

OPINION LETTERS, REPRESENTATION  
ISSUES, AND THE IMPACT OF THE  
*SEAGATE* AND *KNORR-BREMSE*  
DECISIONS

Joshua D. Curry  
Jennifer Lowndes  
Ian Wasser  
Malvern (“Griff”) U. Griffin III  
*Sutherland Asbill & Brennan LLP*

If you find this article helpful, you can learn more about the subject by going to [www.pli.edu](http://www.pli.edu) to view the on demand program or segment for which it was written.



# Table of Contents

I.	INTRODUCTION .....	5
II.	BACKGROUND .....	5
A.	Awarding Enhanced Damages in Patent Infringement Cases .....	5
B.	Willful Infringement and the Now-Overruled Duty of Care Standard .....	6
1.	Response to the Duty of Care Standard and Rise of Negative Inference of Willful Infringement .....	8
2.	Problems Resulting from the Duty of Care Standard .....	8
C.	Reversing the Negative Inference of Willful Infringement .....	9
D.	Privilege Waiver Issues Related to the Duty of Care Standard .....	10
E.	<i>Seagate</i> Raises the Bar for Proving Willful Infringement and Clarifies When Reliance on the Opinion of Counsel Will Waive Privilege .....	11
1.	Replacing the Duty of Care Standard with an Objective Recklessness Standard .....	12
2.	Refining the Scope of Attorney-Client and Work Product Waiver .....	13
3.	Damages Cannot be Enhanced Without a Finding of Willfulness .....	14
III.	IMPACT OF SEAGATE ON LITIGATION PRACTICE .....	14
A.	Pleading Willful Infringement .....	14
B.	Selected Post- <i>Seagate</i> Trends in Willful-Infringement Cases .....	15
1.	Legitimate Defenses to Infringement Can Foreclose a Willful Infringement Finding .....	16
2.	A Significant Narrowing the Patentee's Infringement Case Can Foreclose a Finding of Willful Infringement .....	17
3.	Legitimate Defenses to Validity Can Foreclose a Willful Infringement Finding .....	18
4.	A Hotly Contested Claim Construction Dispute Can Foreclose a Finding of Willful Infringement .....	19
5.	Prompt Redesign Efforts by the Accused Infringer Can Foreclose a Willful Infringement Finding .....	20
6.	PTO Action Granting Reexamination of an Asserted Patent May Also Foreclose a Willful Infringement Finding .....	21
7.	Willfulness Has Been a Summary-Judgment Issue More Often Under the <i>Seagate</i> Test .....	22
8.	Courts Have Also Reversed Jury Findings of Willful Infringement after the Verdict Based on <i>Seagate's</i> Objective Recklessness Test .....	24

C.	Evidentiary and Procedural Concerns Related to Proving Willfulness Under <i>Seagate</i> .....	25
1.	Relevance of Post-Litigation Conduct .....	25
2.	Waiver Regarding Post-Filing Communications.....	26
3.	Bifurcation of the Two-Part <i>Seagate</i> Test: Discovery on the Accused Infringer’s Subjective Intent .....	27
D.	The Totality of the Circumstances Remains Relevant to Assessing Willfulness Damages in Post- <i>Seagate</i> Cases .....	28
E.	Potential Impact of the Patent Reform Act of 2010 .....	33
<b>IV.</b>	<b>IMPACT OF SEAGATE ON OPINION PRACTICE .....</b>	<b>34</b>
A.	<i>Seagate</i> did not Eliminate the Need for Opinions of Counsel in Patent Infringement Cases .....	34
B.	Impact on the Scope and Detail of Future Opinions .....	36
C.	Relevance of Opinions Obtained After Litigation Has Commenced .....	37
D.	Strategy When Notice of a Potentially Infringed Patent is Received.....	38
E.	Scope of Waiver Concerns.....	39
<b>V.</b>	<b>CONCLUSION.....</b>	<b>41</b>

## I. INTRODUCTION

The Federal Circuit's decisions in *Knorr-Bremse* and *Seagate* significantly altered the legal landscape with respect to the need for and use of opinions of counsel in patent infringement actions. The *Knorr-Bremse* decision eliminated the adverse inference previously applied when an accused willful infringer failed to obtain or did not produce an exculpatory opinion of counsel. The *Seagate* decision raised the level of proof required to find an accused infringer liable for willful infringement and clarified when attorney-client or work product privilege would be waived by an accused infringer relying on an opinion-of-counsel defense. Opinions of counsel continue to play an important role in patent litigation in the wake of these decisions. This paper explores the legal history of the *Knorr-Bremse* and *Seagate* decisions, notes recent trends and developments in the application of these decisions, and discusses advising clients on whether and when to obtain an opinion letter and what factors to consider in producing such opinions.

## II. BACKGROUND

### A. Awarding Enhanced Damages in Patent Infringement Cases

Title 35 § 284 (2006) provides that upon a finding of patent infringement:

the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty . . . . When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

This statute allows for an award of enhanced damages in patent infringement cases but it does not provide the court with any guiding standard under which enhanced damages should be awarded. In the absence of any specific standard, the Federal Circuit has held that an award of enhanced damages generally requires a showing of willful infringement.<sup>1</sup> Willful infringement is generally equated with bad

---

1. *See* *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991) (citing *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985)) (“[I]f a district court enhances damages, it must explain and articulate through findings the basis upon which it concludes

faith or wanton and malicious conduct and is a factual determination.<sup>2</sup> Although the jury may make the factual determination of whether willful infringement has occurred, the court retains discretion as to whether enhanced damages should be imposed.<sup>3</sup> Enhanced damages are punitive and not compensatory.<sup>4</sup>

## B. Willful Infringement and the Now-Overruled Duty of Care Standard

The Federal Circuit established a standard for evaluating willful infringement in *Underwater Devices, Inc. v. Morrison-Knudsen Co., Inc.*:

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. Such an affirmative duty includes, *inter alia*, the duty to

- 
- that there has been willful infringement or bad faith.”); *but see In re Seagate Tech., LLC*, 497 F.3d 1360, 1377 (Fed. Cir. 2007) (Gajarsa, J., concurring) (calling for the elimination of “the grafting of willfulness onto section 284” and explaining that enhanced damages should be awarded within the discretion of the district court judge depending on the circumstances of each case). Although Judge Gajarsa has argued that willful infringement is not the only basis for enhancing damages under section 284 (i.e., that *Beatrice Foods* should be overruled), the *Seagate* Court did not adopt this rule, and a finding of willfulness is still generally required to enhance damages. *See, e.g., Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008) (rejecting a patentee’s argument that an award of enhanced damages was warranted even in the absence of a willful-infringement finding: “The majority of the *en banc* court in *Seagate* did not elect to overrule *Beatrice Foods*, and we therefore remain bound by that decision”).
2. *See, e.g., Cohesive Techs.*, 543 F.3d at 1374 (quoting *Stryker Corp. v. Intermedics Ortho., Inc.*, 96 F.3d 1409, 1413 (Fed. Cir. 1996)) (“The court’s finding [on] willful infringement is one of fact . . .”); *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1571 (Fed. Cir. 1996) (“The jury thus determined as a factual matter that CBK acted with the requisite culpability to justify an award of increased damages.”).
  3. 35 U.S.C. § 284 (“In either event the court *may increase* . . .”) (emphasis added); *see Seagate*, 497 F.3d at 1368 (“[A] finding of willfulness does not require an award of enhanced damages; it merely permits it.”); *Jurgens*, 80 F.3d at 1571–72 (“The judge then had discretion whether, and to what extent, to increase the Jurgenses’ compensatory damages award . . .”).
  4. *See, e.g., Jurgens*, 80 F.3d at 1570 (noting that “increased damages are punitive”); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983) (describing the enhanced portion of the award as “punitive in character since it was assessed by the district court for [Morrison-Knudsen’s] willful infringement of [Underwater’s] patents”).

seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.<sup>5</sup>

The district court found that Morrison-Knudsen willfully infringed certain patents held by Underwater Devices and awarded enhanced damages as a result.<sup>6</sup> To combat the allegations of willful infringement, Morrison-Knudsen pointed to evidence of its consultations with its in-house counsel.<sup>7</sup> Morrison-Knudsen also relied on an opinion from its patent counsel, although that opinion was not obtained until after Underwater filed suit.<sup>8</sup>

On appeal, the Federal Circuit held that Morrison-Knudsen had “the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.”<sup>9</sup> The court upheld the finding of willful infringement and found that Morrison-Knudsen had not discharged its duty because it “knew or should have known that it proceeded without the type of competent legal advice upon which it could justifiably have relied.”<sup>10</sup> In finding that Morrison-Knudsen could not justifiably rely on its in-house counsel’s opinion, the appeals court noted that in-house counsel was not a patent attorney, counsel did not order file histories of Underwater’s patents until after the infringement began, and counsel’s memorandum contained “only bald, conclusory and unsupported remarks” regarding the Underwater patents and lacked “sufficient internal indicia of credibility” to constitute a proper patent validity analysis.<sup>11</sup> The court also faulted Morrison-Knudsen for not obtaining its outside patent counsel’s opinion until after the infringement began and after the complaint was filed.<sup>12</sup> Therefore, the court affirmed the district court’s decision awarding enhanced damages.<sup>13</sup>

---

5. 717 F.2d at 1389–90.

6. *Id.* at 1386.

7. *Id.* at 1385.

8. *Id.*

9. *Id.* at 1390.

10. *Id.*

11. *Id.*

12. *Id.*

13. *Id.* at 1390–91.

