement committed during the pendency of the reexamination proceeding?

In *Seagate*, the panel instructed that raising a "substantial question" as to invalidity would likely defeat an attempt to show an "objectively high risk" on infringement. *Seagate*, 2007 WL 2358677, at *8. The PTO's grant of a reexamination request represents an independent administrative determination that a "substantial new question of patentability" exists.²² Hence, it appears that an accused infringer's ability to place the asserted claims of a patent in reexamination may now provide a defense to willful infringement.²³ This is contrary to pre-*Seagate* Federal Circuit precedent, which took a dim view of the pendency of a reexamination proceeding as providing evidence to negate willful infringement.

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In light of the potential that placing a patent into reexamination may provide a complete defense to willful infringement, *Seagate* may result in the PTO being overwhelmed with reexamination requests since accused infringers may now file reexamination requests upon being sued, as a matter of course, and may also strive to keep at least one reexamination pending during the entire course of a lawsuit so that they can assert that a substantial question on validity remains unresolved.²⁴

- Should new pleading standards apply to future claims of willful infringement such that a patentee must now allege some facts to show its grounds for asserting why both prongs of the *Seagate* standards are met?

The Supreme Court's recent opinion *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955, holds that a complaint must state "enough facts to state a claim to relief that is plausible on its face." *Id.* at 1974. The Supreme Court further instructed that "[w]hile a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do[.]" *Id.* at 1964-65.²⁵

Given that under *Seagate* patentees must now show that the "infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent," it seems plausible that under *Bell Atlantic* a patentee must now allege in its complaint some facts to show the grounds for asserting that the accused infringer's actions meet the objective prong of the *Seagate* standard. Several days after handing down *Seagate*, however, the Federal Circuit held that a patentee had sufficiently pled a claim for willful infringement with a paragraph in a complaint that merely alleged that the accused infringer committed acts of infringement with full knowledge of the patent and that its acts were "willful and deliberate." *Mitutoyo Corp. v. Central Purchasing, LLC.*, No. 2006-1312, -1343, slip opn. at 8, 2007 WL 2482137, *4 (Fed. Cir. Sept. 5, 2007). Notably, the Federal Circuit never mentioned *Seagate* or *Bell Atlantic* in its opinion, and therefore the decision does not squarely address the question of whether, under these two cases, a patentee's burden in pleading willful infringement has changed.

As shown by the foregoing, which only begins to address the multitude of questions creative litigants will raise in the future, the adoption of the new willfulness standard will take much time and effort on the part of the judiciary, litigants, and commentators to sort out and resolve.

Continued Need for Opinions of Counsel

Extending the notion of *Knorr*,²⁶ that an accused infringer should not always have to obtain an opinion of counsel or else face the possibility of enhanced damages, the Federal Circuit expressly stated that, as a result of abandoning the affirmative duty of duty care, “there is no affirmative obligation to obtain opinion of counsel.” *Id.* at *5. While in isolation this statement may suggest that accused infringers no longer need to obtain competent opinions of counsel, other statements by the *Seagate* court suggest that opinions of counsel, even though not required, will continue to have importance in the post-*Seagate* regime.

While in isolation this statement may suggest that accused infringers no longer need to obtain competent opinions of counsel, other statements by the *Seagate* court suggest that opinions of counsel, even though not required, will continue to have importance in the post-*Seagate* regime.

For example, the court instructed that “[a]lthough an infringer’s reliance on favorable advice of counsel, or conversely his failure to proffer any favorable advice, is not dispositive of the willfulness inquiry, it is *crucial* to the analysis.” *Id.* at *3 (emphasis added). Additionally, the court’s instruction, that district courts should consider “standards of commerce” in their willfulness analysis, *Id.* at *5 n.5, may allow for the possibility of finding willful infringement where an infringer fails to obtain an opinion of counsel under circumstances where a reasonable prudent business person would have sought an opinion of counsel. See also *Id.* at *18-*19 (Newman, J.) (*concurring*) (“The standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular circumstances. It cannot be the court’s intention to tolerate the intentional disregard or destruction of the value of the property of another, simply because that property is a patent . . . The fundamental issue remains the reasonableness, or in turn the culpability, of commercial behavior that violates legally protected property rights.”).

