

## Seagate Plus Two

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In August of 2007, the Federal Circuit issued its decision in In re Seagate Tech., 497 F.3d 1360 (Fed. Cir. 2007), abandoning Underwater Devices, Inc. v. Morrison-Knudson Co. Inc., 717 F.2d 1380 (Fed. Cir. 1983) and its affirmative duty of due care, and adopting in its place recklessness as a standard of care for determining liability for willful infringement of a patent.

This decision followed the Federal Trade Commission's Report "*To Promote Innovation: The Proper Balance of Competition and Patent Law*" and its recommendation that legislation be enacted to change the standard for willful infringement to require either actual, written notice of infringement, or deliberate copying. It also followed the National Academies report "*A Patent System for the 21st Century*," which joined in the FTC's recommendation, and also recommended that the affirmative duty of due care be abolished, and the issues in patent cases be bifurcated so that willfulness would not be addressed until after a defendant's liability had been established.

The authors of these reports intended that the proposals address a number of problems with the law of willful infringement. The law discouraged companies from investigating and reviewing patents, as that research could later be used as evidence the company was on notice of the patent and the risk of infringement. With the affirmative duty, the law on willfulness was not functioning as a deterrent of culpable conduct. It interfered with lawyer-client relationships, as it

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<sup>1</sup> This paper was prepared by the authors and expresses their views and not the views of Covington & Burling or any client of the firm.

encouraged companies at risk of a claim of infringement to seek an opinion of counsel that would insulate them from liability rather than provide advice on how to proceed. And it spawned inefficiencies in patent litigation, including wasteful and destructive battles over the scope of the waiver of the privilege when a defendant responded to the charge of willful infringement with the defense of good faith reliance on the advice of counsel.

Seagate may be the solution to the problems identified by the FTC and the National Academies. Whether it will depend, in part, on how courts implement it. That is, if after some experience with the decision, we can predict with a high degree of confidence that Seagate has reset the bar to punish culpable conduct, and that the typical defendant will not, therefore, need to assert the defense of good faith reliance on the advice of counsel, then our clients should be comfortable getting back to the business of reading patents and consulting their lawyers for advice (as opposed to asking them for an opinion the lawyer and client both know will end up as an exhibit at trial).

Last year we prepared a paper reporting that we had found 40 published decisions showing how district courts have implemented Seagate in the first year or so following the decision. I have attached a table listing those decisions. Here is what we found: in fifteen of twenty-one decisions, the trial judge denied the defendant's pretrial motion for a summary judgment of no willful infringement or to stay discovery on willful infringement. In five of five decisions following a non-jury trial, the judge found no willful infringement. And in seven of eleven decisions on post trial motions following a jury trial, the judge granted motions to either set aside a finding of willful infringement or reported that the judge would not enhance the damages.

Those decisions show that for the first year following Seagate there was a good probability [70%] that a defendant would not be able to avoid pretrial discovery on willful infringement. We reported that these decisions suggested Seagate was not working. Lawyers advising a client on a potential claim of infringement 1) could not tell the client that if it was sued there was a high probability a claim of willful infringement would be eliminated early in the case; 2) could not tell the client that there was a high probability the client would not be at risk of a finding of willful infringement; and 3) could not tell the client that there would be a high probability it could avoid the dilemma of whether to assert good faith reliance on the advice of counsel.

We suggested that the solution to this problem may come with time, as the significance of the Seagate decision washed through the system. Alternatively, the solution may have to come from Federal Circuit decisions that impose predictability by confirming that willfulness claims should be tested by an early summary judgment motion. Or it may have to come from a change in the law that bifurcates the issue so that willfulness can not be plead until after the defendant's liability has been established. Those decisions in the first year also suggested that one solution might be to look at willfulness as an issue for the judge rather than the jury.

It is now Seagate Plus Two. That is, we have had two years of experience under Seagate. We have attached a table listing the 36 reported opinions in the past year that cited and implement Seagate. They show the following:

1. The probability that a defendant could not avoid pretrial discovery on willfulness increased from 70% to almost 90%.
2. The total number of opinions reporting the issue of willfulness that went to trial dropped from 16 to 10.

3. The probability a trial judge will set aside a finding of willfulness or not enhance the damages dropped from 62% (7 of 11) to 57% (4 of 7).

