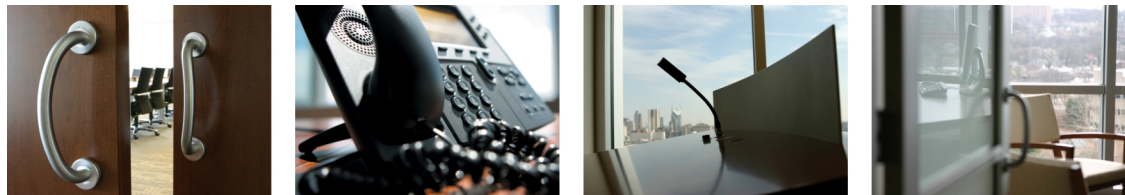


# ***In re Seagate:*** **Its Impact on Willfulness Litigation**

Jon Rose

Boult, Cummings, Conners & Berry, PLC

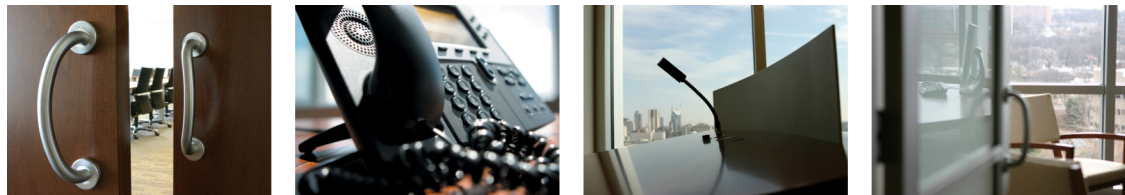
TIPLA Winter Meeting, November 9, 2007



## ***In re Seagate***

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- **“In this case, we confront the willfulness scheme and its functional relationship to the attorney-client privilege and work product protection.”**



# Step Back: Willfulness in Intellectual Property Litigation

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## ■ Copyright Litigation

- Copyright owner entitled to actual damages and any additional profits of the infringer or statutory damages. 15 U.S.C. ¶ 504(a).
- Statutory damages range from “not less than \$750 or more than \$30,000 as the court considers just.” 15 U.S.C. ¶ 504(c)(1).
- **BUT**

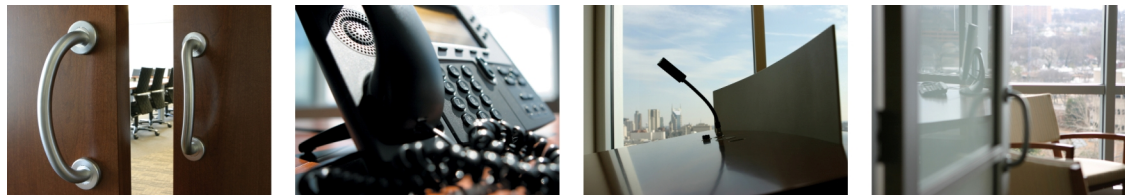


# Step Back: Willfulness in Intellectual Property Litigation

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## ■ Copyright Litigation

- “In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000.”  
15 U.S.C. ¶ 504(c)(2).
- **BUT**



# Step Back: Willfulness in Intellectual Property Litigation

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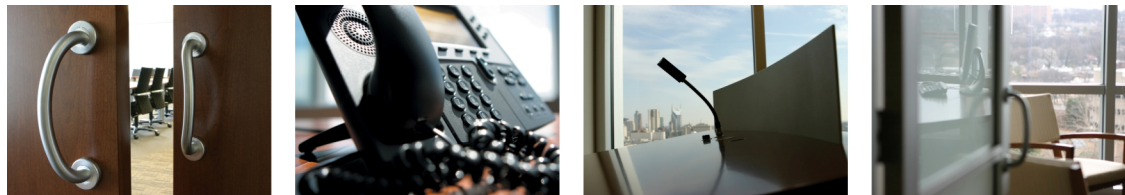
## ■ Copyright Litigation

- “. . . no award of statutory damages or of attorney's fees . . . for

(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or

(2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

15 U.S.C. ¶ 412.



# Step Back: Willfulness in Intellectual Property Litigation

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## ■ Trademark Litigation

- . . . the plaintiff shall be entitled . . . to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.

