



Willful Infringement and Privilege After *In re Seagate*

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Willfulness in Patent Litigation

- 35 U.S.C. § 284 (1952):
"[T]he court shall award the claimant 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 [T]he court may increase the damages up to three times the amount found or assessed."
- Enhanced damages generally turns on whether infringement is willful

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Willfulness in Patent Litigation

- Willful infringement alleged in approximately 92% of cases
- "Plaintiffs never plead specific facts that give rise to their beliefs regarding the defendant's willfulness."
- As of 2004, no cases in which accused infringer challenged willfulness allegations under Rule 11

See Kimberly A. Moore, Empirical Statistics on Willful Patent Infringement, 14 Fed. B.J. 227, 232 (2004).

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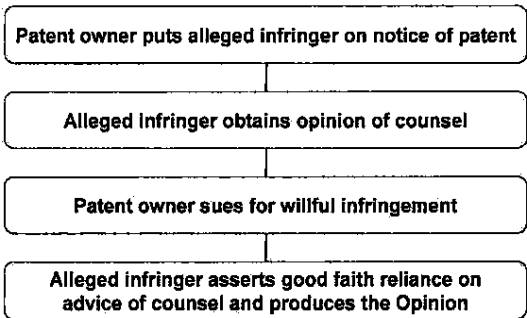
Willfulness and Privilege Before *Seagate*

How does one determine whether infringement is willful?
Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983), held:

- Potential infringer with notice of another's patent rights has affirmative duty to exercise due care and to investigate whether or not activities infringe any valid and enforceable claim of the patent
- One factor relevant to that duty was whether the alleged infringer relied on a legal opinion that the claims of patent were not infringed, invalid, and/or unenforceable

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Willfulness and Privilege Before *Seagate*



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Willfulness and Privilege Before *Seagate*

The parties dispute the scope of discovery:

- scope of the subject of the waiver (infringement, validity, and/or unenforceability)
- scope of work product waiver (opinion counsel's drafts, notes, etc.)
- other opinions (in-house counsel, 2nd opinions, trial counsel)
- whether the waiver is limited to pre-suit communications

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Willfulness and Privilege Before Seagate

Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 383 F.3d 1337 (Fed. Cir. 2004)

- no adverse inference from invocation of the attorney-client and/or work product privilege
- no adverse inference from failure to obtain opinion of counsel
- declined to adopt per se rule
- stressed totality of circumstances

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Willfulness and Privilege Before Seagate

In re EchoStar, 448 F.3d 1294 (Fed. Cir. 2006):

1. **In-house counsel's investigation constituted advice of counsel:** The court agreed with the district court that in-house counsel's report on infringement was a legal opinion.
2. **Waiver goes to all opinions by any attorney:** "...[w]hen EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel...." 448 F.3d at 1299.

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Willfulness and Privilege Before Seagate

In re EchoStar, 448 F.3d 1294 (Fed. Cir. 2006)

3. **Waiver includes work product relevant to the matter in issue, which is the defendant's state of mind:**
Waiver of the privilege can waive factual or non-opinion work product that informs the court of the infringer's state of mind.
4. **Scope of the Waiver: not just opinions on infringement:**
This includes:
 - (1) documents that embody a communication between the attorney and the client; and
 - (2) documents that "discuss" a communication between attorney and client.This does not include: (3) work product not given to the client.

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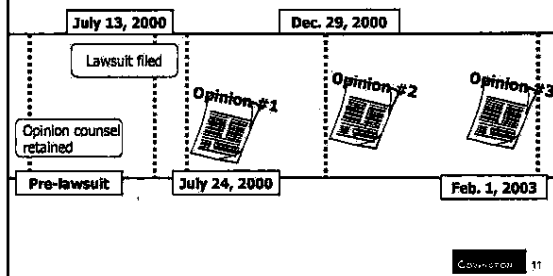
Willfulness and Privilege Before Seagate

In re EchoStar, 448 F.3d 1294 (Fed. Cir. 2006)

5. **Time Frame: the waiver extends after the filing of the complaint:**
The waiver extends to advice and work product so long as ongoing infringement is at issue in the litigation. See 448 F.3d at 1302, n.4.