These statistics suggest that where willfulness is plead there is still a substantial probability a defendant will face discovery (and the decision on whether to waive the privilege), that fewer claims of willful infringement are going to trial, but that when they do, the trial judges are more inclined to let the jury's findings of willfulness stand and to then enhance the damages. The evidence as to whether the defendant relied on the advice of counsel in those cases that went to trial is inconclusive.<sup>2</sup> One way to read these numbers is that there is a core group of cases where the defendant's conduct is willful under the Seagate standard.

Where are we now? These opinions suggest that 1) where a plaintiff alleges willful infringement, the trial courts are not stepping in to limit or block discovery from defendants on topics relevant to the claim; 2) the number of willful infringement claims getting to trial is declining; 3) for those cases where a plaintiff takes the issue to trial juries do find willful infringement and the judges are not generally inclined to step in and set aside that finding.

Should we consider additional reforms? Yes. These statistics suggest that the two reforms that may make sense are 1) defer the time to plead willful infringement until after the defendant's liability has been established, or 2) take the issue away from the jury.

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<sup>2</sup> A review of the published opinions of the 10 cases that went to trial show that the defendant relied on the advice of counsel in at least 1 case. See Nat'l OilWell Varco, L.P. v. Pason Systems USA Corp., 2009 U.S. Dist. LEXIS (D. Col. 2009) (denying defendant's motion for judgment as a matter of law following jury finding of willful infringement but declining to award enhanced damages). However, advice of counsel may have been relied upon in additional cases without affirmative mention in the opinion.

## Seagate Year 1

	Date	Case	Court	Decision on Willful Infringement
1	8/31/07	Cohesive Technologies, Inc. v. Waters Corp.	D. Mass. 526 F.Supp.2d 84	Bench trial - no willful infringement.
2	9/25/07	Computer Associates Int'l, Inc. v. Simple.com, Inc.	E.D.N.Y. 247 F.R.D. 63	Deny motion to stay discovery.
3	10/24/07	VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc.	N.D.Cal 527 F.Supp.2d 1072	Pre-trial - deny summary judgment.
4	10/29/07	TGIP, Inc. v. AT&T Corp.	E.D. Tex. 527 F.Supp.2d 561	Following jury finding of willful infringement, grants JMOL finding no clear and convincing evidence of willful infringement
5	10/29/07	Informatica Corp. v. Business Objects Data Integration, Inc.	N.D.Cal. 527 F.Supp.2d 1076	Following jury finding of willful infringement, deny JMOL, but no enhancement.
6	11/14/07	Rhino Assoc., L.P. v. Berg Mfg. and Sales Corp.	M.D.Pa. 531 F.Supp.2d 652	Bench trial - no willful infringement.
7	11/15/07	Franklin Electric Co. v. Dover Corp.	W.D. Wis. 2007 WL 5067678	SJ no willful infringement
8	11/26/07	Convolve, Inc. v. Compaq Computer Corp.	S.D.N.Y. 2007 WL 4205868	Grant motion to compel.
9	12/4/07	Abbott Laboratories v. Sandoz, Inc.	N.D. Ill. 532 F.Supp.2d 996	Pre-trial - grant SJ no willful infringement.
10	12/12/07	Depomed, Inc. v. Ivax Corp.	N.D. Cal. 532 F.Supp.2d 1170	Pre-trial deny summary judgment.
11	1/3/08	Trading Technologies Int'l, Inc. v. eSpeed, Inc.	N.D. Ill. 2008 WL 63233	Following jury finding of willful infringement, grant JMOL finding no willful infringement.
12	1/7/08	Energy Transp. Group, Inc. v. William Demant Holding AS	D.Del 2008 WL 114861	Deny motion to stay discovery.
13	1/17/08	Se-Kure Controls, Inc. v. Diam USA, Inc.	N.D. Ill. 2008 WL 169029	Motion to compel disclosure granted.
14	1/22/08	Convolve, Inc. v. Compaq Computer Corp.	S.D.N.Y. 2008 WL 190588	Grant motion to compel.
15	1/28/08	Baden Sports, Inc. v. Molten	W.D. Wash. 541 F.Supp.2d 1151	Following jury verdict of willful infringement, court denies JMOL as moot, deciding not to enhance damages.
16	2/1/08	ResQNet.com, Inc. v. Lansa, Inc.	S.D.N.Y. 533 F.Supp.2d 397	Bench trial - no willful infringement.
17	2/19/08	Pivonka v. Central Garden & Pet Co.	D. Colo. 2008 WL 486049	Pre-trial - grant SJ no willful infringement.
18	2/20/08	Veritas Operating Corp. v. Microsoft Corp.	W.D. Wash. 526 F.Supp.2d 1141	Pre-trial - grant SJ no willful infringement.
19	3/4/08	V. Mane Fils S.A. v. International Flavors and Fragrances, Inc.	D. NJ 249 F.R.D. 152	Motion to compel disclosure granted.

