

Seagate Plus One

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In August of 2007, the Federal Circuit issued its decision in In re Seagate Tech., 497 F.3d 1360 (Fed. Cir. 2007), abandoning Underwater Devices, Inc. v. Morrison-Knudson Co. Inc., 717 F.2d 1380 (Fed. Cir. 1983) and its affirmative duty of due care, and adopting in its place recklessness as a standard of care for determining liability for willful infringement of a patent.

This decision followed the Federal Trade Commission's Report "*To Promote Innovation: The Proper Balance of Competition and Patent Law*" and its recommendation that legislation be enacted to change the standard for willful infringement to require either actual, written notice of infringement, or deliberate copying. It also followed the National Academies report "*A Patent System for the 21st Century*," which joined in the FTC's recommendation, and also recommended that the affirmative duty of due care be abolished, and the issues in patent cases be bifurcated so that willfulness would not be addressed until after a defendant's liability had been established.

The authors of these reports intended that the proposals address a number of problems with the law of willful infringement. The law discouraged companies from investigating and reviewing patents, as that research could later be used as evidence the company was on notice of the patent and the risk of infringement. With the affirmative duty, the law on willfulness was not functioning as a deterrent of culpable conduct. It interfered with lawyer-client relationships, as it

¹ This paper was prepared by the authors and expresses their views and not the views of Covington & Burling or any client of the firm.

encouraged companies at risk of a claim of infringement to seek an opinion of counsel that would insulate them from liability rather than provide advice on how to proceed. And it spawned inefficiencies in patent litigation, including wasteful and destructive battles over the scope of the waiver of the privilege when a defendant responded to the charge of willful infringement with the defense of good faith reliance on the advice counsel.

Seagate may be the solution to the problems identified by the FTC and the National Academies. Whether it is will depend, in part, on how courts implement it. That is, if after some experience with the decision, we can predict with a high degree of confidence that Seagate has reset the bar to punish culpable conduct, and that the typical defendant will not, therefore, need to assert the defense of good faith reliance on the advice of counsel, then our clients should be comfortable getting back to the business of reading patents and consulting their lawyers for advice (as opposed to asking them for an opinion the lawyer and client both know will end up as an exhibit at trial).

I have found 40 published district court decisions implementing Seagate over the past year or so. I have attached a table listing those decisions. Here is what they show: in fifteen of twenty decisions, the trial judge denied the defendant's pretrial motion for a summary judgment of no willful infringement or to stay discovery on willful infringement. In five of five decisions following a non-jury trial, the judge found no willful infringement. And in nine of fifteen decisions on post trial motions following a jury trial, the judge granted motions to either set aside a finding of willful infringement or reported that the judge would not enhance the damages.

What do these decisions tell us? Based on how the district courts are reading Seagate, there is a good probability [75%] that a defendant will not be able to avoid pretrial discovery on willful infringement. That tells us Seagate is not working. Today, lawyers advising a client on a

potential claim of infringement 1) cannot tell the client that if it is sued there is a high probability a claim of willful infringement will be eliminated early in the case; 2) cannot tell the client that there is a high probability the client will not be at risk of a finding of willful infringement; and 3) cannot tell the client that there is a high probability it can avoid the dilemma of whether to assert good faith reliance on the advice of counsel.

As clients evaluate these risks, they will naturally tend to fall back on the cautious approach: avoid the research, get the opinion of counsel and, when sued, waive the privilege and assert good faith reliance of counsel.²

The solution? It may come with time. It may come from Federal Circuit decisions that impose predictability by confirming that willfulness claims should be tested by an early summary judgment motion. It may come from a change in the law that bifurcates the issue so that willfulness can not be plead until after the defendant's liability has been established. And the statistics suggest it may also come by looking at willfulness as an issue for the judge rather than the jury.

² These concerns were recently reinforced by the Federal Circuit's decision in Qualcomm v. Broadcom, No. 2008-1191, slip op. (Fed. Cir. Sep, 24, 2008), where the court upheld an instruction that one factor the jury could consider on whether the defendant had induced infringement is whether that defendant had obtained the advice of counsel.