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Convolve, Inc. v. Compaq Computer Corp. (S.D.N.Y. Sept. 27, 2006)



COURNORTH 11

Convolve, Inc. v. Compaq Computer Corp. (S.D.N.Y. Sept. 27, 2006)

- Seagate discloses intent to rely on 3 opinions
- Discloses all of opinion counsel's work product and makes him available for deposition
- Convolve/MIT moves to compel discovery of any communications and work product of Seagate's other counsel, including trial counsel

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Convolve, Inc. v. Compaq Computer Corp. (S.D.N.Y. Sept. 27, 2006)

- internal communications on the same subjects as the formal opinions
- communications between Seagate and any attorneys on the same subjects as the opinions
- documents reflecting outside counsel's opinion on the same subjects as opinions
- documents reviewed or considered by, or forming the basis for, outside counsel's opinion as to the subject matter of opinions
- documents reflecting when oral communications concerning the subjects of the opinions occurred between Seagate and outside counsel

Convolve 13

Convolve, Inc. v. Compaq Computer Corp. (S.D.N.Y. Sept. 27, 2006)

Trial court held:

- **Scope**
Attorney-client privilege waived for all communications with any counsel concerning the subject matter of the opinions
- **Time Frame**
Waiver began when Seagate first gained knowledge of patents and would last until alleged infringement ceased

Convolve 14

Convolve, Inc. v. Compaq Computer Corp. (S.D.N.Y. Sept. 27, 2006)

Trial court held:

- Ordered production of requested documents and testimony concerning subject of opinions
- In camera review of documents relating to trial strategy
- Advice from trial counsel that undermined the reasonableness of reliance on the opinions would be disclosed
- Waiver of work product communicated to Seagate

Convolve 15

In re Seagate Technology, LLC
En Banc Order

First question:

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).

Convolve 16

In re Seagate Technology, LLC
En Banc Order

Second question:

What is the effect of any such waiver on work-product immunity?

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In re Seagate Technology, LLC
En Banc Order

Third question:

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?

Convolve 18

In re Seagate: PhRMA's Position

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 <i>In re EchoStar Comm'n Corp.</i> , 448 F.3d 1284 (Fed. Cir. 2006).	No.
What is the effect of any such waiver on work-product immunity?	None; same as for attorney-client privilege.
Given the impact of the statutory duty of care standard announced in <i>Underwater Devices, Inc. v. Morrison-Knudsen Co.</i> , 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in <i>Underwater Devices</i> and the duty of care standard itself?	Yes.

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In re Seagate: PhRMA's Position Question No. 1

Three-Part Test for Defining Scope of ACP Waiver

1. **Reliance.** The Court should limit the scope of the waiver to communications with the individual decision maker whose reliance on the opinion is the basis for the defense.
2. **Scope.** The Court should limit the scope of the waiver to the subject of the opinion relied upon.
3. **Time.** For opinions obtained before litigation, the waiver should not extend past the filing of the complaint, and perhaps should not even extend past the moment when the decision maker decides to rely on the opinion that is the basis for the defense.

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In re Seagate: PhRMA's Position Question No. 3

Affirmative duty announced in *Underwater Devices* is (1) inconsistent with Supreme Court precedent and (2) not based on sound legal precedent.

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In re Seagate: PhRMA's Position Question No. 3

Underwater Devices, Inc. v. Morrison-Knudsen Co., 217 U.S.P.Q. (BNA) 1039 (D. HI 1982):

- Defendant had relied, albeit unsuccessfully, on the affirmative defense of "honest doubt" or good faith reliance on the advice of counsel
- Court did not find that the trial judge had applied the wrong standard
- Court did not find that the facts of record were insufficient to support the trial court's decision

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In re Seagate: PhRMA's Position Question No. 3

Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389-90 (Fed. Cir. 1983):

"Where, as here, 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. See *Milgo Electric Corp. v. United Business Communications, Inc.*...