## **1. Response to the Duty of Care Standard and Rise of Negative Inference of Willful Infringement**

The affirmative duty to “obtain competent legal advice from counsel *before* the initiation of any possible infringing activity”<sup>14</sup> resulted in the “advice of counsel defense” to a charge of willful infringement.<sup>15</sup> “Under this defense, an accused willful infringer aims to establish that due to reasonable reliance on advice from counsel, its continued accused activities were done in good faith. Typically, counsel’s opinion concludes that the patent is invalid, unenforceable, and/or not infringed.”<sup>16</sup> “As implemented, the duty of due care standard effectively resulted in a *de facto* requirement that a defendant accused of willful infringement produce an opinion of counsel in defense to the claim.”<sup>17</sup> Indeed, prior to 2004, courts applied an adverse inference of willful infringement when an accused infringer failed to produce an exculpatory opinion of counsel in defense to the willfulness charge.<sup>18</sup>

## **2. Problems Resulting from the Duty of Care Standard**

As a result of the duty of care standard and the adverse inference of willful infringement, patent defendants routinely obtained, and then produced during litigation, opinions of counsel as a part of their defense.<sup>19</sup> “This practice resulted in numerous

---

14. *Id.* at 1390.

15. *Seagate*, 497 F.3d at 1369; *see also* Brian Ferguson, *Seagate Changes the Equation: The Federal Circuit’s New Test For Proving Willful Infringement and Its Preservation of the Attorney-Client Privilege*, 2008 WL 2512650, at \*2 (Corporate Counsel Institute Mar. 2008).

16. *Seagate*, 497 F.3d at 1369.

17. Ferguson, at \*2; *see also Seagate*, 497 F.3d at 1369 (noting 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”).

18. “[A defendant’s] silence on the subject, in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its [activities] would be an infringement of valid U.S. patents.” *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986); *see also Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1057 (Fed. Cir. 1994) (the district court was free to draw an adverse inference).

19. *See, e.g.*, Ferguson, at \*3.



complications for courts and defendants alike.”<sup>20</sup> For example, reliance on advice of counsel as a defense results in waiver of attorney-client privilege and presents complicated questions of the scope of an accused willful infringer’s waiver.<sup>21</sup> This often resulted in extensive and expensive satellite litigation on the waiver issue before the merits of the infringement and invalidity questions could be addressed.<sup>22</sup> Another result of these standards was the practice of obtaining “window-dressing” opinions (i.e., opinions obtained only to protect against an adverse inference of willful infringement).<sup>23</sup> Some patentees also took advantage of the duty of care standard and adverse inference by sending copies of their patents to competitors thus putting the competitors on notice of the patentee’s rights and requiring the competitor to analyze the merits of a potential infringement claim or risk triple damages for willful infringement.<sup>24</sup>

### C. Reversing the Negative Inference of Willful Infringement

The Federal Circuit took its first major step towards reversing the impact of the duty of care standard in 2004. In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, the Federal Circuit overruled its prior precedents and held that a negative inference of willfulness could no longer be drawn from an accused infringer’s failure to obtain or produce an opinion of counsel.<sup>25</sup> The court explained that the negative inference had “resulted in inappropriate burdens on the attorney-client relationship” and therefore the assertion of attorney-client or work-product privilege “shall no longer entail an adverse inference as to the nature of the advice” nor will failure to obtain legal opinion “provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable.”<sup>26</sup>

Even after *Knorr-Bremse*, however, the duty of care standard established in *Underwater Devices* remained intact and “few companies felt comfortable foregoing obtaining opinions of

---

20. *See, e.g., id.*

21. *See, e.g., id.*

22. *See, e.g., id.*

23. *See, e.g., id.* at \*4.

24. *See, e.g., id.*

25. 383 F.3d 1337, 1341 (Fed. Cir. 2004) (en banc).

26. *Id.* at 1343–44, 1345–46.

counsel.”<sup>27</sup> Therefore, significant questions remained regarding the timing of the production of opinions and the resultant scope of the attorney-client privilege waiver.<sup>28</sup>

#### **D. Privilege Waiver Issues Related to the Duty of Care Standard**

Next, in 2004, the Federal Circuit addressed waiver of the attorney-client and work-product privileges in *In re EchoStar Communications Corp.*<sup>29</sup> EchoStar obtained an opinion from its in-house counsel before it was sued for patent infringement and after the complaint was filed it obtained an opinion from outside counsel as well.<sup>30</sup> Ultimately, EchoStar relied only on the opinion of in-house counsel and did not use outside counsel’s opinion.<sup>31</sup> In response to discovery requests, the district court held that by relying on advice from in-house counsel EchoStar waived attorney-client privilege and work-product immunity for advice related to the subject of infringement.<sup>32</sup> The district court decided that EchoStar’s waiver covered attorney-client communications made before and after the filing of the complaint and extended to any attorney work product regardless of whether it was communicated to EchoStar.<sup>33</sup>

EchoStar appealed, and on appeal the Federal Circuit held that EchoStar’s reliance on the opinion of in-house counsel waived privilege with regards to “communications relating to the same subject matter, including communications with counsel other than in-house counsel.”<sup>34</sup> Any work product that was prepared by outside counsel and was not communicated to EchoStar, however, was held to be outside of the scope of the waiver.<sup>35</sup> Even though *EchoStar* did not concern trial counsel, some district courts have extended the

---

27. *See, e.g.*, Ferguson, at \*4.

28. *See, e.g., id.* at \*5.

29. 448 F.3d 1294 (Fed. Cir. 2006).

30. *Id.* at 1297.

31. *Id.*

32. *Id.*

33. *Id.*

34. *Id.* at 1299.

35. *Id.* at 1305.

waiver of privilege to include communications between the alleged infringer and its trial counsel concerning the alleged infringement.<sup>36</sup>

#### **E. Seagate Raises the Bar for Proving Willful Infringement and Clarifies When Reliance on the Opinion of Counsel Will Waive Privilege**

In 2007 in *In re Seagate Technology*,<sup>37</sup> the Federal Circuit raised the level of proof required for proving willful infringement and clarified when reliance on the opinion of counsel will result in waiver of the attorney-client or work product privilege. In the district court, Convolve sued Seagate for infringement of three patents.<sup>38</sup> Prior to the suit, Seagate retained outside counsel and obtained opinions on the asserted patents.<sup>39</sup> After the suit was filed, Seagate notified Convolve that it intended to rely on those opinions to defend against the allegations of willful infringement.<sup>40</sup> Seagate disclosed all of the work product of its opinion counsel and made him available for deposition.<sup>41</sup> Unsatisfied with this result, Convolve moved to compel production of all communications and work product related to the opinions including communications with trial counsel.<sup>42</sup> The district court held that by relying on the opinion of its opinion counsel, Seagate waived attorney-client privilege for all communications with any counsel, including trial counsel, concerning the subject matter of the opinions and ordered production of any document and testimony concerning the subject matter of the opinions.<sup>43</sup>

Seagate appealed to the Federal Circuit to prevent its trial counsel from being deposed and discovery of trial counsel's work product.<sup>44</sup> The Federal Circuit, *sua sponte*, ordered an *en banc* review of the appeal to decide whether the assertion of an advice-of-counsel

---

36. *See, e.g.*, *Informatica Corp. v. Business Objects Data Integration, Inc.*, 454 F. Supp. 2d 957, 959 (N.D. Cal. 2006), *aff'd* 2006 WL 2329460 (N.D. Cal. 2006); *Iridex Corp. v. Synergetics, Inc.*, No. 4:05CV1916 CDP, 2007 WL 445275, at \*1 (E.D. Mo. Feb. 2, 2007).

37. 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

38. *Id.* at 1366.

39. *Id.*

40. *Id.*

41. *Id.*

42. *Id.*

43. *Id.* at 1366–67.

44. *Id.* at 1367.

defense extended the waiver of attorney-client privilege to trial counsel as well, what the effect of that waiver was on work-product immunity, and whether the court should reconsider *Underwater Devices* and the duty of care standard.<sup>45</sup>

### **1. Replacing the Duty of Care Standard with an Objective Recklessness Standard**

The Federal Circuit first revisited its willfulness doctrine to bring it in line with Supreme Court precedent on the issues of willfulness and punitive damages and “the general understanding of willfulness in the civil context.”<sup>46</sup> The court determined that *Underwater Devices* and the duty of care standard set the threshold for willfulness at a level “more akin to negligence.”<sup>47</sup> The Federal Circuit concluded that in other civil contexts a finding of willfulness required at least a showing of reckless behavior.<sup>48</sup> Thus the court overruled *Underwater Devices* and held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”<sup>49</sup>

The *Seagate* Court established a two-step process for proving willful infringement. First, “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.”<sup>50</sup> This first portion of the test is an objective inquiry, and the accused infringer’s state of mind is irrelevant.<sup>51</sup> Second, once

---

45. *Id.*

46. *Id.* at 1370–71.

47. *Id.* at 1371.

48. *Id.* at 1370–1371.

49. *Id.* at 1371. The court also reiterated that there is no affirmative duty to obtain opinion of counsel. *Id.*

50. *Id.* In a concurring opinion, Judge Newman explained that:

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 the standard of “recklessness” appears to ratify intentional disregard, and to reject objective standards requiring a reasonable respect for property rights.

*Id.* at 1385 (Newman, J., concurring).

51. *Id.* at 1371.

this threshold inquiry is satisfied, “the patentee must also demonstrate 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.”<sup>52</sup>

## **2. Refining the Scope of Attorney-Client and Work Product Waiver**

The Federal Circuit then addressed its waiver doctrine. In *EchoStar*, the Federal Circuit held that disclosure of a written opinion from opinion counsel waives attorney-client privilege for all counsel concerning the subject matter of the opinion; the court did not reach the question of whether the waiver extended to trial counsel. In *Seagate*, the Federal Circuit surveyed the varied approaches of other courts who addressed the waiver issue and concluded that the waiver of privilege with respect to opinion counsel did not extend to trial counsel because of the “significantly different functions of trial counsel and opinion counsel.”<sup>53</sup> The court noted that willful infringement is normally based on pre-litigation conduct, thus “communications of trial counsel [would] have little, if any, relevance warranting their disclosure.”<sup>54</sup> The court decided that disclosing the work-product of opinion counsel did not waive attorney-client privilege or work-product immunity with respect to trial counsel.<sup>55</sup> The court noted, however, that this was not an “absolute rule.”<sup>56</sup> The court found that trial courts still retain the discretion to extend waiver of attorney-client or work product privilege to trial counsel in cases where the “party or counsel engages in chicanery.”<sup>57</sup>

---

52. *Id.*

53. *Id.* at 1372–73.

