

Willful Patent Infringement: Post-*Seagate* Trends

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Why is Willfulness Important?

- **35 U.S.C. §284**
 - “Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement...”
 - “[T]he court may increase the damages up to three times the amount found or assessed.”
- **35 U.S.C. §285**
 - “The court in exceptional cases may award reasonable attorney fees to the prevailing party.”
- **Finding of willful infringement can lead to an award of up to treble damages and attorney fees, which can be significant**

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The Old Willfulness Standard: Affirmative Duty of Due Care

- “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 seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.” *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983)

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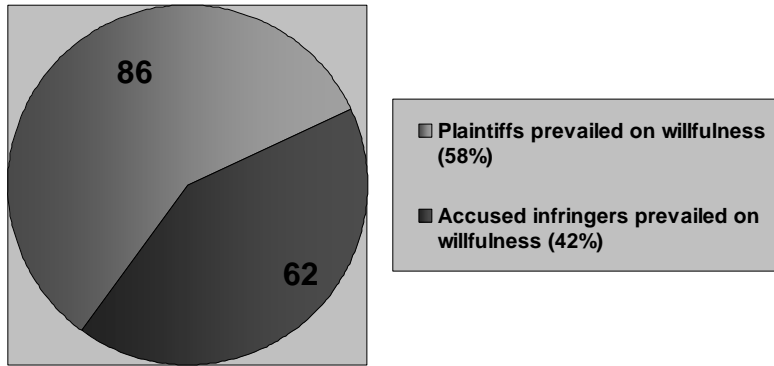
Pre-Seagate Statistics

- **Pre-Seagate**
 - Plaintiffs were more likely than accused infringers to prevail on willfulness claims
- **2000 through August 2007 (when Seagate was decided)**
 - 148 cases in which courts made findings regarding willful infringement

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Pre-Seagate Statistics



Source: Erin Coe, *Courts Get Tough On Willfulness After Seagate*, Law360, March 2, 2009 (citing statistics from the University of Houston Law Center)

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The New Standard: Objective Recklessness

- *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007), dramatically changed the standard for proving willful patent infringement
- Overruled the *Underwater Devices* “due care” standard
- Held that a finding of willful infringement requires:
 - Accused infringer acted despite “an objectively high likelihood that its actions constituted infringement of a valid patent”
 - Objectively defined risk was either known or should have been known by the accused infringer
- Emphasized that there is no affirmative obligation to obtain an opinion of counsel

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Post-*Seagate* Decisions

- **Thru the end of 2008, there were 29 published post-*Seagate* decisions applying the “objective recklessness” test**
 - **5 decisions from the Federal Circuit**
 - **24 decisions from 17 district courts**
 - N.D. Cal (3)
 - N.D. Ill. (3)
 - E.D. Tex. (2)
 - S.D.N.Y. (2)
 - W.D. Wash. (2)
 - One case from 12 other district courts

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Post-*Seagate* Statistics

- **Willfulness found or upheld in only 7 of 29 decisions**
 - **2 Federal Circuit decisions**
 - 1 affirming finding of willful infringement
 - 1 reversing finding of no willful infringement
 - **5 district court decisions upholding jury findings of willful infringement**

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Post-Seagate Statistics

- **Willfulness rejected in 22 of 29 decisions**
 - **4 Federal Circuit decisions**
 - 3 affirming district court's finding of no willfulness
 - 1 reversing jury's finding of willfulness
 - **18 District Court decisions, including**
 - 8 granting summary judgment of no willful infringement
 - 4 bench trials finding no willful infringement
 - 2 granting JMOL after jury finding of willfulness

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Post-Seagate Statistics

- **7 of the 24 district court decisions involved defendants' motions for JMOL after jury finding of willful infringement**
 - Court upheld jury decisions in 5 of 7 cases
- **8 of the 24 district court decisions involved defendants' motions for SJ of no willful infringement**
 - All 8 resulted in a finding of no willful infringement

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Seagate's Impact: A Comparison of Pre & Post Seagate Decisions

Year(s)	Willfulness decisions	Patentee Prevailed	Accused Infringer Prevailed
2000-2007 (Pre-Seagate)	148	86 (58%)	62 (42%)
2007 (Post-Seagate)-2008	29	7 (24%) ↓	22 (76%) ↑

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Advice of Counsel

- **The presence or absence of a legal opinion was addressed by courts in 14 of the 29 cases**
 - Most cases did not identify whether the opinion addressed validity, enforceability and/or infringement