15 U.S.C. ¶ 1117(a).

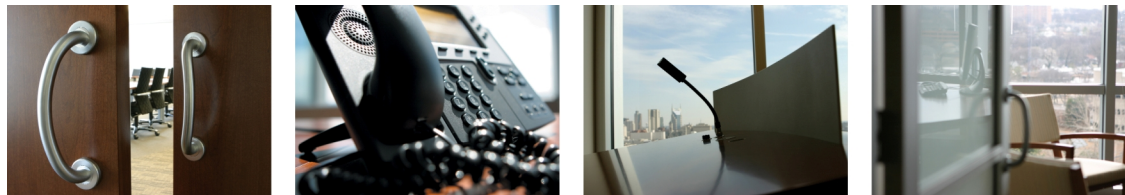


# Step Back: Willfulness in Intellectual Property Litigation

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## ■ Trademark Litigation

- For Counterfeit Marks: Actual damages or statutory damages . . . of:
  - (1) not less than \$500 or more than \$100,000 per mark; or
  - (2) if the court finds that the use of the counterfeit mark was willful, not more than \$1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed . . .
- 15 U.S.C. ¶ 1117(c).



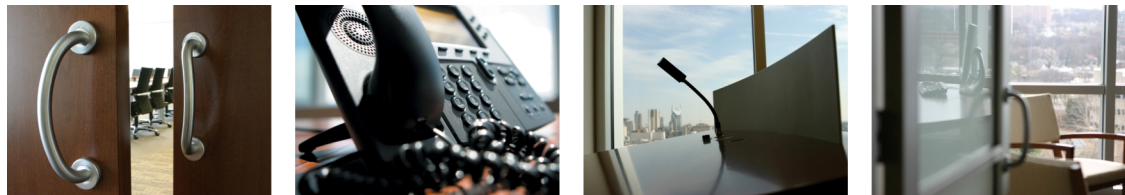
# Step Back: Willfulness in Intellectual Property Litigation

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## ■ Patent Litigation

- . . . damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs . . . .
- 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.**

35 U.S.C. ¶ 284.



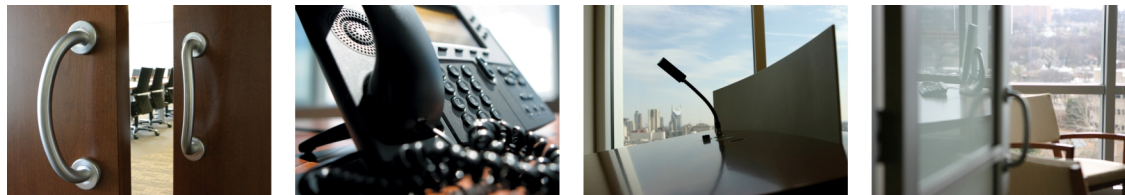
# ***Pre-Seagate***

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- **Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983).**

- Opinion issued at a time when “widespread disregard of patent rights was undermining the national innovation incentive.”

Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp., 383 F3d 1337, 1343 (Fed. Cir. 2004).



# ***Pre-Seagate***

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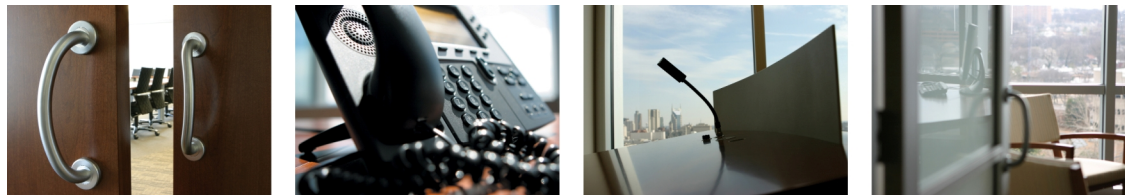
- **Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983).**
  - Where “a potential infringer has actual knowledge of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, inter alia, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.” 717 F.2d at 1389-90.



