

Federal Circuit Changes Law on Willfulness

Patent Defendants Face Substantially Less Risk
of Enhanced Damages Awards

In re Seagate Technology, LLC

Written by **Susan G. L. Glovsky** and **Brian T. Moriarty**

The Federal Circuit has overruled two decades of precedent, and dramatically changed the standards that govern willful patent infringement. Under the old law, companies making or selling products or services had an “affirmative duty of care” to avoid infringement of patents of which they were aware. That standard has now been discarded. Willfulness now “requires at least a showing of objective recklessness.” In short, the Federal Circuit decision, *In re Seagate Technology, LLC*, which was decided unanimously by the full *en banc* court, means that it will now be significantly harder for patent holders to prove that an alleged infringer’s conduct was willful, and thus possibly punishable by a treble damages award, and corporations will now have less reason to fear charges of willfulness.

The Standard

The Federal Circuit announced the following standard:

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. ... If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.

Although the court explicitly left the development of this standard to future cases, it is clear that this will be a very difficult standard for plaintiffs to meet. Patentees must show by “clear and convincing evidence,” a high evidentiary standard, that the defendant’s conduct was “objectively reckless” and that the defendant knew or it was so obvious it should have known of the “high likelihood that its actions constituted infringement of a valid patent.”

The *Seagate* decision has changed the dynamic for conducting and settling patent litigation. Plaintiffs will now find it much harder to force settlements based on fear of an enhanced damages award due to a finding of willful infringement. Only in the most egregious cases will plaintiffs be able to count on collecting enhanced damages.

Hamilton, Brook, Smith & Reynolds, P.C.
530 Virginia Road P.O. Box 9133
Concord, MA 01742-9133
T 978.341.0036
F 978.341.0136
www.hbsr.com

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Susan G. L. Glovsky is a Principal practicing in the areas of intellectual property litigation, licensing, interferences, and trademark law. Susan can be reached at Susan.Glovsky@hbsr.com.

Brian T. Moriarty is a Principal practicing in the areas of intellectual property litigation, opinions, licensing, patent prosecution, and related counseling. Brian can be reached at Brian.Moriarty@hbsr.com.

Scope of Waiver

In those situations where an accused infringer obtains an opinion of counsel and waives its privilege by using the opinion as evidence that it was not reckless, the court ruled that the attorney-client privilege and the work-product protections with trial counsel are not also normally waived.

Opinions of Counsel

The Federal Circuit's decision may also affect the need for clients to obtain opinions of counsel to protect against a finding of willfulness. Indeed, the court emphasized that "[b]ecause we abandon the affirmative duty of care, we also reemphasize that there is no affirmative obligation to obtain [an] opinion of counsel." However, even though there is no longer an affirmative legal duty to obtain an opinion to avoid increased damages at trial, such opinions can still be used as evidence of "an objective assessment for making informed business decisions." A prudent client will still seek non-infringement opinions to avoid unnecessary financial risk when introducing a new product, investing in a new venture, deciding whether to enter into license agreements, and in other contexts. As cases develop following *Seagate*, corporations may be able to focus more on counsel's opinions for business planning purposes and less on their role in the defense of claims of willfulness.

Conclusion

This decision represents an important change in standards and will have a long range impact on patent litigation, patent strategy, patent licensing, and patent opinion practices.

As is the case with any legal development, it is advisable to work together with your intellectual property counsel to develop patent litigation, portfolio management, and licensing strategies that most favorably impact your business.

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