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. See *General Electric...; Marvel Specialty Co. v. Bell Hosiery Mills, Inc.*"

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In re Seagate: PhRMA's Position Question No. 3

The *Milgo* case cited by the Court in *Underwater Devices* simply announced the existence of an affirmative duty of due care, but did not explain such a duty

The two cases cited in *Milgo* made no mention of any affirmative duty

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In re Seagate: PhRMA's Position Question No. 3

Nor do the *General Electric* and *Marvel* cases cited by *Underwater Devices* stand for the proposition that the duty of case includes the duty to seek and obtain advice of counsel:

- *General Electric*: "Of course, we recognize that a good-faith opinion by competent and independent patent counsel may be important evidence to be weighed on the issue of honest doubt of patent validity."
- *Marvel*: Fourth Circuit affirmed a finding of willful infringement, without making any reference to an affirmative duty to consult counsel.

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In re Seagate Technology, LLC 497 F.3d 1360 (Fed. Cir. 2007)

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In re Seagate: Willfulness

- Restates holding of prior cases that enhanced damages "requires a showing of willful infringement." 497 F.3d at 1368.
- "[W]e overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness." 497 F.3d at 1371.
- Recklessness standard consistent with general understanding of willfulness in civil context
- Patent owner's burden of proof is two-fold
 - (1) threshold objective inquiry
 - (2) subjective inquiry (state of mind)

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In re Seagate: Willfulness

(1) Threshold Objective Inquiry

- "Accordingly, to establish willful infringement, 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." 497 F.3d at 1371.
- "The state of mind of the accused infringer is not relevant to this objective inquiry." *Id.*
- "Objectively-defined risk" is "determined by the record developed in the infringement proceeding." *Id.*

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In re Seagate: Willfulness

(2) Subjective Inquiry

"If this 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." 497 F.3d at 1371.

"We leave it to future cases to develop the application of this standard." *Id.*

Footnote 5: "[T]he standards of commerce would be among the factors a court might consider." *Id.*

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In re Seagate: Attorney-Client Privilege

- No waiver of attorney-client privilege for trial counsel

"[A]s a general proposition . . . asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel." 497 F.3d at 1374.

- Exceptions for unique circumstances, e.g., chicanery
"We do not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery." *Id.* at 1374-75.
- Not a sword and shield situation

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In re Seagate: Attorney-Client Privilege

Prelitigation Conduct

Because "a patentee must have a good faith basis for alleging willful infringement... a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer's pre-filing conduct." *Id.* at 1374.

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In re Seagate: Attorney-Client Privilege

Post-Filing Conduct

- Preliminary injunction is generally adequate to remedy post-filing willful infringement
- If no motion for preliminary injunction is made, then patent holder cannot seek enhanced damages based solely on post-filing conduct
- If motion for preliminary injunction is denied, then "likely the infringement did not rise to the level of recklessness"
- If there is substantial question about invalidity or infringement, then likely alleged infringer can defeat motion for preliminary injunction

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In re Seagate: Work Product Immunity

- No waiver of work product
 - "[A]s a general proposition, relying on opinion counsel's work product does not waive work product immunity with respect to trial counsel." 497 F.3d at 1376.
- Exceptions for unique circumstances, e.g., chicanery
 - "Again, we leave open the possibility that situations may arise in which waiver may be extended to trial counsel, such as if a party or his counsel engages in chicanery." *Id.*
- General rules of work product doctrine still apply
 - "[A] party may obtain discovery of work product absent waiver upon a sufficient showing of need and hardship, bearing in mind that a higher burden must be met to obtain that pertaining to mental processes." *Id.*

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In re Seagate: Concurrence By Judge Gajarsa, Joined By Judge Newman

- No principled reason for continuing to engraft a willfulness requirement onto Section 284
- Supreme Court cases cited in opinion merely stand for "uncontroversial proposition that a finding of willfulness is sufficient," not that such a finding is necessary

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In re Seagate: Concurrence By Judge Gajarsa, Joined By Judge Newman

- Leave discretion in hands of trial courts
 - HYPO 1: substantial portion of infringer's sales data is inadvertently but irretrievably lost prior to discovery
 - HYPO 2: plaintiff, having successfully secured a damage award for past infringement, moves for a permanent injunction

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In re Seagate: Concurrence By Judge Newman

- Acknowledges that "new uncertainties are introduced by the court's evocation of 'objective standards' for such inherently subjective criteria as 'recklessness' and 'reasonableness'"
- "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."