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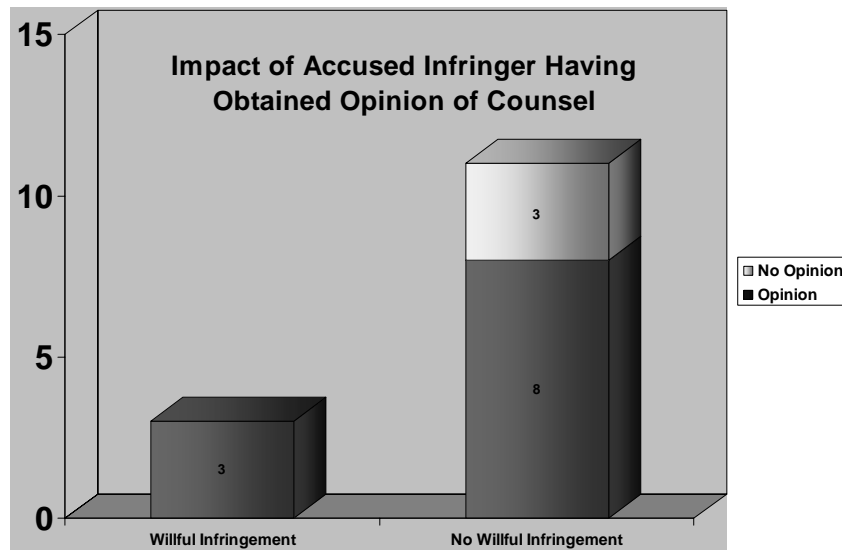
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Advice of Counsel

- **3 cases in which accused infringer had no opinion**
 - Willfulness not found in any of these cases
- **11 cases in which accused infringer obtained opinion**
 - 8 resulted in a finding of no willful infringement
 - 2 resulted in a finding of willful infringement because of defects in the opinions
- **Takeaway:** Obtain a competent opinion addressing one or more of validity, enforceability or infringement, or no opinion at all

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Advice of Counsel: Scope of Opinion

- **Following *Seagate*, an opinion of counsel need not address both invalidity and infringement**
 - *Finisar Corp v. DirectTV Groupo Inc.*, 523 F.3d 1323 (Fed. Cir. 2008) - Stating that “a competent opinion of counsel” directed to non-infringement or invalidity “would provide a sufficient basis...to proceed without engaging in objectively reckless behavior...”
- **Takeaway:** Parties may consider obtaining an opinion on only 1 issue, if appropriate, to save costs

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Advice of Counsel: Waiver of Privilege

- ***Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004)**
 - Changed the old rule and established that no adverse inference may be drawn if alleged infringer does not rely upon an opinion of counsel
- ***Seagate* limited the scope of the privilege waiver**
 - “[A]sserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege.”
 - “Relying on opinion counsel’s work product does not waive work product immunity with respect to trial counsel.”

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Defendant's Independent Non-infringement Analysis

- **No willful infringement found in all 3 cases in which defendants performed analyses of the allegedly infringed patents**
 - In *Cohesive Techs. Inc. v. Waters Corp.*, 526 F. Supp. 2d 84 (D. Mass. 2007), no willful infringement was found based in part on defendant's "due diligence in determining whether its product would infringe" plaintiff's patent, which involved experiments performed by the defendant.
 - In *Honeywell Int'l. Inc., v. Universal Avionics Sys. Corp.*, 2008 WL 4873852 (D. Del. Nov. 12, 2008), no willful infringement was found where defendant "performed a patent review which included technical and legal analyses."
- **Takeaway:** An alleged infringer's determination of non-infringement may negate objective recklessness

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Attempts to Design-Around

- **Courts noted attempts to design-around in 5 of the 29 cases**
 - Attempts to remove an allegedly infringing feature
 - *Northbrook Digital Corp. v. Browster Inc.*, 2008 WL 4104695 (D. Minn. Aug. 26, 2008)
 - Attempts to redesign allegedly infringing product
 - *Trading Techs. Int'l. Inc. v. eSpeed Inc.*, 2008 WL 63233 (N.D. Ill. Jan. 3, 2008)
- **All 5 design-around cases resulted in a finding of no willful infringement**
- **Takeaway:** Good faith design-around efforts likely will lead to a finding of no willful infringement

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Patentee's Notice to Alleged Infringer