# ***Pre-Seagate***

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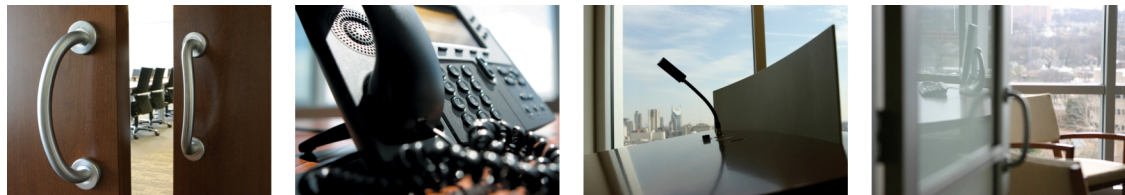
- **Consequences of Underwater Devices**
  - the obligation of due care typically required obtaining a legal opinion
  - that opinion had to be disclosed lest an adverse inference might be drawn
  - disclosure meant waiver of the attorney-client privilege, perhaps even as to trial counsel.



# ***Pre-Seagate***

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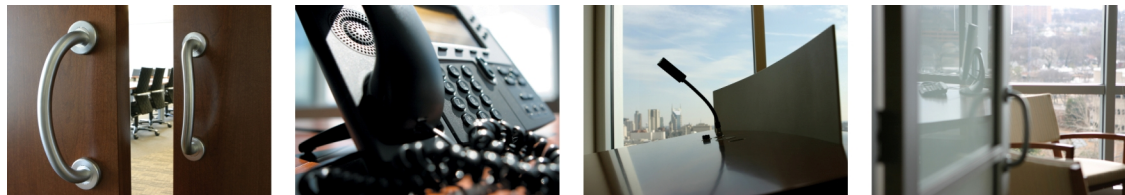
- **Read Corp. v. Portec, Inc., 970 F.2d 816, 827 (Fed. Cir. 1992).**
- **Nine factors for assessing willfulness:**
- **(1) deliberate copying**
- **(2) the infringer's investigation into and good faith belief of invalidity**
- **(3) the infringer's litigation conduct**
- **(4) the infringer's size and financial condition**



# ***Pre-Seagate***

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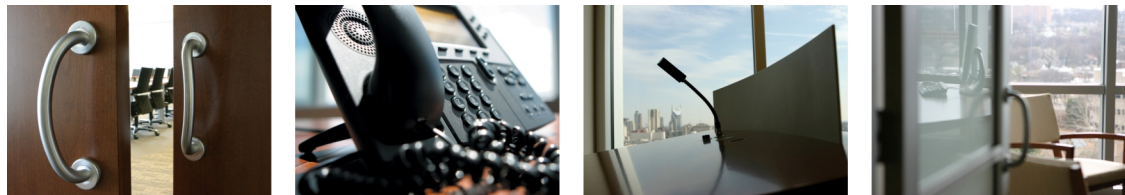
- **Remaining Read factors:**
- **(5) the closeness of the case**
- **(6) the duration of the misconduct**
- **(7) remedial action by the infringer**
- **(8) the infringer's motivation for harm;**
- **(9) whether the infringer attempted to conceal its misconduct.**



# Pre-*Seagate*

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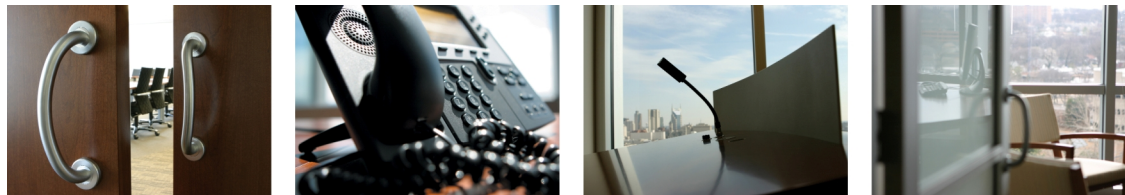
- **Knorr-Bremse Systeme ... v. Dana Corp., 383 F.3d 1337, 1343 (Fed. Cir. 2004).**
  - Recognizing that this inference imposed “inappropriate burdens on the attorney-client relationship,” held that invoking the attorney-client privilege or work product protection does not give rise to an adverse inference.
  - Further held that an accused infringer’s failure to obtain legal advice does not give rise to an adverse inference with respect to willfulness.