Apart from whether the failure to obtain an opinion of counsel might tend to show culpable conduct, the Federal Circuit also instructed that “the reasoning contained in . . . opinions ultimately may preclude [an infringer]’s conduct from being considered reckless if infringement is found[,]” even where the opinion was tardily obtained. *Id.* at *9. Hence, an opinion of counsel that presents a well-reasoned and supported noninfringement or invalidity analysis may suffice to raise a substantial question on the issue of infringement or invalidity, and thereby defeat the patentee’s attempt to show by clear and convincing evidence that there was “an objectively high likelihood that [the accused infringer’s] actions constituted infringement of a valid patent.” *Id.* at *5; see also *Id.* at *8 (stating that showing “a substantial question about invalidity or infringement is likely . . . to avoid . . . a charge of willfulness based on post-filing conduct”); *Id.* at *17 (patentee must show accused infringer’s “theory of noninfringement [or] invalidity was not only

Opinions still, and always will, play an important role in the context of

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- ii) providing an objective assessment of infringement risks before proceeding with a new product launch; and
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incorrect, but was objectively unreasonable[.]” (Gajarsa, J, *concurring*).

Finally, apart from the considerations of willful infringement, a competent opinion of counsel on issues of noninfringement, invalidity, and unenforceability remains a valuable tool to help corporations make sound business decisions. Opinions still, and always will, play an important role in the context of i) evaluating and implementing design-around alternatives to avoid infringement disputes; ii) providing an objective assessment of infringement risks before proceeding with a new product launch; and iii) developing strategy for responding to cease and desist letters and/or offers to license.

Possible Expansion of Circumstances Justifying Enhanced Damages

While concurring in the new standard for willful infringement, Judge Gajarsa, joined by Judge Newman, wrote separately to state the view that willful infringement should not be the only means for a patentee to recover enhanced damages under 35 U.S.C. § 284. According to Judge Gajarsa, because § 284 does not expressly mention the word “willful” – it merely states “the court may increase the damages up to three times the amount found or assessed” – he saw no reason to “engraft a willfulness requirement onto section 284.” Instead, he stated that the Federal Circuit should follow the “plain meaning” of the statute and “leave the discretion to enhance damages in the capable hands of the district courts.” *Id.* at *11.

Judge Gajarsa noted two situations that, in his view, could justify awarding enhanced damages in the absence of willful infringement. First, to the extent that a patentee, through no fault of its own, could not overcome obstacles to proving the full extent of its damages, an award of enhanced damages could appropriately serve as a remedial mechanism to achieve full compensation. *Id.* at *13. But prior Federal Circuit precedent squarely rejects this view.²⁷ Nonetheless, other precedent arguably supports the view that a court may award enhanced damages as a way to insure the patentee receives full compensation.²⁸ Still, given the broad reach of modern discovery and the record keeping practices of today’s business²⁹, one may question whether a situation would arise where a patentee who diligently exercised its discovery rights could not prove the full extent of the damages it sustained, assuming the infringer did not engage in spoliation or sanctionable discovery misconduct.³⁰ Second, Judge Gajarsa opined that some circumstances may dictate that monetary relief in the form of enhanced damages may provide a

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more equitable resolution of an infringement dispute than a permanent injunction. *Id.* at *13.

Judge Gajarsa also opined that the Supreme Court’s holding that § 284 did not impose a bad faith requirement on the award of prejudgment interest should apply to enhanced damages.³¹ *Id.* at *14-*15. The authority to award prejudgment interest, however, originates as part of the mandatory provisions of § 284, while the authority to award enhanced damages arises from the discretionary provisions. See 35 U.S.C. § 284 (“Upon finding for the claimant the court *shall* award the claimant damages . . . together with interest and costs . . . [T]he court *may* increase the damages up to three times the amount found or assessed.”) (emphasis added). This could justify different standards for these two items, including a requirement of proving some form of bad faith or a failure to meet minimum standards of commerce before a court can exercise its discretion to enhance damages.³²

The majority side-stepped the points Judge Gajarsa raised in his concurring opinion by noting that whether a district court can award enhanced damages for circumstances other than willful infringement did not fall within the scope of the questions set forth in the court’s order granting en banc review, and therefore the court could not properly address that issue. *Id.* at *1, n.2.

