

In re Seagate:

The Practical Impact

In its recent *en banc* decision, *In re Seagate Technology, LLC*, Misc. Docket No. 830 (Fed. Cir. Aug. 20, 2007), the Federal Circuit significantly modified the standard for awarding enhanced damages under a theory of willful infringement. Specifically, the Federal Circuit shifted the burden of proving willful infringement to patent litigation plaintiffs, who must now demonstrate "objective recklessness" in order to obtain enhanced damages. The shift in burden relieves patent litigation defendants of the "affirmative duty to exercise due care" imposed by the Federal Circuit in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). Although the meaning of the "objective recklessness" standard will be developed through subsequent jurisprudence, some of the immediate and practical effects of the *Seagate* decision are discussed below.

A. Opinions of Counsel for Defendants Should Still Be Obtained

Under the jurisprudence leading up to the *Seagate* decision, the need for an accused defendant to obtain a detailed opinion of counsel depended on the specific facts related to the charge of patent infringement. The Federal Circuit's decision in *In re Seagate* continues the trend against a blanket need for pre-litigation and post-litigation opinions of counsel. "[W]e also reemphasize that there is no *affirmative* obligation to

obtain opinion of counsel." *In re Seagate*, page 12. However, the Federal Circuit's decision does not go so far as to eliminate the need for opinions of counsel altogether.¹

While the Federal Circuit did not address the ways defendants could avoid a finding of "objective recklessness," a reasonable investigation and analysis of the infringement accusation and memorialization of the analysis by competent patent counsel should provide an adequate defense to a willful infringement claim. The more interesting issue is the extent to which such a reasonable non-infringement and/or invalidity analysis should be memorialized in writing. Ultimately, the extent to which such an analysis is memorialized is a case-by-case determination based upon, *inter alia*, the relevance and/or validity of the patent, the value of the alleged infringing product or service, the risk of injunction and the amount of potential damages. Accordingly, a memorandum to the file by in-house counsel may be sufficient in some cases, while a formal written opinion by outside counsel may be appropriate in others.

B. Opinions of Counsel for Plaintiffs May Be Beneficial

In *In re Seagate*, the Federal Circuit placed an additional burden on potential plaintiffs wishing to establish enhanced damages by stating that "when a complaint is filed, a patentee must have a good faith basis for alleging willful infringement." *Id.* at page 16. Accordingly, potential plaintiffs seeking to establish enhanced damages will be motivated to provide more detailed infringement accusations to potential defendants prior to filing a complaint. Potential plaintiffs will likely then argue that failure to investigate or rebut a detailed infringement accusation constitutes "objective recklessness."

¹ The Federal Circuit's dictum suggests that the value of a post-litigation opinion with respect to a willfulness claim may be diminished. However, a post-litigation opinion may still have value in memorializing a verbal opinion that was provided before a complaint was filed.

Potential plaintiffs wishing to establish enhanced damages should retain competent counsel to conduct a thorough infringement investigation and analysis. For example, claim comparison matrices and validity searches are helpful in establishing a likelihood of success on the merits. Such materials, when provided to a potential defendant, can be useful in establishing an inference that an accused infringer's lack of response to a well-founded infringement claim is "objectively reckless." Moreover, in cases where prior litigation and/or licensing efforts related to the patent(s) have been successful, counsel may also provide a summary of such litigation and/or licensing efforts for review by the accused infringer. Finally, potential plaintiffs may also consider engaging counsel to conduct a further or continuing investigation to uncover indicia of reckless conduct by potential defendants, e.g., continued use of an infringing product or service while competitors have obtained a license, introduction of a slavishly copied product or service, etc.

C. Proactive Clearance and Landscape Analyses Will Be of Greater Value

Prior to *In re Seagate*, many companies avoided patent searches or limited the preemptive review of patents due to a concern that such analyses would place the company at risk for an accusation of willful infringement. In view of *In re Seagate*, companies now have greater freedom to conduct proactive clearance or landscape analyses for purposes of product planning and strategic portfolio development. In fact, such proactive activities, as well as design-around activities, may prove to be strong evidence that an accused infringer has not "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Id.* at page 12. Accordingly, when introducing new products or services to the market or upgrading existing products

or services, proactive clearance or landscape analyses conducted by competent counsel may be of greater value than ever before. While such analyses may identify infringement concerns for which legal opinions are appropriate, for a greater subset of reviewed patents the risk of enhanced damages is substantially reduced.

D. Conclusions

In conclusion, the Federal Circuit's decision in *In re Seagate* continues to refine the jurisprudence surrounding enhanced damages due to willful patent infringement. The application of the Court's objective recklessness standard is likely to continue to be refined over the next few years.

As set forth above, in the near future, potential plaintiffs seeking to establish enhanced damages will be motivated to provide more detailed infringement accusations to potential defendants prior to filing a complaint. As for responding to an accusation of infringement from a potential plaintiff, the response will depend on the circumstances surrounding the accusation, the result of the analysis, and the tenacity of the patent owner. Moreover, in cases where the analysis results in a conclusion of non-infringement and/or invalidity, an initial response may be provided that states a reasonable investigation and analysis have been conducted and that a conclusion of non-infringement and/or invalidity has been reached. Finally, companies can proactively and effectively manage patent infringement risk by conducting patent searches/landscape analysis.

Accordingly, reasonable and prudent investigation and analysis, as well as open communication with counsel, remain a key component to risk management.

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