54. *Id.* at 1373.

55. *Id.* at 1374–75.

56. *Id.* at 1374.

57. *Id.* at 1374–75.

### 3. **Damages Cannot be Enhanced Without a Finding of Willfulness**

In a concurring opinion, Judge Gajarsa pushed to “eliminate the grafting of willfulness onto section 284.”<sup>58</sup> Judge Gajarsa claimed that the plain meaning of section 284, which is silent on conditions for imposing enhanced damages, indicated discretion in awarding them should be left in the hands of the district courts.<sup>59</sup> The majority noted that it did not address Judge Gajarsa’s opinion because the issue was not raised in Seagate’s petition or included in the questions for *en banc* review.<sup>60</sup> Judge Gajarsa’s opinion appeared to leave open the possibility that enhanced damages could be awarded even if the accused infringement is not willful. But a subsequent panel of the Federal Circuit explained that a finding of “willful infringement or bad faith” is still required to award enhanced damages under section 284.<sup>61</sup>

## III. **IMPACT OF SEAGATE ON LITIGATION PRACTICE**

There should be no doubt that *Seagate*’s judicially-developed willful-infringement doctrine will continue to develop and evolve as courts apply the fact-intensive willfulness test. The section below illustrates the effects that *Seagate* and *Knorr-Bremse* have had in selected willful infringement cases.

### A. **Pleading Willful Infringement**

*Seagate* did not alter the standard for pleading willful infringement; a complaint must simply allege facts to support the claim of willful infringement.<sup>62</sup> For example, alleging that an accused infringer knew of the infringed patent and infringed it anyway is sufficient to

---

58. *Id.* at 1377. (Gajarsa, J., concurring).

59. *Id.* (Gajarsa, J., concurring).

60. *Id.* at 1367 n.2.

61. *Cohesive Techs., Inc. v. Waters Corp.*, 543 F3d 1351, 1374 (Fed. Cir. 2008) (“The majority of the *en banc* court in *Seagate* did not elect to overrule [the requirement in ] *Beatrice Foods* [that willfulness or bad faith must be found to enhance damages], and we therefore remain bound by that decision”).

62. *F5 Networks, Inc. v. A10 Networks, Inc.*, No. C07-1927RSL, 2008 WL 687114, at \*1 (W.D. Wash. Mar. 10, 2008) (“An allegation of willful infringement is not subject to a heightened pleading standard but must meet the requirements of Rule 8.”).

allege willful infringement.<sup>63</sup> But alleging that “insofar as” (i.e., to the extent that) the accused infringer knew of the patent, it willfully infringed, is insufficient.<sup>64</sup> Alleging only continuing infringement and infringement by inducement or contributory infringement without requesting enhanced damages for willful infringement is also insufficient to state a willfulness claim.<sup>65</sup>

## **B. Selected Post-*Seagate* Trends in Willful-Infringement Cases**

The development of willfulness law after *Seagate* is ongoing. We have collected below decisions in numerous district and Federal Circuit cases that have applied the *Seagate* standard. Certain post-*Seagate* issues have been decided by the Federal Circuit. For example, as noted above, a patentee must show that the infringement was willful to obtain enhanced damages under section 284.<sup>66</sup> Other district and appellate decisions present emerging trends in the way courts apply the objective recklessness standard. It appears that an accused infringer can avoid a willful-infringement finding by presenting a reasonable non-infringement or invalidity defense,<sup>67</sup> showing that construction of the asserted claims was not straightforward;<sup>68</sup> demonstrating that related PTO action (such as granting reexamination) shows that the scope of the patent was

---

63. *Id.* at \*1–2 & n.2. See also *Jardin v. Datallegro, Inc.*, No. 08-1462, 2009 WL 186194, at \*7 (S.D. Cal. Jan. 20, 2009) (*Seagate* did not alter the standard for pleading willful infringement; alleging “defendants has [sic] actual or constructive knowledge of the [] [p]atent, yet continue to infringe this patent to this very day” was sufficient to allege willful infringement).

64. *F5 Networks*, 2008 WL 687114, at \*1.

65. *Am. Medical Sys., Inc. v. Laser Peripherals, LLC*, No. 08-4798, 2010 WL 1957479, at \*17 (D. Minn. May 13, 2010) (pleading “continuing infringement and infringement by inducement or contributory infringement, which require knowledge of the [relevant] Patent” and failing to request enhanced damages is not sufficient to allege willful infringement).

66. *Cohesive Techs., Inc. v. Waters Corp.*, 543 F3d 1351, 1374 (Fed. Cir. 2008).

67. See, e.g., *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, 260 Fed. Appx. 284, 291 (Fed. Cir. 2008) (non-precedential) (“[L]egitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.”).

68. *Cohesive Techs.*, 543 F3d at 1374.

uncertain,<sup>69</sup> or showing that its prompt redesign efforts permitted no inference of recklessness.<sup>70</sup> The cases discussed below also seem to show that judges will not hesitate to set aside jury findings of willfulness if they believe that the evidence presented could not satisfy the threshold, objective prong of *Seagate*.<sup>71</sup> In other words, while the court may not be willing to set aside a jury's findings concerning the accused infringer's subjective beliefs (under the second prong of *Seagate*), the court will scrutinize the patentee's evidence and will direct verdicts in favor of the accused infringer where the patentee has not met the objective part of *Seagate*'s test for willful infringement.<sup>72</sup> But of course all of these developments and interpretations of *Seagate* could be mooted by Congress if it enacts the pending patent-reform legislation, although this result appears unlikely as of July 2010.<sup>73</sup>

### **1. Legitimate Defenses to Infringement Can Foreclose a Willful Infringement Finding**

Federal Circuit and district court decisions applying the *Seagate* test have held that an accused infringer's legitimate non-infringement defenses, even if they are not successful, may be sufficient to defeat a finding of willful infringement under the first, objective prong of *Seagate*. In *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, the Federal Circuit found that the objective prong of *Seagate* had not been met because Medtronic's doctrine-of-equivalent defenses were reasonable and presented a close case.<sup>74</sup> DePuy's patent covered conically-shaped pedicle screws used in spinal surgeries.<sup>75</sup> Medtronic's allegedly infringing screws were spherically-shaped; therefore, the district court

---

69. *Lucent Techs., Inc. v. Gateway, Inc.*, Nos. 07-2000, 02-2060, 03-0699, 03-1108, 2007 WL 6955272, at \*7-9 (S.D. Cal. Oct. 30, 2007).

70. *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1357-58 (Fed. Cir. 2010).

71. *VNUS Med. Techs., Inc. v. Diomed Holdings, Inc.*, 527 F. Supp. 2d 1072, 1073-74 (N.D. Cal. 2007).

72. *TGIP, Inc. v. AT&T Corp.*, 527 F. Supp. 2d 561, 568 (E.D. Tex. 2007).

73. The text of the Patent Reform Act of 2010 is contained in a draft Senate Managers' Amendment numbered GRA10134. Patent Reform Act of 2010, GRA10134, 111th Cong. (2010), available at <http://judiciary.senate.gov/legislation/upload/PatentReformAmendment.pdf>.

74. 567 F.3d 1314, 1335 (Fed. Cir. 2009).

75. *Id.* at 1320.



granted summary judgment of no infringement for Medtronic.<sup>76</sup> During a first appeal, the Federal Circuit affirmed this finding as to the literal infringement but reversed the under the doctrine of equivalents because a question of fact remained about whether the spherically-shaped screws were equivalent to the patented conical screws.<sup>77</sup> On remand, a jury found that the spherical screws were infringing equivalents.<sup>78</sup> DePuy sought a finding of willful infringement, but the district court found that “Medtronic presented a substantial question of noninfringement under the doctrine of equivalents,” and therefore granted Medtronic’s motion for judgment as a matter of law (“JMOL”) of no willfulness under the objective prong of *Seagate*.<sup>79</sup> In a second appeal, the Federal Circuit affirmed the JMOL of no willfulness.<sup>80</sup> The appeals court explained that a reasonably jury could have found for either party on the question of equivalence and that the evidence presented during trial “viewed objectively, indisputably shows that the question of equivalence was a close one, particularly insofar as equivalence ‘requires an intensely factual inquiry.’”<sup>81</sup> Therefore, the Federal Circuit found that Medtronic could not have been objectively reckless under the first prong of *Seagate* as a matter of law.<sup>82</sup> The *DePuy* court did not address the second, subjective prong of *Seagate* because the objective prong was not met.<sup>83</sup>

## **2. A Significant Narrowing the Patentee’s Infringement Case Can Foreclose a Finding of Willful Infringement**

Courts applying *Seagate* have also found that an accused infringer can avoid a willfulness finding as a matter of law if it is successful in narrowing significantly the patentee’s infringement

---

76. *Id.*

77. *Id.*

78. *Id.* at 1319, 1335.

79. *Id.* at 1335.

80. *Id.*

81. *Id.* at 1336.

82. *Id.*

83. *Id.* The Federal Circuit therefore did not consider DePuy’s arguments concerning copying and Medtronic’s rebuttal evidence concerning designing around, “both of which are relevant only to Medtronic’s mental state regarding its direct infringement under *Seagate*’s second prong.” *See Id.*

claims or if the patentee drops a number of its claims as the litigation proceeds towards trial. In *Uniloc USA, Inc. v. Microsoft Corp.*, the district court granted Microsoft summary judgment of no willful infringement because the patentee was only able to carry one of its fourteen infringement claims to trial.<sup>84</sup>

### **3. Legitimate Defenses to Validity Can Foreclose a Willful Infringement Finding**

A finding of no willful infringement may also be appropriate where the accused infringer is able to prevail on some of its invalidity defenses, even if the accused infringer does not win its invalidity case completely. In *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, the Federal Circuit commented in dicta that a finding of willful infringement may be inappropriate where the accused infringer succeeds in invalidating two of the asserted patent's claims.<sup>85</sup> At least one district court has applied the dicta in *Black & Decker* to reject a patentee's willful infringement allegation as a matter of law. In *Honeywell Intern. Inc. v. Universal Avionics Systems Corp.*, the district court found that there could be no willful infringement as a matter of law because it found several of the asserted claims anticipated, and "[a]lthough [the] court did not agree with Universal on its other invalidity defenses, an exhaustive analysis was required, particularly of the on-sale and public use bars, to reach a conclusion."<sup>86</sup> *Honeywell* cited *Black & Decker* with approval.<sup>87</sup>

---

84. 640 F. Supp. 2d 150, 176–77 (D.R.I. 2009) (finding no willful infringement as a matter of law in “[a] case that at one point included claims of direct and indirect infringement of fourteen claims based on eight distinct theories [that] resulted in an unappealed judgment of non-infringement of twelve claims, one claim dropped on the eve of trial, all indirect infringement claims dropped on the eve of closing arguments, and only an allegation of direct infringement of a single claim under a single theory remaining.”).

