

Litigating Willful Infringement in the Post-Seagate World

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It has been a little more than a year since the United States Court of Appeals for the Federal Circuit changed the playing field for willful patent infringement in its en banc decision in *In re Seagate*. That decision removed the long-established affirmative duty of care to avoid infringement, substituting in its stead a new legal requirement: the determination of willful infringement now teeters on whether the accused infringer's actions can be shown to have been objectively reckless. But how has the change to the legal standard affected the way in which willful infringement is litigated? Now that a number of courts have had the opportunity to interpret and apply the objective recklessness standard, the practical effect of the *Seagate* decision is increasingly evident. Here are some of the high-level observations gleaned from one year of post-*Seagate* case law.

Observation No. 1: *Seagate* Substantively Raised the Bar for Winning on Willfulness.

The switch from the affirmative duty of care to the objective recklessness standard of *Seagate* expanded the avenues for an accused infringer to defeat an allegation of willful infringement. Prior to *Seagate*, willful infringement could be shown by establishing that, despite having knowledge of the patent at issue, the accused infringer failed to exercise due care to investigate whether its actions might infringe a valid patent. The *Seagate* decision changed that by doing away with the accused infringer's affirmative duty of care.¹

The objective recklessness standard of *Seagate* requires the patentee to prove that the accused infringer (1) acted despite an objectively high likelihood that its actions constituted infringement of a valid patent and (2) knew or should have known of that objectively high risk.² Thus, there is both an objective prong (i.e., whether there was an objectively high risk) and a subjective one (i.e., whether the accused infringer knew or should have known of that risk). This means that whether the accused infringer conducted an inadequate investigation upon first learning of the patent is still important, but it is not the critical, issue-dispositive inquiry that it often used to be. Moreover, the new standard alters the semantics of how a patentee should frame the accused infringer's alleged willfulness. Instead of merely asserting that the accused infringer failed to adequately investigate, the patentee must now also focus heavily on the overall, objective strength of the patentee's liability case.³

Indeed, the switch to the objective recklessness standard appears to have made focusing on the weakness of

the patentee's case—as opposed to simply emphasizing the accused infringer's due care—an evermore viable tactic in the accused infringer's defense against willfulness. Following *Seagate*, district courts are increasingly holding that a close call on infringement or the existence of a substantial invalidity defense will preclude a finding of recklessness.⁴ For example, in *TGIP, Inc. v. AT&T Corp.*, the court for the Eastern District of Texas overruled the jury's finding of willful infringement where, in that court's view, infringement and validity were “at best, a very close question.”⁵ As such, “[r]easonable persons, properly instructed and exercising impartial judgment, could not find by clear and convincing evidence that [the accused infringer] acted in the face of an unjustifiably high risk of harm that was either known, or so obvious that it should have been known.”⁶ The court for the Northern District of California reached a similar result when it refused to award enhanced damages for a jury finding of willfulness under the pre-*Seagate* standard.⁷ There, the court explained that *Seagate* “significantly rais[ed] the bar for a finding of willfulness” and “had the *Seagate* standard been used in this case, Plaintiff might well have lost on willfulness.”⁸

The Federal Circuit has likewise recognized the substantive effect worked by its change to the legal standard for willful infringement in *Seagate*. Recently, in *Voda v. Cordis Corporation*, the Federal Circuit vacated a judgment of willful infringement where the jury had been instructed that the accused infringer had a “duty to exercise due care” pursuant to the pre-*Seagate* legal standard.⁹ There, the parties agreed that the instruction was erroneous, but the patentee urged that the error was harmless because the evidence also established willfulness under the objective recklessness standard.¹⁰ The Federal Circuit disagreed, holding that, based on the record, “a jury instruction in accord with the *Seagate* objective recklessness standard may have changed the result of the jury verdict on willfulness.”¹¹

The case was remanded for a determination of will-

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fulness under the objective recklessness standard. Moreover, in light of evidence that went primarily to the second, more subjective, prong of the *Seagate* analysis—that the accused product had been redesigned in an attempt to avoid the patents in suit and that the accused infringer had obtained several opinions of counsel regarding whether its redesigned product infringed—the Federal Circuit suggested that there may be insufficient evidence “as a matter of law to support a finding of willfulness” under the *Seagate* standard.¹²

Observation No. 2: Opinions of Counsel Remain an Effective Defense Against Willful Infringement.