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20	3/10/08	F5 Networks, Inc. v. A10 Networks, Inc.	W.D. Wash. 2008 WL 687114	Grant motion to strike willfulness from complaint.
21	3/18/08	QSPX Developments 5 Pty Ltd. v. Nortel Networks, Inc.	E.D. Tex. 2008 WL 728201	Following jury finding of willful infringement, denying JMOL.
22	3/27/08	Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations, Inc.	E.D. Tex. 251 F.R.D. 238	Grant motion to compel.
23	3/27/08	Ball Aerosol v. Limited Brands, Inc.	N.D. Ill 553 F. Supp.2d. 939	Pre-trial - deny summary judgment.
24	4/3/08	Kleen-Tex Industries, Inc. v. Mountville Mills, Inc.	N.D.Ga. 2008 WL 2486363	Bench trial - no willful infringement.
25	4/3/08	Eaton Corp v. ZF Meritor LLC	E.D. Mich. 2008 WL 920128	Pre-trial - deny summary judgment.
26	4/8/08	Nichia Corp. v. Seoul Semiconductor	N.D. Cal. 2008 WL 974027	Following jury finding of willful infringement, deny JMOL.
27	4/22/08	Eastman Kodak Co. v. Agfa-Gevaert N.V.	W.D.N.Y 560 F.Supp.2d 227	Bench trial - no willful infringement.
28	5/5/08	Fischer Price, Inc. v. Safety 1st, Inc.	D. Del 2008 WL 1976624	Following a jury finding of willful infringement, deny defendant's motion for JMOL no enhanced damages.
29	6/11/08	Intervet, Inc. v. Merial Ltd.	D.D.C. 2008 WL 2411276	Grant motion to compel.
30	6/24/08	Church & Dwight Co, Inc. v. Abbott Laboratories	D.N.J. 2008 WL 2566193	Following a jury finding of willful infringement deny motion for new trial.
31	6/24/08	Church & Dwight Co, Inc. v. Abbott Laboratories	D.N.J. 2008 WL 2565349	Following jury finding of willful infringement deny JMOL.
32	6/24/08	Church & Dwight Co, Inc. v. Abbott Laboratories	D.N.J. 2008 WL 2565550	Following a jury finding of willful infringement grant motion for enhanced damages.
33	7/29/08	Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.	D. Ariz. 2008 WL 2958968	Following a jury finding of willful infringement deny JMOL.
34	8/8/08	Plant 21 LLC v. Cascade Greenhouse	W.D. Wash. 2008 WL 3540602	Deny motion to strike willfulness from complaint.
35	8/14/08	Kellogg v. Nike, Inc.	D. Neb. 2008 WL 3875299	Pre-trial - deny summary judgment.

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36	8/24/08	Lexicon Medical, LLC v. Northgate Technologies, Inc.	Fed. Cir. 2008 WL 4097481	Affirmed finding of no post trial willful infringement in liquidating inventory.
37	8/26/08	Northbrook Digital Corp. v. Browster, Inc.	D. Minn. 2008 WL 4104695	Pre-trial - grant SJ no willful infringement.
38	10/9/08	GSI Group, Inc. v. Sukup Mfg. Co.	C.D. Ill 2008 WL 4545347	Pre-trial - deny summary judgment.
39	11/1/08	SEB v. Montgomery Ward & Co.	S.D.N.Y. 2008 WL 4540416	Following a jury trial deny JMOL but no enhanced damages.
40	11/12/08	Honeywell Int'l Inc. v. Universal Avionics Systems Corp.	D DE C.A. No. 02-359	Post trial summary judgment of no willful infringement.