85. 260 Fed. Appx. 284, 291 (Fed. Cir. 2008) (non-precedential) (“[L]egitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.”).

86. 585 F. Supp. 2d 636, 644 (D. Del. 2008).

87. *Id.* at 644 n.41 (quoting *Black & Decker*, 260 Fed. Appx. At 291) (“[U]nder Seagate’s objective standard, ‘both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.’”).

#### **4. A Hotly Contested Claim Construction Dispute Can Foreclose a Finding of Willful Infringement**

If claim construction is hotly contested, the accused infringer's reasonable (but losing) claim construction argument may also provide another basis for finding no willful infringement. In *Cohesive Technologies, Inc. v. Waters Corp.*, the Federal Circuit held that a reasonable dispute concerning the meaning of a claim term was sufficient to insulate an accused infringer from a finding of willful infringement under *Seagate*.<sup>88</sup> The parties disagreed about the construction of the term "rigid" particles in a claim directed to a process for separating, identifying, and measuring compounds contained in a liquid.<sup>89</sup> Waters claimed that Cohesive had disavowed any claim to certain particles because they could not be "rigid," but the district court disagreed and the Federal Circuit affirmed.<sup>90</sup> Nevertheless, the district court found that Water's infringement could not have been willful because its argument concerning the construction of "rigid" was reasonable in light of the specification and prosecution history.<sup>91</sup> The Federal Circuit agreed on appeal and affirmed the finding of no willful infringement under the objective prong of *Seagate*.<sup>92</sup> Other district courts have followed *Cohesive Technologies* and found that if the accused infringer's claim construction arguments are reasonable and the claim construction question is a difficult one, this can show that the accused infringer was not acting recklessly under *Seagate*'s objective test.<sup>93</sup>

But an unreasonable claim construction (or the failure of the accused infringer to consider claim construction prior to suit) cannot support a finding of no willful infringement. In *Creative*

---

88. 543 F.3d 1351, 1374 (Fed. Cir. 2008).

89. *Id.* at 1357, 1374.

90. *Id.* at 1374.

91. *Id.*

92. *Id.* ("Because 'rigid' was susceptible to a reasonable construction under which Waters's products did not infringe, there was not an objectively high likelihood that Waters's actions constituted infringement.").

93. *See, e.g., Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 692 F. Supp. 2d 487, 504 (M.D. Pa. 2010) (differing claim construction rulings on the same claim term foreclosed a finding of willful infringement); *OPTi Inc. v. Apple, Inc.*, No. 07-21, 2009 WL 4727912, at \*2 (E.D. Tex. Dec. 3, 2009) (finding no willful infringement as a matter of law because the claim construction issues were close calls).

*Internet Advertising Corp. v. Yahoo Inc.*, the court found that a claim construction dispute about the meaning of “a” or “an” was not reasonable, and that the jury reasonably could have concluded that defendant willfully infringed because “[d]efendant neither solicited, nor followed advice of counsel, continued to infringe the [ ] patent after notice was given, ignored the substantial similarity between the claimed invention and the [patented] program, [and] made no efforts to avoid infringement . . . .”<sup>94</sup>

## **5. Prompt Redesign Efforts by the Accused Infringer Can Foreclose a Willful Infringement Finding**

If an accused infringer promptly redesigns its products upon learning of the asserted patent, the accused infringer’s redesign efforts can be used as evidence to avoid willful infringement.<sup>95</sup> In *Trading Technologies International, Inc. v. eSpeed, Inc.*, a jury found eSpeed’s infringement willful, but the court granted JMOL of no willfulness to eSpeed because the evidence showed that eSpeed launched its product before the patents issued, did not sell its product after the patent issued although its customers continued to use the product for four months until a redesign was completed, issued a redesign promptly, and because the court viewed the validity questions litigated as difficult questions.<sup>96</sup> On appeal, Trading Technologies focused on eSpeed’s continued infringing use of the patented product for four months after the suit was filed.<sup>97</sup> The Federal Circuit noted that eSpeed’s contracts with its customers prohibited it from ceasing its infringing use and eSpeed promptly redesigned the infringing product upon learning of the patent; accordingly, the court affirmed the finding of no willfulness.<sup>98</sup>

---

94. No. 07-354, 2009 WL 2382132, at \*5–6 (E.D. Tex. July 30, 2009).

95. *Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1357–58 (Fed. Cir. 2010).

96. No. 04 C 5312, 2008 WL 63233, at \*1–2 (N.D. Ill. Jan. 3, 2008), *aff’d*, 595 F.3d 1340, 1357–58 (Fed. Cir. 2010).

97. *Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1357–58 (Fed. Cir. 2010).

98. *Id.*

## 6. ***PTO Action Granting Reexamination of an Asserted Patent May Also Foreclose a Willful Infringement Finding***

If the PTO grants a third-party's request to reexamine a patent, an accused infringer may use this fact as one factor to show that its infringement of the asserted patent was not willful. In *Lucent Technologies, Inc. v. Gateway, Inc.*, the PTO granted Gateway's *ex parte* request for reexamination of Lucent's patent because the PTO found that Gateway's request presented a substantial new question of patentability affecting the claims of the patent.<sup>99</sup> Gateway argued that this foreclosed a finding of willful infringement and the court agreed.<sup>100</sup> The court explained that the PTO's reexamination order is one factor it may consider and remarked that "[i]t does appear that a reexamination order may be taken as dispositive with respect to post-filing conduct."<sup>101</sup> The *Safoco, Inc. v. Cameron International Corp.* court agreed with *Lucent* that the granting of a reexamination request by the USPTO is one factor to consider, but rejected the proposition that the grant or result of a reexamination proceeding can be dispositive for purposes of willfulness.<sup>102</sup>

Other courts have reached contrary conclusions regarding reexamination, finding instead that the PTO's routine grant of reexamination does not show that an asserted patent is likely invalid.<sup>103</sup> In *Krippelz v. Ford Motor Co.*, the court found that the PTO's grant of reexamination was irrelevant because it does not show that the patent is likely invalid, it only shows that the standard for reexamination had been met: "a new *question* of patentability" was presented<sup>104</sup>

---

99. Nos. 07-2000, 02-2060, 03-0699, 03-1108, 2007 WL 6955272, at \*7-9 (S.D. Cal. Oct. 30, 2007).

100. *Id.* at \*7, \*9.

101. *Id.* at \*7. The *Pivonka v. Central Garden & Pet Co.* court reached the same conclusion, reasoning that there could be no willful infringement because "[t]he PTO's preliminary order determining that the claims of the plaintiffs' [patent] are unpatentable as obvious shows that the defendants have advanced a colorable challenge to the validity of the plaintiffs' patents." No. 02-02394, 2008 WL 486049, at \*2 (D. Colo. Feb. 19, 2008).

102. No. 05-0739, 2009 WL 2424108, at \*18-20 (S.D. Tex. July 31, 2009).

103. *Krippelz v. Ford Motor Co.*, 675 F. Supp. 2d 881, 894-95 (N.D. Ill. 2009).

104. *Id.* at 894 (citing *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996) ("The grant of a request for reexamination, although

## 7. ***Willfulness Has Been a Summary-Judgment Issue More Often Under the Seagate Test***

With the bar for establishing willful infringement set much higher, some post-*Seagate* cases have resulted in alleged infringers filing and winning motions for summary judgment on the willfulness issue. For example, in *Cordance Corp. v. Amazon.com, Inc.*, the court found that Amazon was not put on notice of Cordance's patents by the PTO's citation of one of Cordance's patents during the prosecution of an Amazon patent or by Amazon's general interest in the one-click technology that Cordance was seeking to patent.<sup>105</sup> Accordingly, the court granted summary judgment of no willfulness to Amazon because it could not have acted "despite an objectively high likelihood that its actions constituted infringement of" Cordance's patent.<sup>106</sup>

Similarly, in *Franklin Electric Co., Inc. v. Dover Corp.*,<sup>107</sup> Franklin alleged that the Dover's infringement was willful because Dover sought a license from Franklin and failed to seek advice of counsel before launching its product.<sup>108</sup> The court concluded that these actions only implicated the second, subjective prong of *Seagate*, and found that because Dover's non-infringement position had "significant support in the language of the patent, the specification and the prosecution history," Franklin could not prevail on the first, objective prong of the *Seagate* test as a matter of law.<sup>109</sup>

Likewise, in *VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc.*, the court concluded that two of three defendants could not be willful infringers as a matter of law because VNUS

---

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.").

105. 639 F. Supp. 2d 406, 414–15 (D. Del. 2009). The court also concluded that Amazon was entitled to summary judgment on the willfulness issue because Amazon's defenses were reasonable. *Id.* at 416–17.