- **Plaintiffs put accused infringers on notice of infringement in 8 of the 29 cases**
- **In 2 of the 8 cases, no willful infringement was found due to plaintiff's failure to re-assert its infringement allegations**
 - *TGIP Inc. v. AT&T Corp.*, 527 F. Supp. 2d 561 (E.D. Tex. 2007) - Plaintiff's six-year delay in filing suit after initially providing notice contributed to the finding of no willful infringement
 - *Aspex Eyewear Inc. v. Clarity Eyewear Inc.*, 2008 WL 5049744 (S.D.N.Y. Nov. 26, 2008) - Plaintiff's three-year delay in bringing suit supported the grant of summary judgment of no willful infringement
- **Takeaway:** Plaintiffs should follow-up on responses by alleged infringers to avoid impression that infringement allegations have been withdrawn

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Actions of the USPTO

- **Courts consider actions taken by the USPTO, including reexamination requests and preliminary decisions, in interference proceedings**
- **USPTO actions indicating that patent(s) may be invalid may contribute to a no willfulness finding**
 - *Lucent Techs. Inc. v. Gateway Inc.*, 2007 U.S. Dist. LEXIS 95934 (S.D. Cal. Oct. 30, 2007) - Court relied upon the PTO's determination that a "substantial question of patentability" warranted the grant of the defendant's ex parte requests for reexamination of both patents in suit in finding no willful infringement
 - *Pivonka v. Central Garden & Pet Co.*, No. 02-cv-02394, 2008 WL 486049 (D. Colo. Feb. 19, 2008) - BPAI issued a preliminary order determining that patent claims were "unpatentable as obvious." Consequently, the court found no willful infringement because the "preliminary order...show[ed] that the defendants ha[d] advanced a colorable challenge to the validity of the plaintiffs' patents."

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Actions of the USPTO

- **Reliance upon invalidity arguments previously rejected by the USPTO may lead to willful infringement**
 - *Church & Dwight Co. Inc. v. Abbott Labs.*, 2008 WL 2565349 (D.N.J. Jun. 24, 2008) - Court upheld the jury's finding of willful infringement where the defendant's "invalidity defenses were not very strong and...previously rejected by the USPTO."
 - *Bard Peripheral Vascular Inc. v. W.L. Gore & Assocs. Inc.*, 2008 WL 2958968 (D. Ariz. Jul. 29, 2008) - Court upheld the jury's finding of willful infringement given the defendant's "reli[ance] on the same references...to support its invalidity defense that the PTO previously found not to invalidate [the] invention."
- **Takeaway:** Patentees and accused infringers should carefully consider prior USPTO decisions in developing their willfulness arguments

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Jury vs. Bench Trials On Willful Infringement

- **Bench trials on willful infringement were held in 4 of the 29 post-Seagate cases**
 - All 4 cases resulted in a finding of no willful infringement
- **Takeaway:** Defendants are more likely to prevail on willfulness when that issue is tried to a judge rather than jury

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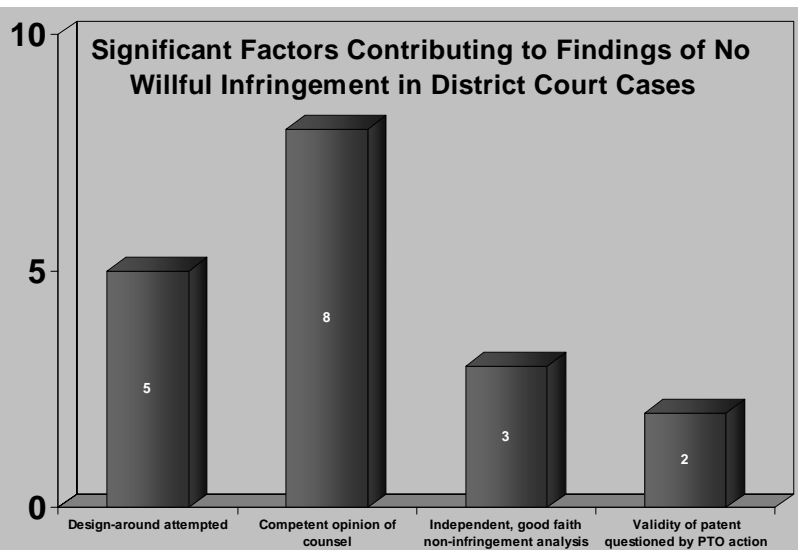
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Summary Judgment of No Willful Infringement

- 8 of the 24 post-*Seagate* district court cases involved defendants' motions for summary judgment of no willful infringement
 - All 8 cases resulted in a finding of no willful infringement
- **Takeaway:** Alleged infringers should consider making an early motion for summary judgment of no willful infringement