# Pre-*Seagate*

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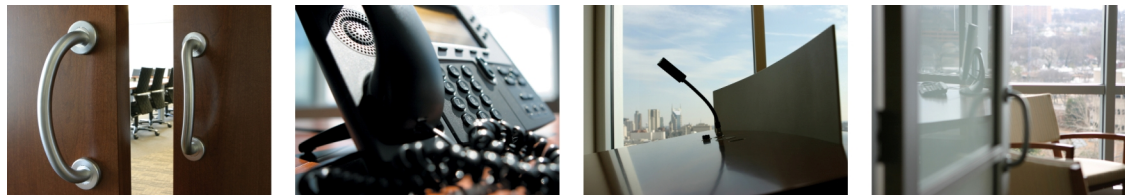
- **In re EchoStar Commc'ns Corp., 448 F.3d 1294 (Fed. Cir. 2006).**
  - addressed the scope of waiver resulting from the advice of counsel defense.
  - concluded that relying on in-house counsel's advice to refute a charge of willfulness triggers waiver of the attorney-client privilege.
  - also held that asserting the advice of counsel defense waives work product protection and the attorney-client privilege for all communications on the same subject matter, as well as any documents memorializing attorney-client communications.



# ***Pre-Seagate***

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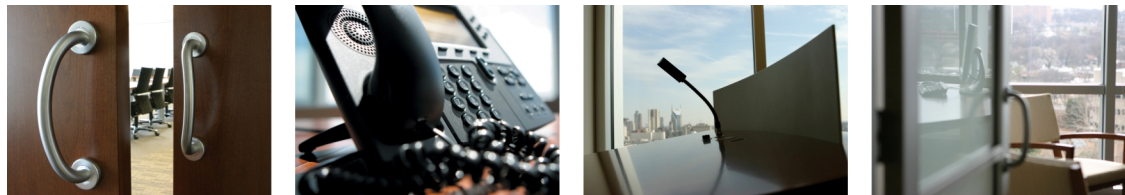
- **In re EchoStar Commc'ns Corp., 448 F.3d 1294 (Fed. Cir. 2006).**
  - However, held that waiver did not extend to work product that was not communicated to an accused infringer.
  - did not consider waiver of the advice of counsel defense as it relates to trial counsel.



# ***In re Seagate: Trial Court Proceedings***

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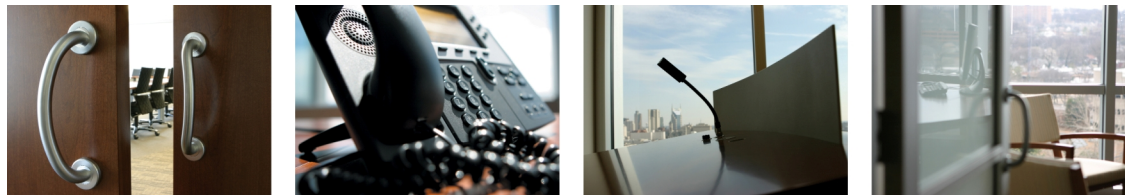
- **In trial court, Seagate had sought to rely on three written opinions from its opinion counsel, who operated separately and independently from trial counsel at all times.**
- **Plaintiff moved to compel discovery of any communications and work product of both Seagate's opinion and trial counsel.**