In light of the adage “yesterday’s dissent is tomorrow’s precedent,” Judge Gajarsa’s views on expanding the scope of circumstances for which enhanced damages may be awarded should not be lightly dismissed. Indeed, almost ten years ago, Judge Gajarsa, dissenting from the denial of en banc rehearing in *Litton Sys., Inc. v. Honeywell, Inc.*, 145 F.3d 1472, 1476 (Fed. Cir. 1998) (Gajarsa, J), was the first member of the Federal Circuit to state the view that when a patent applicant amended a claim for purposes of patentability all equivalents were barred under the doctrine of equivalents, i.e., the absolute-bar rule. Several years later the Federal Circuit adopted the absolute-bar rule in an *en banc* opinion in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*³³

The Privilege Issues

As to the privilege issues that prompted the mandamus petition, the Federal Circuit reined in the scope of waiver and confusion among the district courts caused by its statement in *In re EchoStar* that waiver extends beyond opinion counsel.³⁴ It noted that *EchoStar*’s statement on waiver extending to other counsel was dictum to the extent it arguably applied to trial counsel.³⁴

“... trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery.”

Seagate, 2007 WL 2358677 at *4. Specifically considering the issue anew, the en banc panel ruled that, absent unusual compelling circumstances, the waiver of attorney-client privilege and work-product immunity associated with the disclosure of an opinion of counsel will not normally extend to trial counsel. *Id.* at *7-*10. Refusing to impose an absolute rule, however, the Federal Circuit instructed that “trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery.” *Id.* at *9.

Under the facts before it, the Federal Circuit noted that trial counsel had operated independently of opinion counsel. *Id.* at *1. This notion of independence appears as an underlying premise to the court’s general rule that waiver for opinion counsel will not typically extend to trial counsel because the court justified its ruling by relying on the different functions performed by each type of counsel. The court explained:

[W]e conclude that the significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel. Whereas opinion counsel serves to provide an objective assessment for making informed business decisions, trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker. And trial counsel is engaged in an adversarial process. . . . Because of the fundamental difference between these types of legal advice, this situation does not present the classic “sword and shield” concerns typically mandating broad subject matter waiver. 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.

Id. at *7.

The Federal Circuit also held that the rationale for not extending the waiver of attorney-client privilege to trial counsel applies with “even greater force” to not limiting trial counsel’s work-product immunity. *Id.* at *10.

The court also addressed the “substantial need” qualification of work-product immunity. Following the courts that appear to allow discovery of mental impressions protected by work-product immunity upon a heightened showing of need, rather than following the courts giving mental impressions absolute immunity, the Federal Circuit instructed that “the general principles of work product protection remain in force, so that a party may obtain discovery of work product absent waiver upon a sufficient showing of need and hardship, bearing in mind that a higher burden must be met to obtain that pertaining to mental processes.” *Id.* at *10.

As a result of *Seagate*, accused infringers can feel safe that communications they have with trial counsel should remain safe from discovery when the accused infringer chooses to rely on an opinion of counsel, so long as the opinion counsel operated separately and independently from trial counsel.

Conclusion

Seagate dramatically and fundamentally alters the law of willful infringement. But much debate remains on how the courts will, or should, apply the objective and subjective prongs. As the Federal Circuit expressly acknowledged in *Seagate*, the answers to these questions must await future caselaw development. Consequently, while the new standard, with its objective component, may eventually help streamline willful infringement determinations in the future, the numerous presently unanswered questions on how to implement the standard will likely increase the costs and efforts to litigate willful infringement claims today.

Seagate does bring stability to the issue of waiver of privilege regarding trial counsel. But given the new aspect of an objective prong for the willfulness inquiry, one can wonder whether the issue of extending waiver to trial counsel will have much practical significance in future litigations.