At least with respect to opinions obtained prior to suit, post-*Seagate* precedent continues to put a great deal of weight on opinions of counsel as a defense to willful infringement.¹³ Some courts view whether or not the accused infringer sought the advice of counsel to be relevant only to the second prong of the objective recklessness standard—whether the accused infringer knew or should have known of the objectively high risk of infringement.¹⁴ Other courts do not draw a distinction between the two prongs and globally consider whether an opinion of counsel weighs against a finding of objective recklessness.¹⁵ In any event, post-*Seagate* courts generally continue to put substantial weight on opinions of counsel in the willfulness analysis. Indeed, at least one court has specifically held that whether or not the accused infringer obtained the advice of counsel is still part of the “totality of circumstances” to be considered when determining willfulness following the *Seagate* decision.¹⁶

In addition, increased certainty regarding the scope of privilege waiver resulting from reliance on an opinion of counsel as a defense to willful infringement has made the decision to rely on such opinions more palatable for accused infringers. The Federal Circuit in *Seagate* made clear that, absent extraordinary circumstances, the waiver resulting from reliance on the advice of opinion counsel will not extend to communications with or the work product of trial counsel. While district courts retain discretion to extend the waiver where appropriate, e.g., as the *Seagate* court explained, where there is evidence of “chicanery,” as of the time this article was submitted for publication, no courts had actually done so. The protection *Seagate* granted to privileged communications with, and the work product of, trial counsel remains entirely intact. On the other hand, courts have continued to hold that reliance on the advice of opinion counsel waives privilege not only to the opinion itself, but also to communications with opinion counsel that relate to whether the client’s reliance on that advice was reasonable.¹⁷

Observation No. 3: It Is Still Possible to Win on Willful Infringement, Even Where an Advice of Counsel Defense Has Been Raised.

Even though the bar has been raised, all is not lost for patentees who seek to prove willful infringement in the post-*Seagate* world. District courts have continued to allow the issue of willful infringement to reach the jury where there is at least some evidentiary support. For instance, in *Depomed, Inc. v. Ivax*

Corp., the court for the Northern District of California listed three things that could constitute “substantial” and “ample” evidence such that a reasonable jury could find willfulness under the objective recklessness standard.¹⁸ First, the court had rejected the accused infringer’s motion for summary judgment of invalidity, which tended to show that “a reasonable party . . . would not have believed that . . . [the] patents were invalid.”¹⁹ Second, the patent in suit had been issued several years before the alleged infringement began, so there was “ample time to investigate and discover the relevant patent.”²⁰ Third, there was circumstantial evidence that the accused infringer knew or at least should have known of the existence of the patent prior to the lawsuit.²¹ In light of this relatively minor showing, the court denied the accused infringer’s motion for summary judgment of *no* willful infringement, thereby allowing the issue to reach the jury.

Similarly, an advice of counsel defense can still be overcome where it appears that the accused infringer’s reliance on an opinion was unreasonable. As was the case prior to *Seagate*,²² reliance on an opinion of counsel that lacks competent legal analysis is still not an effective defense to willful infringement. For example, in *VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc.*, the court refused to grant summary judgment of no willful infringement where there was evidence that the defendant knew about the patents, and the noninfringement opinion it received in emails from counsel lacked any significant legal analysis.²³ The court for the Northern District of Illinois has also rejected an advice of counsel defense based on inadequate opinion letters.²⁴ There, the court denied a motion to reconsider its pre-*Seagate* grant of summary judgment of willful infringement, holding that even under the objective recklessness standard, such letters could not be “considered by a reasonable trier of fact to be credible evidence” supporting a conclusion that the defendants did not willfully infringe.²⁵

Accordingly, patentees facing an advice of counsel defense should continue to attack the competence of opinion counsel’s advice. Accused infringers should in turn be wary of relying on a questionable opinion as a defense to willful infringement because it may backfire. Specifically, the fact that opinion counsel was unable to provide a well-reasoned basis for noninfringement or invalidity could support an inference that the accused infringer knew or should have known it was acting recklessly.