# ***In re Seagate: Trial Court Proceedings***

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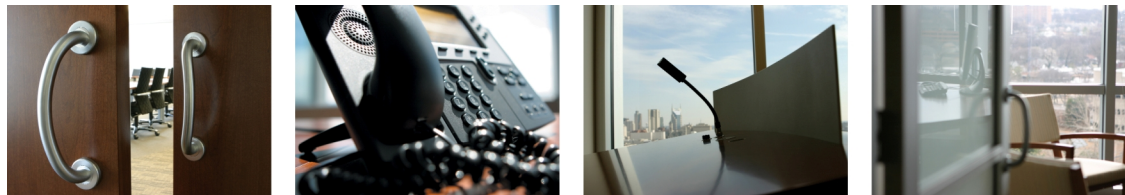
- **Trial court: by asserting advice-of-counsel defense, Seagate waived the privilege for all communications between it any counsel, including trial counsel and in-house counsel.**
- **Work product protection also deemed waived**
- **Plaintiff then sought opinions of trial counsel and noticed trial counsel's depositions**



# ***In re Seagate*: Trial Court Proceedings**

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- **Federal Circuit granted petition for writ of mandamus.**
- ***Sua sponte* ordered en banc review.**



# *In re Seagate*

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- **Parties asked to address the following questions:**

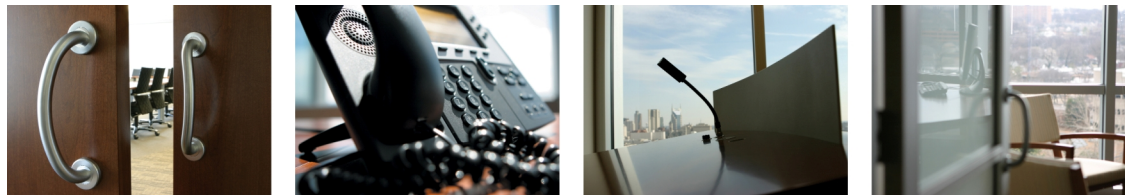
- (1) Should a party's assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party's trial counsel? See *In re EchoStar Commc'n Corp.*, 448 F.3d 1294 (Fed.Cir.2006).
- (2) What is the effect of any such waiver on work-product immunity?



# *In re Seagate*

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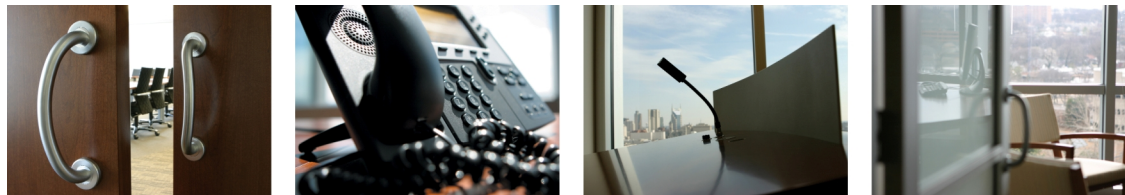
- **Parties asked to address the following questions:**
  - (3) Given the impact of the statutory duty of care standard announced in Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed.Cir.1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision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



# ***In re Seagate***

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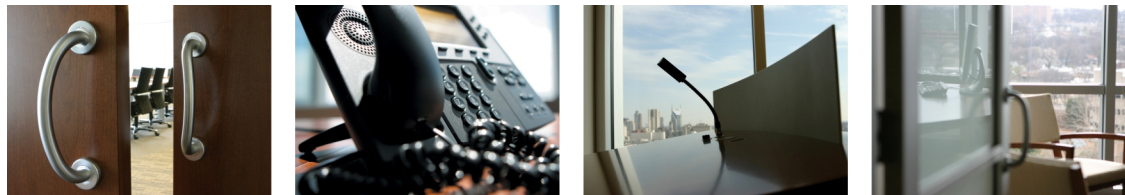
- **Observed that Underwater Devices willfulness standard was akin to negligence**
- **Out of step with the willfulness standard in most other contexts, including copyright law and recent Supreme Court opinion under Fair Credit Reporting Act**