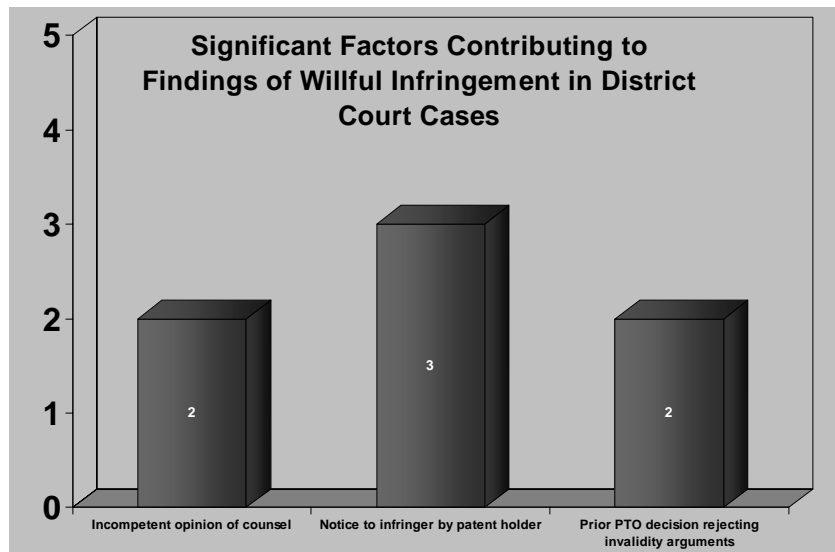
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Summary

- **Under the *Seagate* objective recklessness standard, it is dramatically more difficult to establish willful infringement**
- **Suggestions for Alleged Infringers**
 - Obtain a competent opinion of counsel (possibly as to only a single defense)
 - Perform an independent non-infringement analysis
 - Implement/attempt a design-around
 - Avoid principal reliance on prior art already rejected by PTO
 - Respond to assertions of infringement
 - Note a plaintiff's delay in pursuing its infringement claims
 - Consider early motion for summary judgment of no willful infringement
 - Seek bench trial on willfulness issue

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Summary

- **Suggestions for Patentholders**

- Challenge the competency of an alleged infringer's opinion of counsel
- Note prior PTO actions addressing and rejecting alleged infringer's arguments
- Diligently follow-up on allegations of infringement made to alleged infringers
- Press for jury trial on willfulness issue

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Local Patent Rules and Willfulness

- **Many district courts have now enacted Local Patent Rules**

- Northern District of California
- Northern District of Georgia
- Eastern District of Texas
- Western District of Pennsylvania
- Southern District of California
- Northern District of Texas, Dallas Division
- Eastern District of North Carolina
- Southern District of Texas
- District of New Jersey
- Western District of Washington

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Local Patent Rules and Willfulness

- There are similarities among the patent local rules regarding willfulness issues, particularly as to reliance on the advice of counsel defense
- In general, these advice-of-counsel rules address issues such as
 - Notice of intent to invoke the advice of counsel defense
 - Discoverability of the advice
 - Discoverability of documents provided to the attorney, as well as attorney work product, relating to advice

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Local Patent Rules and Willfulness

- Discoverability of opinions and documents: An example
N.D. Cal. Local Patent Rule 3.7

Not later than 50 days after service by the Court of its Claim Construction Ruling, each party relying upon advice of counsel as part of a patent-related claim or defense for any reason shall:

- Produce or make available for inspection and copying any written advice and documents related thereto for which the attorney-client and work product protection have been waived;
- Provide a written summary of any oral advice and produce or make available for inspection and copying that summary and documents related thereto for which the attorney-client and work product protection have been waived; and
- Serve a privilege log identifying any other documents, except those authored by counsel acting solely as trial counsel, relating to the subject matter of the advice which the party is withholding on the grounds of attorney-client privilege or work product protection.

A party who does not comply with the requirements of this Patent L.R. 3-7 shall not be permitted to rely on advice of counsel for any purpose absent a stipulation of all parties or by order of the Court

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Local Patent Rules and Willfulness

- **Other district courts that have enacted comparable rules**
 - Northern District of Georgia, Local Patent Rule 5.2
 - Eastern District of Texas, Local Patent Rule 3-7
 - Southern District of California, Local Patent Rule 3.8
 - Northern District of Texas, Dallas Division Miscellaneous Order No. 62 para. 3-8
 - Eastern District of North Carolina, Local Patent Rule 303.8
 - Southern District of Texas, Local Patent Rule 3-8
 - District of New Jersey, Local Patent Rule 3.8
 - Western District of Washington, Local Patent Rule 140

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