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Unresolved Issues/Unanswered Questions

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What fact pattern would satisfy the "objectively high likelihood" inquiry?

"[T]o establish willful infringement, 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."

- Court noted that "objectively high likelihood" should be determined from "the record developed in the infringement proceeding" – i.e., the claims, prior art, and accused product.

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"Objectively high likelihood" standard

- Timing: Determine "objectively high likelihood" based on only information available at the time that allegedly infringing conduct commenced, or also based on information obtained through litigation?
 - Contrast with waiver cut-off rationale in opinion
- Should the objective recklessness standard for willfulness be treated similarly to the objective baselessness standard for bad faith enforcement of a patent?

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How does *Seagate* affect the advice of counsel defense?

- Are formal opinions necessary?
- How will opinions change?
 - Will we now see opinions concluding that, while there is some possibility of infringement, there is not a "high likelihood" of a finding of infringement of a valid patent?

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What exceptional circumstances warrant extension of the waiver of privilege or work product to trial counsel?

- What qualifies as chicanery?
 - Definition: "1. Deception by trickery or sophistry. 2. A trick; a subterfuge."
- How separate do trial counsel and opinion counsel need to be?

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Will we see discovery from in-house counsel?

Seagate opinion expressly declined to address how assertion of advice of counsel defense would affect privilege and work product of in-house counsel:

1. What internal communications are within the scope of the waiver of privilege by the corporation? Who is relying on the opinion?
2. What is the scope of work product protection for in-house counsel?
3. Is an internal investigation sufficient in defeating willful infringement?

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When should (or can) the issue of willfulness be resolved?

- Should an accused infringer move for partial summary judgment on willfulness immediately after disclosing an opinion?
- Pre-*Seagate*, willfulness decided only if and when the case went to trial; never on summary judgment

See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. B.J. 227, 234 (2004)

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Legislative Standards? H.R. 1908

16 “(c) WILLFUL IMPERMEMENT.—
17 “(1) INCREASED DAMAGES.—A court that has
18 determined that the infringer has willfully infringed
19 a patent or patents may increase the damages up to
20 three times the amount of damages found or as-
21 sessed under subsection (a), except that increased
22 damages under this paragraph shall not apply to
23 provisional rights under section 154(d).
24 “(2) PERMITTED GROUNDS FOR WILLFUL-
25 NESS.—A court may find that an infringer has will-

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H.R. 1908: Grounds for Willfulness

3 “(A) after receiving written notice from
4 the patentee—
5 “(i) alleging acts of infringement in a
6 manner sufficient to give the infringer an
7 objectively reasonable apprehension of suit
8 on such patent, and
9 “(ii) identifying with particularity
10 each claim of the patent, each product or
11 process that the patent owner alleges in-
12 fringes the patent, and the relationship of
13 such product or process to such claim,
14 the infringer, after a reasonable opportunity to
15 investigate, thereafter performed one or more of
16 the alleged acts of infringement;

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H.R. 1908: Grounds for Willfulness

17 “(B) the infringer intentionally copied the
18 patented invention with knowledge that it was
19 patented; or
20 “(C) after having been found by a court to
21 have infringed that patent, the infringer en-
22 gaged in conduct that was not colorably dif-
23 ferent from the conduct previously found to
24 have infringed the patent, and that resulted in
1 a separate finding of infringement of the same
2 patent.

