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Seagate Technology: The Federal Circuit Establishes a New Standard for Willful Infringement and Limits the Scope of Waiver of Attorney-Client Privilege and Work Product Doctrine

In an *en banc* decision in *In re Seagate Technology, LLC*, Miscellaneous Docket No. 830 (Fed. Cir. Aug. 20, 2007), the Federal Circuit has (1) overruled a decades-old precedent holding that a party has an affirmative duty of care to avoid infringing activity and established a new standard for determining when infringement may be considered willful and enhanced damages awarded and (2) clarified that the scope of waiver of attorney-client privilege and work product doctrine resulting from asserting an advice of counsel defense does not include communications with trial counsel.

The *Seagate* decision arose when the accused infringer in underlying patent litigation, Seagate Technology, LLC, notified the plaintiffs, Convolve, Inc. and the Massachusetts Institute of Technology (collectively, "Convolve"), that it intended to rely on three opinion letters addressing the issues of infringement, validity and enforceability in defending against a charge of willful infringement. Seagate produced the opinion letters and all work product of opinion counsel, and made him available for deposition. Convolve moved to compel production of any other communications or work product of Seagate's other counsel, including its trial counsel. The district court concluded that Seagate had waived the attorney-client privilege and any protection afforded by the work product doctrine for all communications between Seagate and *any* counsel, including trial counsel and in-house counsel, concerning the subject matter of the opinions from the time Seagate first learned of the patents at issue until the alleged infringement ceased. Seagate petitioned for a writ of mandamus, prompting the Federal Circuit to order *en banc* review of the petition in recognition of the "functional relationship between our willfulness jurisprudence and the practical dilemmas faced in the areas of attorney-client privilege and work product protection." Slip op. at 4.

New Standard of Care for Willful Infringement Is Objective Recklessness

Before addressing the scope of any waiver, the Federal Circuit revisited the standard for willful infringement, holding that to show willful infringement a patentee must demonstrate by clear and convincing evidence "that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent" and "that this objectively-defined risk … was either known or so obvious that it should have been known to the accused infringer." *Id.* at 12. In the course of discussing the applicable standard for willfulness, the court overruled *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), which had imposed a lower standard for willfulness, somewhat akin to a negligence standard, as well as an affirmative duty of due care on a potential infringer to determine whether he or she is infringing a valid patent. As a basis for overruling *Underwater Devices*, the court noted that *Underwater Devices* imposed a lower standard than the "reckless behavior" considered necessary for a finding of willfulness in other areas of the law, including the recent decision of the Supreme Court in the context of punitive damages in *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. __, Nos. 06-84, 100 (June 4, 2007). *See* slip op. at 11-12.

The court also confirmed a consequence of its abandonment of the affirmative duty of due care standard set forth in *Underwater Devices*: there is no affirmative obligation to obtain opinion of counsel before initiating any potentially infringing activity. Slip op. at 7, 12.

The Defense of Good Faith Reliance on Advice of Counsel Does Not Waive the Privilege for Communications with Trial Counsel

The court then addressed the issue of whether the scope of waiver included communications with trial counsel, an issue that it had touched on in *In re EchoStar Commc'n*, 448 F. 3d 1294 (Fed. Cir. 2006). After discussing the "significantly different functions" of opinion and trial counsel, the court held that asserting a defense of good faith reliance on advice of counsel did not result in waiver of the attorney-client privilege or work product doctrine with respect to communications with trial counsel on the same subject matters as discussed in the relied-upon opinions. Slip op. at 15, 21.

Besides the considerations of fair play and justice which the court found compelled this result, the court also noted that "in ordinary circumstances, willfulness will depend on an infringer's prelitigation conduct and, that when a complaint is filed, there must be a good faith basis for an allegation of willful infringement. *Id.* at 16. This further reinforced the conclusion that compelling disclosure of communications with trial counsel is unwarranted.

In the course of discussing these issues, the court noted that if post-filing conduct is, indeed, reckless, a preliminary injunction "generally provides an adequate remedy for combating post-filing willful infringement," and that a patentee should not be entitled to enhanced damages if it did not seek a preliminary injunction. *Id.* at 17.

While the court addressed whether the scope of waiver included communications with trial counsel, it did not address communications with in-house counsel because "the nature and role of in-house counsel in this litigation is entirely unclear from the record." *Id.* at 3 n.2.

Seagate clarifies the scope of waiver resulting from asserting a reasonable reliance on the advice of counsel defense by holding that communications with trial counsel will ordinarily be protected from discovery even if they relate to the same subject matter as opinions relied upon to defend against a charge of willful infringement. How *Seagate* will affect future practice – specifically, whether it will lead to a decline in relying on a reasonable advice of counsel defense, whether it will affect how and when willful infringement is pled in future patent litigation, whether there will be an increase in motions seeking preliminary injunctions, and whether the same reasoning will be applied to in-house counsel as well as trial counsel – remains to be seen.

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