106. *Id.*

107. No. 05-C-598-S, 2007 WL 5067678 (W.D. Wis. Nov. 15, 2007).

108. *Id.* at \*8 (discussing Franklin's evidence of Dover's failure to consult counsel before selling its products, its attempts to obtain a license from Franklin's predecessor, and letters from Franklin accusing Dover of infringement)

109. *Id.* In fact, the *Franklin* court made this finding in spite of the fact that the Federal Circuit reversed its initial finding of non-infringement on which Dover based its motion for summary judgment. *See id.*

failed to show they had actual knowledge of the patents.<sup>110</sup> As to the third defendant, Diomed, the court found that VNUS willfulness claim could withstand Diomed’s motion for summary judgment because VNUS had offered evidence alleging that Diomed had actual knowledge<sup>111</sup> of the patents and the opinions of counsel that Diomed relied on in defense of VNUS’s charge of willful infringement were either “preliminary” by their own terms (and therefore did not set forth an adequate legal assessment) or conclusory because “[n]o factual or legal basis for [counsel’s] conclusion [was] set forth [in the opinion provided].”<sup>112</sup>

Other courts, however, have refused to grant an accused infringer summary judgment on the willfulness issue when applying the *Seagate* test. For example, one court refused to grant summary judgment of no willful infringement even after it previously found the asserted patents invalid. In *Eaton Corp. v. ZF Meritor LLC*,<sup>113</sup> the court originally held one of the asserted patents invalid but later reconsidered its decision based on testimony from plaintiff’s expert.<sup>114</sup> The court distinguished *Franklin Electric* because its invalidity ruling was not final until after plaintiff’s reconsideration motion was decided.<sup>115</sup> With respect to the other patent asserted by plaintiff, the court granted summary judgment of infringement to plaintiff but determined that defendant’s invalidity defense must be presented to the jury.<sup>116</sup> The court concluded that it remained to be seen whether defendant’s invalidity argument was objectively unreasonable.<sup>117</sup> Based on these facts, the court found that it was “unable to say that

---

110. 527 F. Supp. 2d 1072, 1073–74 (N.D. Cal. 2007).

111. *Id.* at 1075. VNUS represented to the court that it could prove Diomed knew of VNUS’s patent by early 2002, based on a representation Diomed made to the FDA that the “‘intended use, method of tissue interaction, specifications, clinical technique and clinical results of the Diomed [products] are the same or very similar to those of the [VNUS Closure System].”” *Id.* at 1075 n.4.

112. *Id.* at 1075–76.

113. No. 03-74844, 2008 WL 920128, at \*2 (E.D. Mich. Apr. 3, 2008).

114. *Id.* at \*1.

115. *Id.*

116. *Id.* at \*2.

117. *Id.*

no jury could find there was an objectively high likelihood that [] defendant infringed a valid patent.”<sup>118</sup>

Further, courts have refused to deny a willfulness claim as a matter of law where the record showed that the accused infringer knew of the patent (or should have) but did little to mitigate its potential liability. In *Depomed, Inc. v. Ivax Corp.*, the court denied Ivax’s motion for summary judgment because the evidence showed that Depomed’s patent “issued almost two years before [Ivax] began selling” the accused product, thus giving Ivax “ample time to investigate and discover the relevant patent,” and there was “evidence that the [patent] and an agreement to license the patent to a third party were well publicized.”<sup>119</sup> In *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*, the court denied Bridgeport’s motion for summary judgment of no willful infringement because the evidence showed that Bridgeport had known of Arlington’s patent for years, had been attempting to copy the technology, had been previously enjoined from infringing the patent, made no attempt to secure a non-infringement opinion, had not attempted to design around the patent, and violated its own internal procedures intended to prevent patent infringement.<sup>120</sup>

## **8. Courts Have Also Reversed Jury Findings of Willful Infringement after the Verdict Based on Seagate’s Objective Recklessness Test**

Like in the summary-judgment context discussed above, post-*Seagate* courts have strictly scrutinized the patentee’s evidence of

---

118. *Id.* The district court’s decision in *Eaton* is difficult to reconcile with the other post-*Seagate* opinions. It would seem that presenting an invalidity defense capable of surviving summary judgment would lead to a finding of no high likelihood of infringement. Moreover, if the court first concluded that a patent was invalid, how can an accused infringer be objectively reckless in reaching the same conclusion? The *Eaton* court was never called upon to address these questions because a jury found that ZF Meritor did not infringe the asserted claims of Eaton’s patents and that certain claims of Eaton’s patents were invalid, *Eaton Corp. v. ZF Meritor LLC*, No. 03-74844 (E.D. Mich. closed Oct. 16, 2008) (docket entry 396 reporting jury verdict), and Eaton withdrew its JMOL motions for no invalidity, *id.* (docket entry 425 reporting parties’ stipulation to the withdrawal of Eaton’s JMOL motions after the parties reached an agreement concerning payment of ZF Meritor’s costs).

119. 532 F. Supp. 2d 1170, 1185–86 (N.D. Cal. 2007).

120. 610 F. Supp. 2d 370, 389 (M.D. Pa. 2009).



objective recklessness, and in some instances have rejected it as legally insufficient, even after a jury found the infringement willful. For example, the jury in *TGIP, Inc. v. AT&T Corp.* was properly instructed under the *Seagate* standard and found AT&T liable for willful infringement.<sup>121</sup> AT&T moved for JMOL of no willfulness and the district court granted the motion, explaining that AT&T could not have been objectively reckless because it obtained non-infringement and invalidity opinions, informed TGIP of its position, TGIP waited six years to sue AT&T, and TGIP's only pre-suit notifications to AT&T consisted of two short letters that did not explain why AT&T infringed.<sup>122</sup>

### **C. Evidentiary and Procedural Concerns Related to Proving Willfulness Under *Seagate***

Post-*Seagate* cases have also discussed evidentiary and procedural issues related to proving willful infringement.

#### **1. Relevance of Post-Litigation Conduct**

One evidentiary concern was theoretically put to rest by the *Seagate* decision when the Federal Circuit announced that “a willfulness claim asserted in the complaint must necessarily be grounded exclusively in the accused infringer’s pre-filing conduct.”<sup>123</sup> The Federal Circuit went on to state that the appropriate remedy for any post-filing infringing conduct was a preliminary injunction.<sup>124</sup> If a patentee does not attempt to stop post-filing infringement by seeking such an injunction, the patentee is estopped from any enhanced damage award based solely on that conduct.<sup>125</sup> This rationale implies that the accused infringer’s post-filing conduct is largely irrelevant to the willfulness inquiry because the patentee’s original complaint must

---

121. 527 F. Supp. 2d 561, 568 (E.D. Tex. 2007).

122. *Id.* at 578–79, 582. The court also found that the infringement question was a very close call. *Id.* at 578. And noted that AT&T’s position on the invalidity of the patents was not objectively unreasonable, pointing to the lack of clear and convincing evidence that AT&T’s non-infringement position was incorrect. *Id.* at 579. This result reinforces the logic of the decisions discussed above finding no willful infringement in close cases.

123. *Seagate*, 497 F.3d at 1374.

124. *Id.*

125. *Id.*

state facts showing that such infringement already occurred or risk dismissal of its willfulness claims.<sup>126</sup> Still, it is still important to note that the Federal Circuit's opinion did not preclude consideration of *all* post-litigation conduct when addressing willfulness.<sup>127</sup>

## 2. Waiver Regarding Post-Filing Communications

District courts have also examined the issue of pre-filing versus post-filing behavior in the context of the waiver of attorney-client privilege and work product immunity. After the Federal Circuit decided *Seagate*, Convolve sought an order from the district court permitting it to proceed with discovery of Seagate's in-house counsel's opinions based on Seagate's reliance on an advice-of-counsel defense.<sup>128</sup> The district court found that it was necessary to distinguish "the communications made and work product created before litigation was commenced from what was generated after the case began."<sup>129</sup> The district court acknowledged that the holding of *EchoStar* was not disturbed by *Seagate*, meaning that when accused infringers rely on opinions issued by in-house counsel as part of their defense, all work product protection and attorney-client privilege is waived for all communications on the same subject.<sup>130</sup> However, the court went on to note that applying the same waiver to post-filing communications was a closer question.<sup>131</sup> Because the Federal Circuit stated that the willfulness analysis should be focused on pre-litigation conduct and therefore any opinions received after filing possessed "marginal value," the district court found that

---

126. *See id.*

127. *See* Ball Aerosol & Specialty Container, Inc. v. Ltd Brands, Inc., No. 05 C 3684, 2008 WL 834443, \*15 (N.D. Ill. March 27, 2008), *rev'd* 555 F.3d 984 (Fed. Cir. 2009) (on appeal Federal Circuit vacated the infringement and validity findings and therefore did not address willfulness but the district court previously had found the infringement willful and noted that "[t]he Federal Circuit merely stated that in most instances post-litigation conduct should not be the sole basis for a finding of willful infringement since other remedies are available to the patent-holder, including a legal action for a preliminary injunction.")

128. *Convolve, Inc. v. Compaq Computer Corp.*, No. 00 Civ. 5141(GBD)(JCF), 2007 WL 4205868, at \*1 (S.D.N.Y. Nov. 26, 2007).

129. *Id.* at \*5.

130. *Id.*

131. *Id.*

there was no reason to allow discovery of in-house counsel's communications after the litigation was commenced.<sup>132</sup>

Other courts have reached other results with regard to pre-litigation communications. For example, in *Reedyhycalog UK, Ltd. v. Baker Hughes Oilfield Operations Inc.*,<sup>133</sup> the court analyzed waiver of attorney-client privilege in view of *Seagate*. Defendant refused to produce several communications between itself and opinion counsel, and Reedyhycalog moved to compel.<sup>134</sup> After conducting an in camera review, the court determined that communications between opinion counsel and defendant related to whether defendant was objectively reckless in relying on counsel's opinion.<sup>135</sup> Therefore, the court ordered defendant to produce these documents.<sup>136</sup>

### **3. Bifurcation of the Two-Part Seagate Test: Discovery on the Accused Infringer's Subjective Intent**

Another issue that has arisen since the *Seagate* decision is whether discovery on the issue of an alleged infringer's subjective belief should be stayed pending the patentee proving defendant acted despite an objectively high likelihood that its actions constituted infringement.<sup>137</sup> Several district courts have agreed that nothing in the *Seagate* opinion requires courts to bifurcate discovery in such circumstances.<sup>138</sup> In fact, the courts focus on the Federal Circuit's language holding that there is no "absolute rule" regarding the waiver of attorney-client privilege and that the district courts should enjoy considerable discretion on deciding when to waive such immunity.<sup>139</sup> Accordingly, district courts have not allowed an accused infringer to prolong indefinitely its decision on whether to rely on an opinion-of-counsel defense and

---

132. *Id.*

133. No. 6:06 CV 222, 2008 WL 828057 (E.D. Tex. Mar. 27, 2008).

134. *Id.* at \*1.

