Federal Circuit Creates New Standard for Proving Willful Patent Infrigement

On August 20, in *In re Seagate*, the United States Court of Appeals for the Federal Circuit issued an opinion that rewrites the standard for proving willful infringement in patent cases. Because a finding of willful infringement can subject an infringer to treble damages, the Federal Circuit's new standard could substantially affect the outcomes of some patent infringement cases. The new standard also promises to cause substantial changes in patent litigation strategy and tactics, and may even affect the relative bargaining positions of the parties in settlement and licensing negotiations.

An important aspect of the new standard is the elimination of the "duty of care" that required a potential infringer to investigate whether or not it was infringing a patent, assuming notice of the patent. For over 20 years, since the early days of the Federal Circuit, the duty of care was an essential feature of the law of willful infringement. To satisfy the duty of care and defend against charges of willful infringement, many potential infringers obtained opinions of counsel stating why the potential infringer should not be liable for patent infringement. But to rely on these opinions in litigation, potential infringers had to waive the attorney-client privilege that otherwise protects attorney advice from disclosure. The use, and perhaps the need, for these opinions must now be re-evaluated under the new standard.

The Federal Circuit did not stop, however, with the elimination of the duty of care. The Federal Circuit also eliminated the need to prove "subjective bad-faith" of the infringer, creating a new standard of "objective recklessness." This suggests that the state of mind of the infringer may no longer be a primary factor in proving willful infringement, although clarification of the new standard must await development in future cases.

Having articulated a new standard for willful infringement, the Federal Circuit next addressed the scope of the waiver of attorney-client privilege and work-product when potential infringers rely on opinions of counsel. The Federal Circuit cut back on the scope of waiver as it had been applied by some courts, finding that waiver should not ordinarily apply to communications with trial counsel (not serving as opinion counsel) and should not ordinarily apply to attorney work-product. The practical effect of these holdings may depend on the extent to which opinions of counsel are used under the new willful infringement standard.

It remains to be seen whether the new standard will make it easier or more difficult to prove willful infringement. While the elimination of the duty of care could help some potential infringers, the elimination of the need to prove subjective bad-faith could help some patentees. Also unclear, as noted above, is the extent to which potential infringers will continue to seek and rely on opinions of counsel. For now, determining whether an opinion of counsel should be obtained and, if so, what the opinion should accomplish will have to be addressed on a case-by-case basis. The intellectual property attorneys at Ropes & Gray regularly counsel clients on such issues.

The *Seagate* case will also be the focus of Ropes & Gray's September IP Master Class. To register for the teleconference, please click here.

Contact Information

For further information, please contact your usual Ropes & Gray attorney or the attorney listed below.

James E. Hopenfeld
202-508-4695
james.hopenfeld@ropesgray.com