

RATNERPRESTIA IP RISK MANAGEMENT UPDATE:

IN RE SEAGATE TECHNOLOGY; No. M830, 2007 U.S. APP. LEXIS 19768 (FED. CIR. AUG. 20, 2007)

ARE PATENT INFRINGEMENT OPINIONS REALLY NECESSARY AFTER *SEAGATE*?

14 SEPTEMBER 2007

As an accused infringer, losing a patent infringement case can be traumatic. But the trauma may be tripled, along with the court's damage assessment, if the court finds the infringement to have been "willful." Prospective patent infringement defendants often seek to avoid that trap by consultation with experienced legal counsel, whenever a risk or possible charge of patent infringement is identified. Some may infer from a recent decision of the Court of Appeals for the Federal Circuit (*In Re Seagate*) that there is no longer any reason to consult with counsel in these circumstances. Such an inference runs counter to the simple proposition that if counsel advises that a possible (or actual) charge of infringement is unjustified or unlikely to succeed, the client may presumably proceed in good faith reliance on that counsel. Such an inference also presupposes that a client may not need or want advice on how infringement may be avoided or the risk of infringement minimized.

The faulty logic in the inference that infringement opinions may no longer be necessary ignores the basic premise that infringement opinions are part of a bigger picture. It is good business judgment to avoid patent infringement and various costs which that entails. Without the guidance of an attorney experienced in patent litigation, the questions of patent validity and patent scope, with reference to specific products or actions, may be a quagmire. Prudent clients often seek legal advice to navigate this quagmire. That this also minimizes the risk of enhanced damages if infringement is found, notwithstanding the advice of counsel, is a coincidental benefit.

The *Seagate* decision responds to allegations that in some cases opinions have been sought solely to counter a charge of willful infringement. This practice arose from a 1983 decision of the same court, holding that prospective patent infringers, to avoid a finding of willfulness, were held to a standard of due care to avoid infringement and an opinion of counsel was a factor in showing that the duty had been met. In *Seagate*, the court noted that this standard, which is akin to the standard for negligence, was lower than that which the Supreme Court has found proper for willful conduct in other types of cases. Following those Supreme Court cases, the court, overruling its own precedent, held that the standard for willfulness in patent infringement is "objective recklessness."

On further analysis, however, the *Seagate* decision itself implies a continuing justification for patent infringement opinions, with respect to avoidance of willfulness. This of course is irrespective of the other reasons why consultation with counsel, in connection with a possible charge of patent infringement, will often be prudent.

Willful infringement, said the Court in its *Seagate* decision, depends on a finding of "objective recklessness." More specifically, a patent proponent 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. But if that threshold objective standard is satisfied (and it may be assumed that patent proponents will often argue that it has), then 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. We leave it to future cases to further develop the application of this standard."

This second step creates a scenario whereby a written opinion of counsel is just as important as it ever was in order to disprove that the infringer knew or should have known of the recklessness of its conduct. If 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, the infringer will likely bolster its case for no objective recklessness with evidence of good faith belief to the contrary irrespective of the alleged objective recklessness. In that respect, what the infringer knew or should have known then becomes paramount. And the best way to prove the infringer's good faith belief in what it knew or should have known will be reliance on an opinion of counsel. In short, what the accused infringer "knew or should have known" necessarily involves proving the state of mind of the accused infringer and that state of mind may very well have been produced and justified by an opinion of counsel.

Moreover, although the Court states that the state of mind of the accused is irrelevant (to the first prong, i.e. the objective recklessness part, of the proof required for willfulness), it appears somewhat impossible to completely remove this aspect of the infringer's behavior which led to the finding of infringement. It is, after all, called "willful" infringement. This area will doubtlessly continue to evolve (even the Court noted this in its opinion). RatnerPrestia's Risk Management Group will monitor the change and will advise its clients on how best to deal with this changing landscape.

Other aspects of the *Seagate* decision should be less controversial. Post litigation infringement opinions and opinions of litigation counsel (as opposed to opinion counsel) are now more clearly differentiated and their relevance more limited.