135. *Id.* at \*4.

136. *Id.*

137. *See V. Mane Fils S.A. v. Int'l Flavors and Fragrances, Inc.*, 249 F.R.D. 152, 156 (D.N.J. March 4, 2008); *Convolve, Inc. v. Compaq Computer Corp.*, No. 00 Civ. 5141(GBD)(JCF), 2007 WL 4205868 (S.D.N.Y. Nov. 26, 2007).

138. *V. Mane Fils S.A.*, 249 F.R.D. at 156 (citing *Convolve, Inc.*, No. 00 Civ. 5141(GBD)(JCF), 2007 WL 4205868, at \*5).

139. *Id.*

have chosen not to bifurcate discovery on the issue of the accused infringer's subjective intent.<sup>140</sup>

#### **D. The Totality of the Circumstances Remains Relevant to Assessing Willfulness Damages in Post-Seagate Cases**

An award of enhanced damages under 35 U.S.C. § 284 “requires a showing of willful infringement.”<sup>141</sup> However, even if a patentee establishes the infringer acted willfully under the *Seagate* standard, this only *permits* an award of treble damages, it does not mandate one.<sup>142</sup> “The law is clear that while willful infringement may allow enhanced damages, such a finding does not compel the district court to grant them. Instead, the decision to grant or deny enhanced damages remains firmly within the scope of the district court’s reasoned discretion, informed by a totality of the circumstances.”<sup>143</sup>

*Seagate* does not address how the court is to exercise this discretion and nothing in the opinion expressly overrules the factors laid out in the *Bott*<sup>144</sup> and *Read*<sup>145</sup> decisions. In *Bott v. Four Star Corp.*,<sup>146</sup> the court identified three factors to aid in the assessment of enhanced damages: “(1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed, and (3) the infringer’s behavior as a party to the litigation.”<sup>147</sup>

- 
140. *See, e.g.,* Intervet, Inc. v. Merial Ltd., 256 F.R.D. 229, 233 (D.D.C. 2009) (the court previously agreed that no bifurcation was required because defendant had not yet raised an opinion-of-counsel defense but determined that once it had, no bifurcation on the issue of the subjective prong of *Seagate* was warranted).
  141. *Seagate*, 497 F.3d at 1368 (citing *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991)).
  142. *Id.* “But, a finding of willfulness does not require an award of enhanced damages; it merely permits it.” *Id.* (citing *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999)).
  143. *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999).
  144. *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986).
  145. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992), *abrogated on other grounds by* *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 975 (Fed. Cir. 1995) (en banc).
  146. 807 F.2d 1567 (Fed. Cir. 1986).
  147. *Id.* at 1572.

The court in *Bott* did not indicate, however, that the listed factors were exhaustive, and indeed the list of factors grew as various district courts exercised their discretion in awarding enhanced damages based on willful infringement.<sup>148</sup> In *Read*, the Federal Circuit added six more factors to evaluate enhanced damages: the defendant's size and financial condition, the closeness of the case, the duration of the defendant's misconduct, any remedial action taken by the defendant, the defendant's motivation for harm, and whether the defendant attempted to conceal his misconduct.<sup>149</sup>

Even though there is some uncertainty concerning whether *Seagate* abrogated the factors outlined in *Read*,<sup>150</sup> some district courts continue to use the *Read* factors as a guide when determining whether to award enhanced damages.<sup>151</sup> In *Informatica Corp. v. Business Objects Data Integration, Inc.*,<sup>152</sup> the defendant was found liable for willful infringement prior to the *Seagate* decision. Based on the initial finding of the jury and after considering the *Read* factors, the judge decided to award a modest enhancement of damages. After *Seagate*, however, the defendant filed a motion for declination of enhancement of damages and sought a new trial on willful infringement.<sup>153</sup> The court revised its order and declined to award enhanced damages, finding that “[c]onsidering the totality of the circumstances in light of *Seagate*, which significantly raised the bar for a finding of willfulness,” enhanced damages were no longer proper.<sup>154</sup> The court stressed that one of the *Read* factors, the “closeness of the case,” that originally weighed against a substantial enhancement now served to completely eliminate the appropriateness of enhanced damages.<sup>155</sup> The higher standard of recklessness made

---

148. See *Read Corp.*, 970 F.2d at 826–27.

149. *Id.* at 827.

150. See *Depomed, Inc. v. Ivax Corp.*, 532 F. Supp. 2d 1170, 1177 (N.D. Cal. 2007) (noting that “[i]t is unsettled whether the Federal Circuit’s prior ‘totality of the circumstances’ test is now abrogated, or whether the factors identified in *Read Corp. v. Portec, Inc.* remain relevant to the willfulness inquiry”).

151. See *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 527 F. Supp. 2d 1076, 1082–83 (N.D. Cal. 2007).

152. 527 F. Supp. 2d 1076 (N.D. Cal. 2007).

153. *Id.* at 1078.

154. *Id.* at 1083.

155. *Id.*

the case even closer and, in the court's determination, too close to justify an award of enhanced damages based on willfulness.<sup>156</sup>

Other post-*Seagate* district courts have also weighed all of the *Read* factors to determine whether to award enhanced damages.<sup>157</sup> One district court specifically faulted the accused infringer for relying on a non-patent attorney to form its initial determination on infringement, only seeking a non-U.S. patent attorney's opinion prior to the start of litigation, and failing to obtain a U.S. patent attorney's opinion until after the litigation had started.<sup>158</sup> The district court ultimately declined to award enhanced damages because it found that the case was a close one, there was no prior judicial decision finding infringement,<sup>159</sup> the accused infringer did not profit significantly from the infringement, that the parties' litigation conduct was appropriate, and that the accused infringer did not attempt to hide or conceal its infringement.<sup>160</sup>

Some factors listed in *Read* have been applied differently under the heightened willfulness standard. For example, one *Read* factor, originally announced in *Bott*, may appear to be irrelevant after *Seagate*: "whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed."<sup>161</sup> This factor was originally articulated based on the affirmative duty (i.e., negligence standard) established in *Underwater Devices*.<sup>162</sup> But *Seagate* held that this affirmative duty to investigate no longer

---

156. *Id.*

157. *Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp.*, 593 F.Supp.2d 1088, 1112–17 (N.D. Cal. 2009).

158. *Id.* at 1114.

159. The district court cited *Bott* and explained "that the focus of this factor is whether or not the infringer has continued to infringe after there has been a judicial finding that a particular device infringes the asserted patent." *Id.* at 1116. Because the patentee failed to show any actual sales of infringing products after the jury's verdict, the court concluded that this factor did not weigh in favor of finding the infringement willful. *Id.*

160. *Id.* at 1114–17. The other *Read* factors (copying, failure to obtain an opinion of counsel regarding infringement, failure to attempt a redesign, and unfairly competing with the patentee) weighed in favor of awarding enhanced damages. *Id.* at 1113–17. But on balance, the court determined that no enhancement was warranted. *Id.* at 1117.

161. *Bott*, 807 F.2d at 1572.

162. *See Underwater Devices*, 717 F.2d at 1389–90.

exists.<sup>163</sup> Still, some courts have held that whether the accused infringer obtained an opinion of counsel is relevant to determining whether the infringement was willful.<sup>164</sup> But other courts have reached the opposite conclusion and have barred the introduction of evidence showing that the accused infringer did not obtain an opinion of counsel.<sup>165</sup> Regardless of these divergent views on the use of opinions of counsel, depending on the amount of knowledge that the accused infringer obtains concerning a patent's coverage of its technology (e.g., a letter merely delivering the patent versus a detailed claim chart showing how the accused infringer's products infringe another's patent), it may be reckless for a business to avoid investigating the patent to determine whether it infringes.

Use of the *Bott* and *Read* factors in the post-*Seagate* era is continuing to develop. As *Seagate* noted, the *Bott* factors were originally announced when the Federal Circuit's determination of willfulness was based on a totality of the circumstances approach.<sup>166</sup> The court has now articulated a new two-prong standard based on objective recklessness, but it did not explicitly eliminate the totality approach.<sup>167</sup> Indeed, one district court recently applied all of the *Read* factors to determine whether to award enhanced damages.<sup>168</sup> That district court specifically faulted the accused infringer for relying on a non-patent attorney to form its initial determination on infringement, only seeking a non-U.S. patent attorney's opinion prior to the start of litigation, and failing to obtain a U.S. patent attorney's opinion until after the litigation had started.<sup>169</sup> Still, the district court ultimately declined to award enhanced damages because it found that

---

163. *Seagate*, 497 F.3d at 1371.

164. *Tyco Healthcare Group, LP v. Applied Med. Res. Corp.*, No. 06-151, 2009 WL 5842063, at \*3 (E.D. Tex. Mar. 30, 2009) (“The seminal question is whether a jury, after *Seagate*, can hear testimony that a defendant did not seek advice of counsel in determining whether, under the totality of the circumstances, any infringement by the defendant was willful. This court holds that it can, again, as long as no adverse inference is drawn as to what the advice may have been.”).

165. *World Wide Stationary Mfg. Co., Ltd. v. U.S. Ring Binder, L.P.*, No. 07-1947, 2009 WL 4730342, \*2 (E.D. Mo. Dec. 4, 2009) (barring “plaintiff from mentioning evidence related to defendant’s lack of an opinion of counsel” based on the Federal Circuit’s decision in *Seagate*).

166. *Seagate*, 497 F.3d at 1369.

167. *Id.* at 1371.

168. *Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp.*, 593 F.Supp.2d 1088, 1112–17 (N.D. Cal. 2009).