Conclusion

There is no denying that the *Seagate* decision substantially changed the standard for proving willful infringement. But the mechanics of litigating a claim for willful infringement both for the patentee and the accused infringer remain largely the same. Pre-suit opinions of counsel can still be a great defense against willfulness. Such opinions, however, remain subject to the same lack-of-competence attacks that could be launched prior to *Seagate*. Although *Seagate* removed most of the concerns regarding waiver of privilege when an advice of counsel defense is asserted, accused infringers should not abuse that liberty by asserting an advice of counsel defense based on a poorly reasoned opinion or one that is inconsistent

with trial counsel's positions. Reliance on an opinion in those circumstances may end up doing more harm than good. ■

Endnotes

1. *In re Seagate*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).
2. *Id.*
3. See *Franklin Elec. Co., Inc. v. Dover Corp.*, 2007 WL 5067678, at *8 (W.D. Wis. Nov. 15, 2007) (explaining that evidence directed to the “second component of the *Seagate* test—what defendant knew or should have known with respect to the likelihood of infringement—” did not help the patentee meet its burden to establish that an “objectively high likelihood” of infringement existed).
4. See, e.g., *TGIP, Inc. v. AT&T Corp.*, 527 F. Supp. 2d 561, 579 (E.D. Tex. 2007); *Resqnet.com, Inc. v. Lansa, Inc.*, 533 F. Supp. 2d 397, 420 (S.D.N.Y. 2008) (finding no objective recklessness where defendants’ arguments, while “ultimately unsuccessful,” were “substantial, reasonable, and far from the sort of easily dismissed claims that an objectively reckless infringer would be forced to rely upon”).
5. 527 F. Supp. 2d 561, 579 (E.D. Tex. 2007).
6. *Id.*
7. *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 527 F. Supp. 2d 1076, 1083 (N.D. Cal. 2007).
8. *Id.*
9. *Voda v. Cordis Corp.*, Nos. 2007-1297, -1343, slip op. at 24–27 (Fed. Cir. Aug. 18, 2008).
10. *Id.* at 26.
11. *Id.* at 27.
12. *Id.*
13. See, e.g., *Lexion Med., LLC v. Northgate Techs., Inc.*, Nos. 2007-1420, -1440, slip op. at 15 (Fed. Cir. Aug. 28, 2008) (affirming determination of *no* willful infringement under the objective recklessness standard where accused infringer relied on nonliability oral opinion of counsel).
14. See *Franklin Elec. Co., Inc. v. Dover Corp.*, 2007 WL 5067678, at *8 (W.D. Wis. Nov. 15, 2007).
15. See, e.g., *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 104 (D. Mass 2007) (holding that there was no evidence that in-house counsel “willfully or recklessly” concluded there was no infringement).
16. *Energy Transp. Group, Inc. v. William Demant Holding A/S*, 2008 WL 114861 (D. Del. Jan. 7, 2008).
17. See *Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations Inc.*, 2008 WL 828057, at *3–4 (E.D. Tex. Mar. 27, 2008).
18. 532 F. Supp. 2d 1170, 1186 (N.D. Cal. 2007).
19. *Id.*
20. *Id.*
21. *Id.*
22. See, e.g., *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1466 (Fed. Cir. 1997) (upholding finding of willful infringement where defendant relied on “conclusory” opinion of counsel that was “lacking both legal and factual analysis”).
23. 527 F. Supp. 2d 1072, 1076 (N.D. Cal. 2007).
24. *Ball Aerosol and Specialty Container, Inc. v. Limited Brands, Inc.*, 553 F. Supp. 2d 939, 956 (N.D. Ill. 2008).
25. *Id.*