## Seagate Year 2

	Date	Case	Court	Decision on Willful Infringement
1	10/17/08	Minks v. Polaris Indus.	Fed. Cir. 546 F.3d 1364	Affirming denial of post-trial motion for new jury instructions based on Seagate.
2	11/13/08	Loops, LLC v. Amercare Prods.	W.D. Wash. 2008 U.S. Dist. LEXIS 96286	Denying defendants' motion to dismiss plaintiff's claim of willful infringement.
3	11/13/08	Rambus, Inc. v. NVIDIA Corp.	N.D. Cal. 2008 U.S. Dist. LEXIS 95168	Denying defendant's motion to dismiss plaintiff's claim of willful infringement.
4	11/26/08	Polyform v. Airlite Plastics Co.	D. Neb. 2008 U.S. Dist. LEXIS 96651	Denying defendant's motion for summary judgment on willful infringement.
5	11/26/08	Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.	S.D.N.Y. 2008 U.S. Dist. LEXIS 99433	Granting defendant's motion for summary judgment.
6	12/1/08	Fuji Photo Film Co. v. Benun	D.N.J. 2008 U.S. Dist. LEXIS 97524	Denying appeal from Bankruptcy Court finding of willful infringement.
7	12/4/08	ACCO Brands, Inc. v. Pc Guardian Anti-Theft Prods.	N.D. Cal. 592 F. Supp. 2d 1208	Denying defendants' motion for summary judgment on willful infringement.
8	12/5/08	Otsuka Pharm. Co. v. Barr Labs., Inc.	D.N.J. 2008 U.S. Dist. LEXIS 99214	Denying motion to amend to add claims of willful infringement. [ANDA]
9	12/17/08	Allan Block Corp. v. County Materials Corp.	D. Minn. 2008 U.S. Dist. LEXIS 102124	Following bench trial, court finds no infringement.
10	1/5/09	Funai Elec. Co. v Daewoo Elecs. Corp.	N.D. Cal. 593 F. Supp. 2d 1088	Denying defendant's JMOL following jury finding of willful infringement, but declining to award enhanced damages.
11	1/6/09	Telecordia Tech., Inc. v. Cisco Sys., Inc.	D. Del. 592 F. Supp. 2d 727	Denying defendant's motion for new trial on willfulness (as Seagate came down after trial) following jury finding of willfulness.
12	1/12/09	Celgene Corp. v. Teva Pharms. USA, Inc.	D.N.J. 2009 U.S. Dist. LEXIS 1732	Granting defendant's motion for a judgment on the pleadings on plaintiffs' claim of willful infringement. [ANDA]
13	1/13/09	U.S. Philips Corp. v. Iwasaki Elec. Co.	S.D.N.Y., 607 F. Supp. 2d 470	Denying plaintiff's motion for a finding of willful infringement following a jury finding of infringement.
14	1/14/09	Wordtech Sys. v. Integrated Network Solutions, Inc.	E.D. Cal. 2009 U.S. Dist. LEXIS 2806	Granting plaintiff's motion for enhanced damages following a jury finding of willful infringement.
15	1/18/09	Jardin v. Datallegro, Inc.	S.D. Cal. 2009 U.S. Dist. LEXIS 3339	Denying defendants' motions for summary judgment of no willful infringement.
16	2/4/09	Arlington Indus. v. Bridgeport Fittings, Inc.	M.D. Pa. 610 F. Supp. 2d 370	Denying DJ plaintiff's motion for summary judgment of no willful infringement.
17	2/5/09	Veto Pro Pac, LLC v. Custom Leathercraft Mfg. Co.	D. Conn. 2009 U.S. Dist. LEXIS 8601	Denying defendant's motion to dismiss claim of willful infringement.
18	2/19/09	Hypertherm, Inc. v. Am. Torch Co.	D.N.H. 2009 U.S. Dist.	Granting defendant's motion to exclude evidence of prior court decisions finding