# ***In re Seagate***

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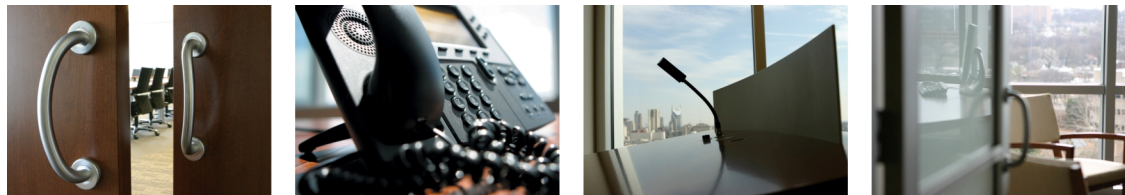
- **new two-part willfulness standard**
- **First, a patentee must show by clear and convincing evidence “that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”**
- **The infringer’s ‘state of mind’ is not relevant to this objective standard.**



# *In re Seagate*

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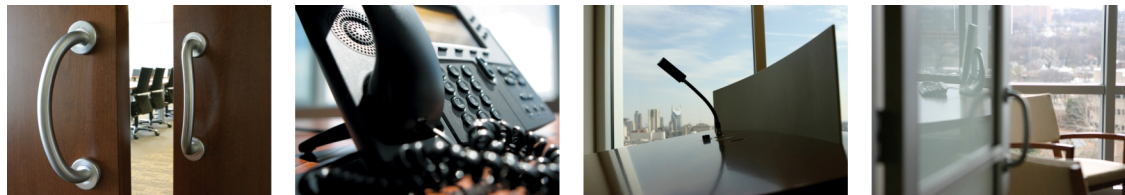
- **“the patentee must also demonstrate that this objectively defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.”**
- **Thus, must demonstrate that facts satisfying recklessness standard were known (or should have been known) to infringer before patentee filed suit.**



## ***In re Seagate***

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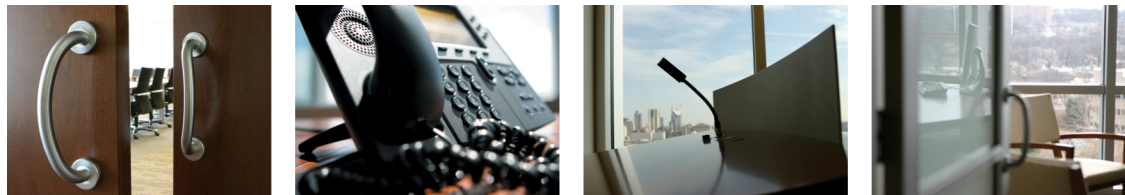
- **Willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer's pre-filing conduct.**
- **Thus, Plaintiffs must already have a “good faith basis for alleging willful infringement” under Rule 11 at the time the Complaint is filed.**



## ***In re Seagate***

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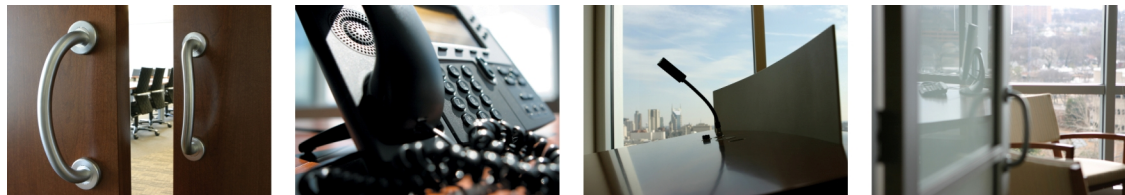
- **when accused infringer's post-filing conduct is reckless, “a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement.”**
- **“Thus, a patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct. Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.”**



## ***In re Seagate***

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- **left to “future cases” to “further develop” this standard, although “standards of commerce would be among the factors a court might consider”**
- **“[B]ecause we abandon the affirmative duty of due care, we also re-emphasize that there is no affirmative obligation to obtain opinion of counsel.”**

