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# Federal Circuit Lessens the Load for Patent Infringement Defendants: (1) Raises the Bar to Prove Willful Infringement and (2) Protects Trial Counsel Privileges

The Federal Circuit's August 20, 2007 unanimous en banc decision in *In re Seagate Technology, LLC* has raised the bar to prove willful patent infringement: the patent owner must now prove *recklessness* by the infringer. This reckless standard of proof for willful infringement is particularly significant because, under Federal Circuit precedent, willful infringement is a necessary condition before a district court can even consider awarding the patent owner enhanced damages under the U.S. patent statute (35 U.S.C. § 284).

In addition, *Seagate* clarified that generally there is no waiver of attorney-client privilege and work-product immunity for *trial counsel* in cases involving one of the most common defenses to willful patent infringement, the advice of counsel defense. This clarification resolves the inconsistencies noted by the Federal Circuit in various district court cases.

## I. Willful Infringement

A patent owner must now satisfy a two-part test. *First*, the Court held that proof of willfulness requires at least a showing of "objective recklessness." To meet that standard, the Court now requires clear and convincing evidence that "the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." Slip Op. at 12. The Court added: "The state of mind of the accused infringer is not relevant to this objective inquiry." *Id.* *Second*, once this objective recklessness is proven, the patent owner must show that the infringer knew about this objective risk of infringing behavior or it was "so obvious that it should have [] known." Slip Op. at 12. Further development of the recklessness standard was left to future cases.

In establishing the recklessness standard of conduct in *Seagate*, the Federal Circuit eliminated any affirmative duty of care, expressly overruling its 1983 decision in *Underwater Devices* v. *Morrison-Knudsen*. That case had required an affirmative duty of care once a potential infringer receives actual notice of another's patent rights. In overruling *Underwater Devices*, the Court recognized that an affirmative duty of care is more akin to a negligence standard of conduct, not a recklessness standard.

The Federal Circuit also explicitly eliminated a specific mandatory aspect of this prior duty of care. Before *Seagate*, Federal Circuit law required the possible infringer, once on notice of patent rights, to affirmatively seek the advice of patent counsel regarding the likelihood of infringement. This necessity of obtaining an opinion of counsel is now gone. However, *Seagate*

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does not change the reality that such an opinion of counsel is often a strong defense to a charge of willfulness. As such, any disclosed opinion of patent opinion counsel will still inform the determination of whether the infringer acted recklessly or rather acted under a good faith belief in the invalidity, unenforceability, and/or non-infringement of the patents at issue.

As noted by the Federal Circuit, the standard for willful patent infringement now conforms with the standard for willful copyright infringement among the Circuit Courts of Appeal.

## II. No Waiver of Trial Counsel's Work

*Seagate* clarified the scope of waiver of attorney-client privilege and work-product immunity for trial counsel in cases where the infringer elects to rely on an advice of counsel defense to willful infringement.

An alleged infringer often relies on, and during litigation discloses, its opinions of *patent opinion counsel* – typically stating that the relevant patents are invalid, unenforceable, and/or not infringed. These opinions are used as evidentiary proof in defense of a claim of willful infringement. Under the Federal Circuit's 2006 *In re Echostar Communications* decision, such reliance and disclosure waives attorney-client privilege and certain work-product protections with respect to the infringer's patent opinion counsel. *Seagate* now establishes that asserting such a defense generally will not waive attorney-client privilege and work-product protection with respect to the infringer's *trial counsel* on the subject matter of the opinions from patent opinion counsel. In other words, the privilege and work-product immunity related to trial counsel are not generally waived just because the infringer will use the opinions of patent opinion counsel to defend the willfulness charge.

This decision on the scope of waiver cited Federal Circuit cases, cases from the other Circuit Courts of Appeal, and Supreme Court precedent in protecting attorney-client privilege and work-product. The Federal Circuit's rationale stressed the very different and independent functions served by patent opinion counsel and trial counsel. The former "provide[s] an objective assessment for making informed business decisions," and the latter focuses on adversarial litigation strategy and process. Slip op. at 15. The Court also stressed that ordinarily "willfulness" will depend on the infringer's *prelitigation* conduct, giving trial counsel's communications with the client *during litigation* limited possible relevance.

The Federal Circuit left it to the discretion of the district courts to determine what special circumstances, such as "chicanery," might extend the waiver to trial counsel. Finally, the Court emphasized the near absolute protection of trial counsel's mental processes (so-called core work-product) from discovery.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum may be directed to any of the following:


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