References

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- ² *Seagate* likely has retroactive application to all currently pending cases. See *Harper v. Va. Dep't of Taxation*, 509 U.S. 86, 97 (1993) ("When this Court applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate our announcement of the rule."); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359, 1370 n.4 (Fed. Cir. 2003) (en banc) (*Festo* remand) (noting that the then new "*Festo* presumption of surrender and its rebuttal apply to all granted patents and to all pending litigation that has not been concluded with a final judgment, including appeals.>").
- ³ See generally, Robert A. Matthews, Jr., 7 *Annotated Patent Digest* § 42:117 "Extending Waiver to Other Counsel, Including Trial Counsel" [hereinafter *APD*] (collecting cases noting the various approaches applied by district courts on the issue of extending waiver to trial counsel).
- ⁴ Only ten members of the court participated in the case. Judges Michel and Moore did not participate.
- ⁵ *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 104 (S.D.N.Y. May 28, 2004) (ruling that an accused infringer's reliance on three opinions from opinion counsel, "waived the privilege with respect to all communications with [opinion counsel], but also with its other attorneys, including trial counsel, concerning the subject matter of [opinion counsel]'s advice").
- ⁶ *In re Seagate Technology, LLC*, 214 Fed.Appx. 997, 2007 WL 196403 (Fed. Cir. Jan. 26, 2007)
- ⁷ An audio transcript of the hearing is on the court's website. See www.fedcir.gov (submenu "Audio").
- ⁸ *SafeCo Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2208-09, 2215 (2007). Although the *Seagate* court relied heavily on *SafeCo*, some members of the Federal Circuit had previously viewed the court's standard for willful infringement as being contrary with other Supreme Court precedent limiting the imposition of punitive damages to "egregiously improper conduct," and not mere negligence. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1348-51 (Fed. Cir. 2004) (Dyk, J., concurring-in-part, dissenting-in-part).
- ⁹ The Supreme Court's recent criticism of the Federal Circuit in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 774 n.11 (2007), probably heightened the Federal Circuit's sensitivity of having patent law conform to general non-patent law where possible.
- ¹⁰ *Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 413 (Fed. Cir. 1993) ("Enhanced damages are punitive, not compensatory.")
- ¹¹ The court concluded that it was not deciding a hypothetical case or rendering an advisory opinion because the legal standard for determining willful infringement has relevance to the discovery dispute the parties had appealed. *Id.* at *6.
- ¹² See generally, *APD* § 31:25 Deliberate Copying and § 31:29 — Actual Notice of Infringement Charge from Patentee
- ¹³ § 31:22 Evaluated on Date Infringement Began; see also *Silby v. Foote*, 55 U.S. 218, 223 (1852) (stating that it feared accused infringers "too often . . . infringe first, and look for defenses afterwards").
- ¹⁴ *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus. Inc.*, 508 U.S. 49, 65 (1993) [hereinafter *PRE*] (permitting use of later-developed caselaw to show probable cause to defeat a sham litigation claim).
- ¹⁵ See generally, *APD* § 31:39 "Litigation Defenses"
- ¹⁶ See *Filmtec Corp. v. Hydranautics*, 67 F.3d 931, 938 (Fed. Cir. 1995). But see *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1126 (Fed. Cir. 1993) ("[A] defensive pleading of invalidity or unenforceability may pass muster under Rule 11, yet not provide adequate defense to the charge of willful infringement.>").
- ¹⁷ See *PRE*, 508 U.S. at 60-61; see generally, *APD* §§ 34:19 thru 34:21.
- ¹⁸ See *APD* § 31:14 "Right to Jury Trial on Issue of Willfulness."
- ¹⁹ *PRE*, 508 U.S. at 63 ("Where, as here, there is no dispute over the predicate facts of the underlying legal proceeding, a court may decide probable cause as a matter of law. . . . 'The question is not whether [the defendant] thought the facts to constitute probable cause, but whether the court thinks they did.'").
- ²⁰ *PRE*, 508 U.S. at 65-66.
- ²¹ *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-44 (Fed. Cir. 1991)
- ²² 35 U.S.C. § 303(a).
- ²³ *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996) ("We take notice that the grant by the examiner of a request for reexamination is not probative of unpatentability. The grant of a request for reexamination, although surely evidence that the criterion for reexamination has been met (*i.e.*, that a 'substantial new question of patentability' has been raised, 35 U.S.C. § 303), does not establish a likelihood of patent invalidity."); see also *Acoustical Design, Inc. v. Control Elecs. Co.*, 932 F.2d 939, 942 (Fed. Cir. 1991) ("[I]t is clear that initial rejection by the Patent and Trademark Office of original claims that later were confirmed on reexamination hardly justifies a good faith belief in the invalidity of the claims.")
- ²⁴ Given that parties often seek to stay district court litigations during the pendency of reexamination proceedings, see generally, *APD* § 112-§ 123, should *Seagate* cause a rise in the number of PTO reexaminations it may unintentionally also contribute to a delay in the overall resolution of infringement suits.

