

A Sea Change in Willful Infringement

The Federal Circuit's *In Re Seagate* Decision Raises the Bar for Patentees Seeking Enhanced Damages.

For decades, willful infringement was determined under the duty of due care standard set forth in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). In Judge Dyk's 2004 dissenting opinion in *Knorr-Bremse*, he described the duty of due care "a relic of the past," and called for its elimination. Since then, significant patent reform activity has occurred on Capital Hill, including efforts to raise the standard for willful infringement. On August 20, 2007, the Federal Circuit beat Congress to the punch with its en banc *In Re Seagate* opinion. The Federal Circuit limited the availability of enhanced damages to patentees by eliminating the duty of due care and announcing a higher standard for determining willful infringement. Patentees must now satisfy a two-pronged standard to establish the requisite willful infringement needed for enhanced damages under 35 U.S.C. § 284:

- (1) 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.
- (2) Second, if the threshold objective standard is satisfied, the patentee must also demonstrate that this objectively defined risk was either known or so obvious that it should have been known to the accused infringer.

This important case sprang from a routine discovery dispute centered on whether Seagate waived its attorney client privilege with respect to communications with its trial counsel or waived the protections afforded its trial counsel's work product. In the underlying case, *Convolve, Inc. v. Compaq Computer Corp. and Seagate Technology, Inc.*, Seagate elected to rely on the advice of counsel to defend against Convolve's willful infringement allegation. After the complaint was filed, Seagate retained separate counsel to provide an opinion concerning Convolve's patents. Seagate conceded that, by relying on the advice of counsel defense, it had waived the attorney client privilege and work product protections with respect to its opinion counsel. Seagate, however, refused to produce any communications with its separate trial counsel or its trial counsel's work product relating to the same subject matter. The United States District Court for the Southern District of New York granted patentee Convolve's motion to compel the attorney client communications between Seagate and its trial counsel, as well as its trial counsel's work product that was communicated to Seagate. Seagate filed a petition for a writ of mandamus with the Federal Circuit. Seizing on the opportunity to address the questions left unanswered by its previous *Knorr-Bremse* and *In re Echostar* opinions, the Federal Circuit ordered en banc review and invited briefing from the parties and *amici curiae* on three questions:

(1) Should a party's assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party's trial counsel?

(2) What is the effect of any such waiver on work product immunity?

(3) Given the impact of the statutory duty of care announced in *Underwater Devices, Inc. v. Morrison-Knudson Co.*, 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?

Making quick work of the first two questions—those left unanswered by its *Echostar* opinion—the Federal Circuit held that asserting the advice of counsel defense and relying on opinion counsel's work product will generally not constitute waiver of the attorney-client privilege or work product protection with respect to trial counsel. Warning that it was not setting forth an "absolute rule," the Court noted that waiver could extend to trial counsel in unique circumstances, such as if a party or counsel engages in chicanery.

The Federal Circuit's answer to the third question, discussed above, overshadowed the waiver issues resolved by the Court. The ripples of uncertainty resulting from the elimination of the duty of due care and the new "objective recklessness" standard remain to be resolved. For example, in *Knorr*, the en banc Federal Circuit held that the existence of a substantial defense to infringement is not necessarily sufficient to defeat liability for willful infringement. The *Seagate* court, however, held that a substantial question about invalidity or infringement sufficient to defeat a preliminary injunction motion would be sufficient to defeat a willfulness charge under the new objective recklessness standard. Another unresolved issue is the continued viability of the totality of the circumstances analysis, including the *Read* factors, which previously informed the willfulness analysis. But one thing is certain: *In re Seagate* has raised the bar for patentees seeking enhanced damages under 35 U.S.C. § 284.

For the full text of the Federal Circuit's opinion, see: <http://www.fedcir.gov/opinions/M830.pdf>

If you would like more information about this case, contact Marc Vander Tuig at mvandertuig@senniger.com.