169. *Id.* at 1114.

the case was a close one, there was no prior judicial decision finding infringement,<sup>170</sup> the accused infringer did not profit significantly from the infringement, that the parties' litigation conduct was appropriate, and that the accused infringer did not attempt to hide or conceal its infringement.<sup>171</sup> District courts appear to have interpreted *Seagate* as indicating that while the factors are no longer required to be used to determine willfulness, they may be employed after willfulness is found when the court is exercising its discretion in deciding how much, if at all, it should enhance damages.<sup>172</sup> If the courts continue in this fashion, opinion letters and seeking the advice of counsel would still benefit potential infringers and may serve to minimize or eliminate an enhanced damage award even if the accused infringer is found liable of willful infringement. In fact, the Federal Circuit recently confirmed that district courts can enhance a damages award in a willful-infringement case where the accused infringer failed to obtain a competent opinion of counsel prior to launching its product. In *i4i Limited Partnership v. Microsoft Corp.*, the Federal Circuit affirmed the district court's decision to increase the willfulness damages awarded to the patentee by 20% (\$40 million dollars) based on the fact that the accused infringer failed to obtain a competent opinion of counsel before continuing with its infringing activity.<sup>173</sup> It thus appears that potential infringers can benefit significantly from obtaining a patent opinion after *Seagate*.

- 
170. The district court cited *Bott* and explained "that the focus of this factor is whether or not the infringer has continued to infringe after there has been a judicial finding that a particular device infringes the asserted patent." *Id.* at 1116. Because the patentee failed to show any actual sales of infringing products after the jury's verdict, the court concluded that this factor did not weigh in favor of finding the infringement willful. *Id.*
171. *Id.* at 1114–17. The other *Read* factors (copying, failure to obtain an opinion of counsel regarding infringement, failure to attempt a redesign, and unfairly competing with the patentee) weighed in favor of awarding enhanced damages. *Id.* at 1113–17. But on balance, the court determined that no enhancement was warranted. *Id.* at 1117.
172. See *Informatica Corp.*, 527 F. Supp. 2d at 1082–83.
173. *i4i Ltd. Partnership v. Microsoft Corp.*, 589 F.3d 1246, 1273–75 (Fed. Cir. 2009) (explaining that the factors to be considered in determining whether to enhance damages are "distinct and separate" from the factors the fact-finder considers in determining if the infringing conduct meets *Seagate's* willful-infringement standard). The *i4i* court went on to explain that "the standard for deciding whether – and by how much – to enhance damages is set forth in *Read*, not *Seagate*."



## E. Potential Impact of the Patent Reform Act of 2010

The Patent Reform Act of 2010 is currently being considered by Congress.<sup>174</sup> Among the other changes proposed in the bill, Congress is considering rewriting the way that willful infringement is assessed. As an initial matter, the bill provides that the court must bifurcate the liability and damages (including willfulness) phases of a patent-infringement trial unless there is good cause to reject bifurcation.<sup>175</sup> Bifurcation of liability and damages is not required to affect the timing of discovery, and the parties are not permitted to request a different jury for liability and damages/willfulness issues.<sup>176</sup>

The bill requires patentees to plead willful infringement with particularity under Rule 9(b) of the Federal Rules of Civil Procedure.<sup>177</sup> The bill also codifies *Seagate's* objective-recklessness test as the method for proving willful infringement: the patentee must prove willful infringement by clear and convincing evidence showing that (1) “the infringer was acting despite an objectively high likelihood that his actions constituted infringement of a valid patent” and (2) “this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer” before a court can find the accused infringement was willful.<sup>178</sup>

---

174. Senator Patrick Leahy introduced a bill to reform the patent laws entitled the Patent Reform Act of 2009, S. 515, 111th Cong. (2009) in March 2009. The corresponding bill in the House of Representatives is H.R. 1260, 111th Cong. (2009). In March 2010, Senate leadership, including Judiciary Committee Chairman Leahy and ranking Judiciary Committee Republican Senator Jeff Sessions, issued a press release unveiling agreed-upon amendments to the Senate’s patent-reform bill, i.e., the Patent Reform Act of 2010, that are to be substituted for the Senate’s current version of bill S. 515. Press Release, *Leahy, Sessions, Hatch, Schumer, Kyl, Kaufman Unveil Details Of Patent Reform Agreement* (March 4, 2010), available at <http://leahy.senate.gov/press/releases/release/?id=8b0f5bb3-121b-484a-b0b7-092d7bdee1ac> (last accessed July 8, 2010). The text of the Patent Reform Act of 2010 is contained in a draft Senate Managers’ Amendment numbered GRA10134. Patent Reform Act of 2010, GRA10134, 111th Cong. (2010), available at <http://judiciary.senate.gov/legislation/upload/PatentReformAmendment.pdf> (hereinafter “Draft 2010 Patent Act”). As of July 2010, the draft Patent Reform Act of 2010 had not been substituted for S. 515, and the House had not yet taken up the Senate’s proposed changes.

175. Draft 2010 Patent Act § 4.

176. *Id.*

177. *Id.*

178. *Id.*

The bill limits when willful infringement can be found. A willful-infringement finding cannot be based on the accused infringer's knowledge of the patent alone.<sup>179</sup> If the patentee's willful-infringement case is based on a pre-suit notification letter, the letter must (1) identify "with particularity the asserted patent;" (2) identify the accused product or process; (3) "explain[] with particularity, to the extent possible following a reasonable investigation or inquiry, how the product or process infringes one or more claims of the patent."<sup>180</sup> If the court determines on motion by either party that the infringement, validity, or enforceability case was "close," it cannot find that the infringement was willful.<sup>181</sup> And finally, the patentee cannot rely on the accused infringer's failure to obtain an opinion regarding infringement as evidence of the accused infringer's willful infringement or willful inducement of infringement.<sup>182</sup>

The bill also limits increased damages for willfulness to those that accrued after the infringement became willful.<sup>183</sup> And all of the proposed amendments are not intended to be retroactive.<sup>184</sup>

#### **IV. IMPACT OF SEAGATE ON OPINION PRACTICE**

Although many questions continue to remain unanswered after *Seagate*, opinion practices have changed in response to the Federal Circuit's opinion. This section will review the *Seagate's* implications in the area of opinion practice.

##### **A. *Seagate* did not Eliminate the Need for Opinions of Counsel in Patent Infringement Cases**

*Seagate* did not completely eliminate the need for opinions of counsel in patent infringement cases. Indeed, recently in *Finisar Corp. v. DirecTV Group, Inc.* the Federal Circuit held that a competent non-infringement or invalidity opinion could "provide a sufficient basis for [an accused infringer] to proceed without engaging in objectively reckless behavior with respect to [an

---

179. *Id.*

180. *Id.*

181. *Id.*

182. *Id.*

183. *Id.*

184. *Id.*

asserted] patent.”<sup>185</sup> The Federal Circuit also held in *Broadcom Corp. v. Qualcomm Inc.* that an opinion of counsel is relevant to showing whether the “accused infringer ‘knew or should have known’ that its actions would cause another to directly infringe” for purposes of induced infringement.<sup>186</sup> The *Broadcom* decision implies that opinions of counsel will likely continue to have an impact on whether an accused infringer’s infringement was subjectively unreasonable for purposes of the second prong of the *Seagate* test.

Commentators have also reasoned that “the new willfulness standard undoubtedly makes it harder to prove willful infringement, [but] until the courts sort out exactly what type of conduct is ‘objectively reckless,’ it will still be prudent, at least in certain situations, to obtain opinions of counsel.”<sup>187</sup> As has been illustrated in the cases discussed above, the merits of an accused infringer’s defenses will be considered as a part of the court’s inquiry into whether the accused infringer’s conduct was reckless. Under the first prong of the *Seagate* test, whether the accused infringer obtained the opinion of counsel before engaging in potentially infringing behavior appears to be irrelevant because the court’s inquiry focuses on whether there is an “objectively high likelihood of infringement.”<sup>188</sup>

In densely patented industries, however, it may be difficult, if not impossible, to market a new product without addressing whether the product infringes an existing patent. If members of these densely patented industries hastily launch a product without surveying the legal landscape, they could be disregarding a high likelihood that they are infringing another’s patent. Indeed, although it is not especially clear from the Federal Circuit’s *Seagate* opinion, a kind of willful blindness could violate the “standards of commerce” that Judge Newman referenced in her concurrence.<sup>189</sup> Put another way, the objective inquiry commanded by the first prong of *Seagate* is not license for a potential infringer to disregard and reject objective standards requiring a reasonable respect for patent rights.<sup>190</sup> Finally, it is worth noting that the time that a potential infringer has to consider whether it infringes a patent also appears relevant to the willfulness

---

185. 523 F.3d 1323, 1339 (Fed. Cir. 2008).

186. 543 F.3d 683, 699 (Fed. Cir. 2008).

187. Ferguson, at \*9.

188. *In re Seagate Techs. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

189. *See id.* at 1385 (Newman, J., concurring).

190. *Id.* (Newman, J., concurring).

analysis. Some district courts have found that because a potential infringer had ample time to investigate and discover whether it infringed an asserted patent that had been widely-licensed in the industry, this fact weigh against the accused infringer's claim that it would not have known of the patent.<sup>191</sup>

Opinions of counsel also remain valuable because they can help the potential infringer evaluate the merits of a patentee's claims. A detailed analysis of validity, infringement, and enforceability issues will help the potential infringer assess whether its conduct is highly likely to infringe a valid patent and thus whether its conduct is objectively reckless.<sup>192</sup> Furthermore, the opinion of counsel is certainly relevant to the second part of the *Seagate* analysis. An accused infringer can defeat a willfulness charge outright if it can show that it did not (and should not) know of the objectively-defined risks. "A favorable, written opinion obtained prior to the start of a law suit . . . tends to show that the accused infringer did not know (and, indeed, assuming that the opinion [is] competent, should not have known) of the objectively-defined risk resulting from its pre-suit conduct."<sup>193</sup> Indeed, post-*Seagate* courts have weighed whether an accused infringer obtained an opinion of counsel as one factor in the willfulness analysis.<sup>194</sup>

## **B. Impact on the Scope and Detail of Future Opinions**

*Seagate* appears to have raised the bar for finding willful infringement, which has resulted in less detailed opinions being more widely utilized in defense of willful infringement charges. The value of any opinion as evidence of non-willfulness is dependent upon the objective competence of that opinion's reasoning.<sup>195</sup> The Federal Circuit has also explained that:

---

191. *See* *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*, 610 F. Supp. 2d 370, 389 (M.D. Pa. 2009); *Depomed, Inc. v. Ivax Corp.*, 532 F. Supp. 2d 1170, 1186 (N.D. Cal. 2007).