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H.R. 1908: Limitations on Willfulness

3 “(3) LIMITATIONS ON WILLFULNESS.—(A) A
4 court may not find that an infringer has willfully in-
5 fringed a patent under paragraph (2) for any period
6 of time during which the infringer had an informed
7 good faith belief that the patent was invalid or unen-
8 forceable, or would not be infringed by the conduct
9 later shown to constitute infringement of the patent.

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H.R. 1908: Limitations on Willfulness What is an “informed good faith belief”?

10 “(B) An informed good faith belief within the
11 meaning of subparagraph (A) may be established
12 by—
13 “(i) reasonable reliance on advice of coun-
14 sel;
15 “(ii) evidence that the infringer sought to
16 modify its conduct to avoid infringement once it
17 had discovered the patent; or
18 “(iii) other evidence a court may find suffi-
19 cient to establish such good faith belief.

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H.R. 1908: Limitations on Willfulness

20 “(0) The decision of the infringer not to
21 present evidence of advice of counsel is not relevant
22 to a determination of willful infringement under
23 paragraph (2).

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H.R. 1908: Limitations on Willfulness

24 “(4) LIMITATION ON PLEADING.—Before the
25 date on which a court determines that the patent in
1 suit is not invalid, is enforceable, and has been in-
2 fringed by the infringer, a patentee may not plead
3 and a court may not determine that an infringer has
4 willfully infringed a patent.”; and

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For Discussion:
Proposed N.D. Cal. Jury Instruction 3.11

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Thank you!

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B.3. Infringement

3.11 WILLFUL INFRINGEMENT

In this case, [patent holder] argues that [alleged infringer] willfully infringed the [patent holder]'s patent.

To prove willful infringement, [patent holder] must first persuade you that the [alleged infringer] infringed a valid and enforceable claim of the [patent holder]'s patent. The requirements for proving such infringement were discussed in my prior instructions.

In addition, to prove willful infringement, the [patent holder] must persuade you that it is highly probable that [prior to the filing date of the complaint]⁶, [alleged infringer] acted with reckless disregard of the claims of the [patent holder]'s [patent].

To demonstrate such "reckless disregard," [patent holder] must satisfy a two-part test. The first part of the test is objective. The [patent holder] must persuade you that the [alleged infringer] acted despite an objectively high likelihood that its actions constituted infringement of a valid and enforceable patent. The state of mind of the [alleged infringer] is not relevant to this inquiry. You should focus on whether a reasonable person in the position of [alleged infringer], after learning of the patent, could have reasonably believed that it did not infringe or reasonably believed the patent was invalid or unenforceable. If a reasonable person in the position of [alleged infringer] could not have held such belief, then you need to consider the second part of the test.

The second part of the test does depend on the state of mind of the [alleged infringer]. The [patent holder] must persuade you that [alleged infringer] actually knew, or it was so obvious that [alleged infringer] should have known, that its actions constituted infringement of a valid and enforceable patent.

In deciding whether [alleged infringer] acted with reckless disregard for [patent holder]'s patent, you should consider all of the facts surrounding the alleged infringement including, but not limited to, the following:

- (1) Whether [alleged infringer] acted in a manner consistent with the standards of commerce for its industry; [and]
- (2) Whether [alleged infringer] intentionally copied a product of [patent holder] covered by the patent[.] [;and]
- (3) Whether [alleged infringer] relied on a legal opinion that was well-supported and believable and that advised [alleged infringer] (1) that the [product] [method] did

⁶ This bracketed language should ordinarily be included as the Federal Circuit has made clear that, in ordinary circumstances, willfulness will depend on an infringer's prelitigation conduct. *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007).

not infringe [patent holder]'s patent or (2) that the patent was invalid [or unenforceable].⁷

Authorities

35 U.S.C. § 284; *In re Seagate Tech., LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) (*en banc*); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1346 (Fed. Cir. 2001); *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999); *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992); *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990).

⁷ This bracketed language should only be included if the alleged infringer relies on advice of counsel. There is no affirmative obligation to obtain opinion of counsel. *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007).