- ²⁵ But cf. *Erickson v. Pardus*, 127 S. Ct. 2197, 2200 (2007) (after *Bell Atlantic* instructing that “[s]pecific facts are not necessary; the statement need only ‘give the defendant fair notice of what the ... claim is and the grounds upon which it rests.’”).
- ²⁶ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345-46 (Fed. Cir. 2004) (*en banc*) (“[T]here continues to be an affirmative duty of due care to avoid infringement of the known patent rights of others, [but] the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable.”).
- ²⁷ *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991) (“Damages cannot be enhanced to award the patentee additional compensation to rectify what the district court views as an inadequacy in the actual damages awarded. . . . To permit the award of enhanced damages because of perceived inadequacies in the actual damages awarded would be likely to cause patentees generally to seek, and the district courts to award, enhanced damages whenever the infringer’s lack of, or deficiencies in, its records makes it difficult for the patentee to calculate damages with the desirable degree of precision. We decline thus to upset the basis upon which damages in patent infringement cases traditionally have been awarded.”).
- ²⁸ See cases cited at 2007 WL 2358677, *13; see also *Clark v. Wooster*, 119 U.S. 322, 326 (1886) (“There may be damages beyond this [established royalty], such as the expense and trouble the plaintiff has been put to by the defendant, and any special inconvenience he has suffered from the wrongful acts of the defendant; but these are more properly the subjects of allowance by the court under the authority given to it to increase the damages.”).
- ²⁹ See *Woodland and Trust v. Flowertree Nursery, Inc.*, 148 F.3d 1368, 1373 (Fed. Cir. 1998) (noting today’s “ubiquitous paper trail of virtually all commercial activity”).
- ³⁰ Legitimate document destruction policies permitting destruction of records less than six years old could present such a situation in view of the six-year pre-filing damages period permitted by § 286.
- ³¹ *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 653 (1983).
- ³² See *Gen. Motors*, 461 U.S. at 655 n.10 (prejudgment interest is akin to delay damages, and not a penalty).
- ³³ 234 F.3d 586 (Fed. Cir. 2000) (*en banc*), vacated and remanded, 535 U.S. 722 (2002), on remand, 344 F.3d 1359 (Fed. Cir. 2003) (*en banc*).
- ³⁴ *In re EchoStar Comm. Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006) (“[W]hen EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel, which would include communications with [its outside counsel] Merchant & Gould.”).

ABOUT THE AUTHOR



Robert A. Matthews, Jr. is a partner in private law practice with Latimer, Mayberry & Matthews Intellectual Property Law, LLP, where he provides patent litigation consulting services to corporations and law firms regarding all aspects of U.S. patent litigation and pre-litigation analysis. He also counsels clients on patent enforcement, licensing, and procurement issues and provides opinions of counsel relating to patent infringement, validity, and enforceability.

Before pursuing his patent consulting practice in 2007, Matthews spent 15 years in private practice with large law firms working on patent matters. The last eight of those years he was with Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, a leading law firm in the area of intellectual property. His patent litigation and opinion experience cover a wide variety of technical disciplines, including medical devices and consumer health care products, pharmaceuticals under the Hatch Waxman Act (ANDA litigations), mechanical devices, electrical devices, heavy industrial equipment, and computer-controlled devices. He has assisted clients with patent matters before the U.S. Supreme Court (primary author, Brief of Amicus Curiae Pharmaceutical Research and Manufacturers of America in Support of Respondents, *KSR Int'l Co. v. Teleflex Inc.*, 2007 WL 1237837 (No. 04-1350), 2006 WL 2967758; the U.S. Court of Appeals for the Federal Circuit; the U.S. International Trade Commission; the Board of Patent Appeals and Interferences in the U.S. Patent and Trademark Office; and federal district courts throughout the United States.

Matthews extensively analyzes and writes about developments in U.S. patent law. In rendering rulings on patent matters, district court judges have quoted from and relied on his written work, e.g., *Encyclopedia Britannica, Inc. v. Magellan Navigation, Inc.*, 2007 WL 2660053, *7 (W.D. Wis. Aug 31, 2007), *Amgen, Inc. v. F. Hoffman-LaRoche, Ltd.*, 456 F. Supp. 2d 267, 283 (D. Mass. 2006) and *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 305 F. Supp. 2d 939, 946 (E.D. Wis. 2004). International commentators have also relied on his work when discussing aspects of U.S. patent law.

Matthews is a member of the state bars of Virginia, North Carolina, Pennsylvania, and the District of Columbia. He is admitted to the U.S. Supreme Court, the U.S. courts of appeals for the Federal, Third, and Fourth circuits, and several U.S. district courts. Matthews is also a registered patent attorney with the U.S. Patent and Trademark Office.

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