	Date	Case	Court	Decision on Willful Infringement
			LEXIS 17821	willful infringement.
19	2/23/09	Novartis Pharms. Corp. v. Teva Pharms. USA, Inc.	D.N.J. 2009 U.S. Dist. LEXIS 14632	Denying defendants' motion to dismiss willful infringement claims. [ANDA]
20	2/26/09	Joyal Prods v. Johnson Elec. North Am., Inc.	D.N.J. 2009 U.S. Dist. LEXIS 15531	Granting plaintiff's motion for enhanced damages (after defendant stipulated to willful infringement and jury found damages).
21	3/4/09	Duhn Oil Tool, Inc. v. Cooper Cameron Corp.	E.D. Cal. 609 F. Supp. 2d 1090	Granting plaintiff's motion to amend to allege willful infringement.
22	3/4/09	Intervet, Inc. v. Merial Ltd.	D.D.C. 2009 U.S. Dist. LEXIS 16858	Granting plaintiff's motion to compel discovery on facts relating to claim of willful infringement (and denying defendants' motion to defer the time to decide whether to assert advice of counsel defense).
23	3/16/09	Uniloc USA, Inc. v. Microsoft Corp.	D.R.I. 2009 U.S. Dist. LEXIS 24136	Denying motion for summary judgment on willful infringement and allowing the issue to go to the jury.
24	3/24/09	Inv. Tech. Group, Inc. v. Liquidnet Holdings, Inc.	S.D.N.Y. 2009 U.S. Dist. LEXIS 23278	Denying motion to compel discovery on advice of counsel defense until after motions for summary judgment are resolved.
25	3/25/09	Krippelz v. Ford Motor Co.	N.D. Ill. 2009 U.S. Dist. LEXIS 23544	Following non-jury trial, judge finds willful infringement.
26	3/30/09	Kowalski v. Mommy Gina Tuna Res.	D. Haw. 2009 U.S. Dist. LEXIS 26189	Denying defendant's post-trial motion for JMOL following jury finding of willful infringement.
27	4/17/09	Mass Engineered Design, Inc. v. Ergotron, Inc.	E.D. Tex. 2009 U.S. Dist. LEXIS 34173	Denying JMOL following jury finding of willful infringement, but declining to enhance the damages.
28	4/28/09	Novartis Pharms. Corp. v. Roxane Labs., Inc	D.N.J. 2009 U.S. Dist. LEXIS 35880	Pre-trial motion to dismiss willful infringement claim denied. [ANDA]
29	4/30/09	Trueposition Inc. v. Andrew Corp.	D. Del. 611 F. Supp. 2d 400	Granting plaintiff's motion to enhance damages following jury finding of willful infringement.
30	4/30/09	Nat'l OilWell Varco, L.P. v. Pason Sys. USA Corp.	D. Colo. 2009 U.S. Dist. LEXIS 41062	Denying defendant's motion for JMOL following jury finding of willful infringement, and declining to increase damages.
31	5/12/09	P&G v. McNeil-PPC, Inc.	W.D. Wis. 2009 U.S. Dist. LEXIS 40927	Denying plaintiff's motion under Rule 56(f) to deny defendant's summary judgment motion on willfulness on the ground the defendant had failed to reveal whether it had relied on opinion of counsel and granting defendant's motion for summary judgment that it did not willfully infringe.
32	6/1/09	Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.	Fed. Cir. 567 F.3d 1314	Federal Circuit affirms order granting JMOL following jury finding of willful infringement, as defendant presented substantial evidence of non-infringement.

	Date	Case	Court	Decision on Willful Infringement
33	6/10/09	St. Clair Intellectual Prop. Consultants, Inc. v. Matsushita Elec. Indus. Co.	D. Del. 2009 U.S. Dist. LEXIS 49882	Granting motion to amend complaint to add claim of willful infringement.
34	6/17/09	Rosco, Inc. v. Mirror Lite Co.	E.D.N.Y. 2009 U.S. Dist. LEXIS 51033	Non Jury finding of infringement, but not willful.
35	7/1/09	V. Mane Fils, S.A. v. Int'l Flavors & Fragrances Inc.	D.N.J. 2009 U.S. Dist. LEXIS 56462	Denying plaintiff's motion to compel disclosure of defendant's post suit communications with counsel following defendant's assertion of the reliance on counsel defense.
36	7/8/09	Advanced Analogic Techs., Inc. v. Kinetic Techs., Inc.	N.D. Cal. 2009 U.S. Dist. LEXIS 57953	Denies 12(b)(6) motion to dismiss willful infringement claim.