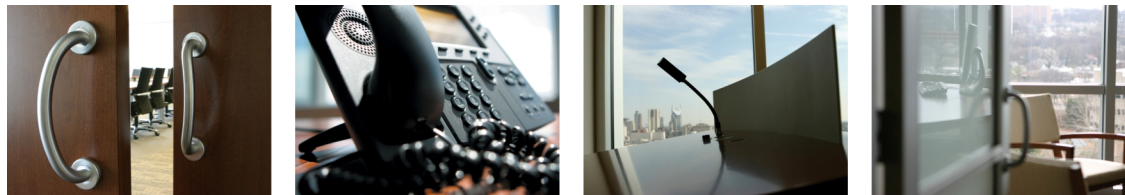


## ***In re Seagate***

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- **Also determined the appropriate scope of waiver of the attorney-client privilege resulting from an advice of counsel defense asserted in response to a charge of willful infringement.**

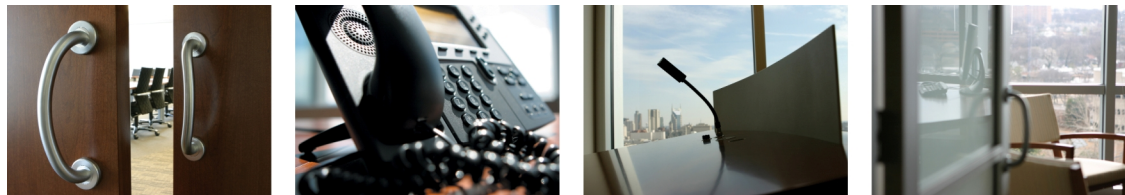
**(beyond the scope of this segment)**



# ***In re Seagate*: Implications**

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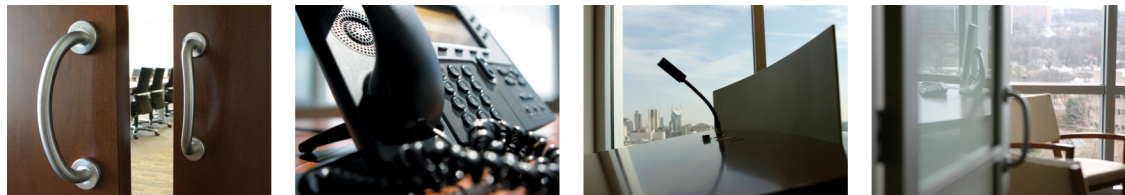
- **Dilution of value of advice-of-counsel defense?  
(standard now objective; state of mind irrelevant).**
- **Lead to “cheaper” opinion letters?**
- **Is opinion letter objective independent evidence of  
whether or not it was reasonable to believe that it was  
not infringement of a valid patent?**



# ***In re Seagate: Implications***

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- **However, less disincentive to asserting advice-of-counsel defense.**
- **Does the existence of a wrong opinion make an infringer's actions not objectively reckless?**



# ***In re Seagate: Implications***

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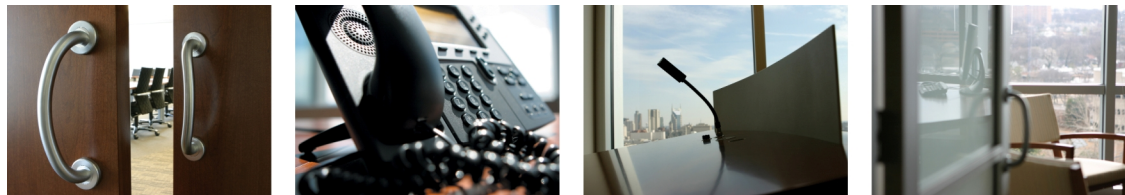
- **Plaintiffs are encouraged (required?) to have completed claim charts establishing infringement or other solid factual basis for asserting willfulness.**



# ***In re Seagate: Implications***

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- **Likely to be motion motions for preliminary injunction to preserve right to pursue enhanced damages based on post-filing conduct.**
- **Close call on claim construction will negate willfulness?**



# ***In re Seagate*: Implications**

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- **More detailed pre-suit notice of the patent (including claim chart?) becomes important. BUT:**
- **More detailed form of pre-suit notice carries risk of declaratory judgment action.**