Decisions Citing Seagate

	Date	Case	Court	Decision on Willful Infringement
1	8/31/07	Cohesive Technologies, Inc. v. Waters Corp.	D. Mass. 526 F.Supp.2d 84	Bench trial - no willful infringement.
2	9/25/07	Computer Associates Int'l, Inc. v. Simple.com, Inc.	E.D.N.Y. 247 F.R.D. 63	Deny motion to stay discovery.
3	10/24/07	VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc.	N.D.Cal. 527 F.Supp.2d 1072	Pre-trial - deny summary judgment.
4	10/29/07	TGIP, Inc. v. AT&T Corp.	E.D. Tex. 527 F.Supp.2d 561	Post-trial - willful infringement, no enhanced damages.
5	10/29/07	Informatica Corp. v. Business Objects Data Integration, Inc.	N.D.Cal. 527 F.Supp.2d 1076	Post-trial - no willful infringement.
6	11/14/07	Rhino Assoc., L.P. v. Berg Mfg. and Sales Corp.	M.D.Pa. 531 F.Supp.2d 652	Bench trial - no willful infringement.
7	11/15/07	Franklin Electric Co. v. Dover Corp.	W.D. Wis. 2007 WL 5067678	Post-trial - no willful infringement.
8	11/26/07	Convolve, Inc. v. Compaq Computer Corp.	S.D.N.Y. 2007 WL 4205868	Grant motion to compel.
9	12/4/07	Abbot Laboratories v. Sandoz, Inc.	N.D. Ill. 532 F.Supp.2d 996	Pre-trial - grant SJ no willful infringement.
10	12/12/07	Depomed, Inc. v. Ivax Corp.	N.D. Cal. 532 F.Supp.2d 1170	Pre-trial deny summary judgment.
11	1/3/08	Trading Technologies Int'l, Inc. v. eSpeed, Inc.	N.D. Ill. 2008 WL 63233	Post-trial - no willful infringement.
12	1/7/08	Energy Transp. Group, Inc. v. William Demant Holding AS	D.Del. 2008 WL 114861	Deny motion to stay discovery.
13	1/17/08	Se-Kure Controls, Inc. v. Diam USA, Inc.	N.D. Ill. 2008 WL 169029	Post-trial - no willful infringement.
14	1/22/08	Convolve, Inc. v. Compaq Computer Corp.	S.D.N.Y. 2008 WL 190588	Grant motion to compel.
15	1/28/08	Baden Sports, Inc. v. Molten	W.D. Wash. 541 F.Supp.2d 1151	Post-trial - willful infringement, no enhanced damages.
16	2/1/08	ResQNet.com, Inc. v. Lansa, Inc.	S.D.N.Y. 533 F.Supp.2d 397	Bench trial - no willful infringement.
17	2/19/08	Pivonka v. Central Garden & Pet Co.	D. Colo. 2008 WL 486049	Pre-trial - grant SJ no willful infringement.
18	2/20/08	Veritas Operating Corp. v. Microsoft Corp.	W.D. Wash. 526 F.Supp.2d 1141	Pre-trial - grant SJ no willful infringement.
19	3/4/08	V. Mane Fils S.A. v. International Flavors and Fragrances, Inc.	D. NJ 249 F.R.D. 152	Pre-trial - grant SJ no willful infringement.

	Date	Case	Court	Decision on Willful Infringement
20	3/10/08	F5 Networks, Inc. v. A10 Networks, Inc.	W.D. Wash. 2008 WL 687114	Grant motion to strike willfulness from complaint.
21	3/18/08	QSPX Developments 5 Pty Ltd. v. Nortel Networks, Inc.	E.D. Tex. 2008 WL 728201	Post-trial - deny JMOL. Willful infringement.
22	3/27/08	Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations, Inc.	E.D. Tex. 251 F.R.D. 238	Grant motion to compel.
23	3/27/08	Ball Aerosol v. Limited Brands, Inc.	N.D. Ill 553 F. Supp.2d. 939	Pre-trial - deny summary judgment.
24	4/3/08	Kleen-Tex Industries, Inc. v. Mountville Mills, Inc.	N.D.Ga. 2008 WL 2486363	Bench trial - no willful infringement.
25	4/3/08	Eaton Corp v. ZF Meritor LLC	E.D. Mich. 2008 WL 920128	Pre-trial - deny summary judgment.
26	4/8/08	Nichia Corp. v. Seoul Semiconductor	N.D. Cal. 2008 WL 974027	Post-trial - deny JMOL. Willful infringement.
27	4/22/08	Eastman Kodak Co. v. Agfa-Gevaert N.V.	W.D.N.Y 560 F.Supp.2d 227	Bench trial - no willful infringement.
28	5/5/08	Fischer Price, Inc. v. Safety 1st, Inc.	D. Del 2008 WL 1976624	Post-trial - willful infringement, no enhanced damages.
29	6/11/08	Intervet, Inc. v. Merial Ltd.	D.D.C. 2008 WL 2411276	Grant motion to compel.
30	6/24/08	Church & Dwight Co, Inc. v. Abbott Laboratories	D.N.J. 2008 WL 2566193	Post-trial - deny motion for new trial. Willful infringement.
31	6/24/08	Church & Dwight Co, Inc. v. Abbott Laboratories	D.N.J. 2008 WL 2565349	Post-trial - deny JMOL. Willful infringement.
32	6/24/08	Church & Dwight Co, Inc. v. Abbott Laboratories	D.N.J. 2008 WL 2565550	Post-trial - grant motion for enhanced damages.
33	7/29/08	Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.	D. Ariz. 2008 WL 2958968	Post-trial - deny JMOL. Willful infringement.
34	8/8/08	Plant 21 LLC v. Cascade Greenhouse	W.D. Wash. 2008 WL 3540602	Deny motion to strike willfulness from complaint.
35	8/14/08	Kellogg v. Nike, Inc.	D. Neb. 2008 WL 3875299	Pre-trial - deny summary judgment.
36	8/24/08	Lexicon Medical, LLC v. Northgate Technologies, Inc.	Fed. Cir. 2008 WL 4097481	Pre-trial - deny summary judgment.
37	8/26/08	Northbrook Digital Corp. v. Browster, Inc.	D. Minn. 2008 WL 4104695	Pre-trial - grant SJ no willful infringement.

	Date	Case	Court	Decision on Willful Infringement
38	10/9/08	GSI Group, Inc. v. Sukup Mfg. Co.	C.D. Ill 2008 WL 4545347	Pre-trial - deny summary judgment.
39	11/1/08	SEB v. Montgomery Ward & Co.	S.D.N.Y. 2008 WL 4540416	Post-trial - willful infringement, no enhanced damages.
40	11/12/08	Honeywell Int'l Inc. v. Universal Avionics Systems Corp.	D DE C.A. No. 02-359	Post-trial - grant JMOL. No willful infringement.