192. William L. LaFuze & Michael A. Valek, *Attorney Opinions, Waiver, and the New Law of Willful Infringement in Light of In Re Seagate*, 922 PLI/Pat 495, 508 (Jan. 2008).

193. *Id.*

194. *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*, 610 F. Supp. 2d 370, 389 (M.D. Pa. 2009); *Creative Internet Advertising Corp. v. YahooA Inc.*, No. 07-354, 2009 WL 2382132, at \*5-6 (E.D. Tex. July 30, 2009).

195. *Id.* at 509.

[t]o serve as exculpatory legal advice the opinion of counsel is viewed objectively . . . whether counsel analyzed the relevant facts and explained the conclusions in light of the applicable law, and whether the opinion warranted a reasonable degree of certainty that the infringer had the legal right to conduct the infringing activity.<sup>196</sup>

As other practitioners have pointed out, “the reasonableness of the opinion’s advice is still relevant to the willfulness inquiry.”<sup>197</sup> Therefore, “window dressing” opinions or opinions that ignore significant facts are unlikely to aid an accused willful infringer in avoiding enhanced damages. Furthermore, if it appears that the accused infringer is attempting to manipulate the findings contained in the opinions it has chosen to rely on, this may be a ground for the court to extend the accused infringer’s waiver of privilege to trial counsel so as to avoid any chicanery.<sup>198</sup>

Additionally, opinions focusing on obviousness may be more useful now. This is because *Seagate*, in combination with *KSR*,<sup>199</sup> may permit reliance on a non-obviousness opinion where prior to these cases the accused infringer would have been unwilling to accept anything less than a full anticipation opinion. Put simply, *KSR* makes the inference that a patent is obvious, and therefore invalid, more likely than it was before.<sup>200</sup> Therefore, an accused infringer may be able to make a reasonable case for invalidity based on obviousness and thus defeat a patentee’s willfulness claim under the objective prong of *Seagate*. This approach should be considered carefully, however, because if the court determines that the accused infringer’s interpretation of the obviousness question is erroneous, a finding of enhanced damages could result (assuming that the accused infringer should have known that its interpretation was incorrect).

### **C. Relevance of Opinions Obtained after Litigation has Commenced**

*Seagate* established that opinions obtained after litigation has commenced have little, if any, relevance to the question of willful infringement. Moreover, the Federal Circuit went on to state in

---

196. *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1467 (Fed. Cir. 1997); *see also* LaFuze, at 509.

197. *Id.*

198. *See, e.g.*, LaFuze, at 510.

199. *See KSR Int’l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1746 (2007).

200. *See id.* at 1741–43, 1746.

*Seagate* that the appropriate remedy for any post-filing infringing conduct was a preliminary injunction and that failure to seek such an injunction would preclude enhanced damages based solely on the accused infringers continuing conduct.<sup>201</sup> Therefore, if the accused infringer learns of the patent for the first time upon being sued for infringement, it would seem that there is no reason to obtain a separate opinion of counsel exclusively for willfulness purposes.<sup>202</sup> Instead, the accused infringer will need to concentrate on defeating the patentee's motion for a preliminary injunction. Indeed, defeating a preliminary injunction may lead to summary judgment for the accused infringer on the willfulness issue if the accused infringer can show that the patentee has not shown that it has a substantial likelihood of succeeding on the merits of its infringement claim. Put another way, a patentee who fails to obtain a preliminary injunction may not be able to obtain enhanced damages based on willfulness because the court's ruling on the preliminary injunction necessarily forecloses the objective conclusion that the accused infringer is highly likely to infringe the asserted patent.

#### **D. Strategy When Notice of a Potentially Infringed Patent is Received**

Under the duty of care standard articulated in *Underwater Devices*, patentees could put potential infringers on notice of their patent merely by sending a copy of the patent to the potential infringers (such letters are sometimes sent to an entire industry). Upon receipt of the patent, the potential infringer faces a difficult choice: investigate whether the patent is infringed or risk willful infringement for failing to conduct a reasonable inquiry. Analysis under the first prong of *Seagate* begins with an objective inquiry into

---

201. *Seagate*, 497 F.3d at 1374.

202. Other practitioners suggest a different approach. Mr. LaFuze notes that “a post-filing opinion of counsel could have strategic value in litigation where the testimony of opinion counsel could serve not only as a rebuttal to willfulness, but also to reiterate the accused infringer’s key defenses, e.g., non-infringement or invalidity, to the jury. . . . [T]rial counsel might also consider using a patent law expert to testify regarding the objective merit of the accused infringer’s defenses. If allowed by the district court, such testimony could be compelling evidence that the accused infringer’s conduct was not reckless.” See LaFuze, at 508–09.

the likelihood of infringement.<sup>203</sup> Arguably, a bare letter from the patentee doing no more than transmitting the patent to the potential infringer may be ignored if there is no reason to believe that the potential infringer's conduct is infringing. In other words, a patentee is likely required to provide some analysis of the accused products or processes in order to put the potential infringer on notice of the patent for willful infringement purposes. Still, it could be possible for the patent itself to provide sufficient disclosure to trigger the potential infringer to action but such a patent would surely have to very clearly cover the technology at issue. Moreover, it seems that the patentee would be required to at least point out that the patent itself describes how the target company's technology infringes.

In the context of a letter from the patentee, the exact amount of analysis required to put the potential infringer on notice for willful infringement purposes is debatable but it seems likely that the Federal Circuit would follow the approach in *SanDisk* and require that the letter be sufficient to trigger declaratory judgment jurisdiction before it can be found to put the potential infringer on notice of the patent for willfulness purposes.<sup>204</sup> The Patent Reform Act of 2010, as currently drafted, appears to require more than *SanDisk* because it requires that the patentee identify the asserted patent and accused products or process, and explain with particularity how the accused products or processes infringe one or more claims of the patent.<sup>205</sup> Unless the Patent Reform Act of 2010 is adopted, it appears that the *Seagate* decision may significantly lessen the burden on potential infringers and that it may be safe to ignore bald assertions by patentees unless either the patent itself or the letter from the patentee should have put the potential infringer on notice that there was a high likelihood of infringement of a valid patent.

## **E. Scope of Waiver Concerns**

Another concern following *Seagate* is the scope of any privilege waiver. The subsequent cases have made it clear that *EchoStar's*

---

203. See *Seagate*, 479 F.3d at 1371.

204. *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380–81 (Fed. Cir. 2007).

205. Draft Patent Act 2010 § 4.

same-subject requirement remains good law.<sup>206</sup> However, an additional showing must be made to justify the disclosure of privileged, post-filing communications. Thus, if in-house counsel prepared an opinion prior to the commencement of litigation, absent unusual circumstances, it appears reasonable to conclude that any post-filing communications between in-house counsel and trial counsel concerning the subject matter of the opinion would not be subject to discovery.<sup>207</sup> In principle, the same logic should apply when an opinion is rendered by a separate opinion counsel. One practitioner takes this rational one step further and reasons that the same law firm may now serve as opinion and trial counsel because the communications concerning the subject matter of the opinions would become irrelevant for willfulness purposes at the commencement of litigation.<sup>208</sup> Still, many companies may wish to pursue a more cautious tact and continue to separate opinion and trial counsel until it is more firmly established that opinion and trial counsel can be one and the same.

When a potential infringer has obtained or is considering obtaining more than one opinion, it is important to note that the reasoning in *Seagate* and *EchoStar* will not permit selective disclosure of the opinions that the potential infringer has obtained. The waiver accompanying the opinion-of-counsel defense still requires disclosure of all other opinions on the same subject matter thus including any unfavorable opinions that the potential infringer obtained. One silver lining here is that the accused infringer may be able to argue that it was not reckless because two different patent counsels came to differing conclusions and therefore it could not form an objective belief about its infringement status. This argument may not be acceptable if the weight of opinion is against the accused infringer but it could sway a jury when considering the knowledge that the accused infringer had and the actions that it chose to take in light of the information before it.

---

206. *See, e.g.,* *Convolve, Inc. v. Compaq Computer Corp.*, No. 00 Civ. 5141(GBD)(JCF), 2007 WL 4205868, at \*5 (S.D.N.Y. Nov. 26, 2007).

207. *See id.*

208. *See* Ferguson, at \*10.



## V. CONCLUSION

*Seagate*'s interpretation of willfulness eliminates the affirmative duty that *Underwater Devices* placed on the infringer and raises the culpability threshold from negligence to recklessness, making it increasingly difficult for a patentee to obtain enhanced damages.<sup>209</sup> Developing case law seems to indicate that an accused infringer's reasonable defenses, claim construction arguments, or efforts to design around the patent can show that its infringement was not willful. This case law is still in its infancy and it remains to be seen whether these trends will continue. Furthermore, the Federal Circuit's *Seagate* decision has clarified the scope of a privilege waiver when an accused infringer raises an advice-of-counsel defense. In brief, opinions rendered prior to the infringement suit are relevant and discoverable and post-infringement opinions, while not always relevant, may be discoverable in certain unusual circumstances. *Seagate* has also impacted opinion practices. Opinions remain relevant, and whether to obtain an opinion of counsel and the style of that opinion is an important question that a potential infringer should consider carefully. Of course, the Patent Reform Act of 2010 threatens to uproot and reorganize the tests set out in *Seagate*, but unless and until this occurs, patent practitioners would be wise to carefully monitor the evolving willful infringement doctrines developing under the *Seagate* decision.

---

209. *Seagate*, 497 F.3d at 1371.

## NOTES