

One Year Later: The Impact of *Seagate*



BY TOM LEACH OF
MERCHANT & GOULD

Thomas Leach is an intellectual property attorney with Merchant & Gould specializing in patent, trademark and copyright litigation. He may be reached at 612.336.4665 or tleach@merchantgould.com.

District courts addressing willful infringement after *In re Seagate*¹ consistently follow this new “objectively recklessness” standard and are no longer afraid to grant summary judgment of no willful infringement. That is because the new standard makes it easier to avoid willful infringement and conversely harder to prove. In fact, most courts that have addressed willful infringement since *Seagate* have found no willful infringement either on summary judgment, in post-trial Rule 50 motions, or on appeal. Courts that have found no willful infringement involve reasonable arguments as to why the patent is invalid or not infringed. In contrast, the few courts that found willful infringement involve strong infringement positions, weak invalidity positions, and “fairness” facts supporting willful infringement.

THE NEW STANDARD

The full Federal Circuit in *Seagate* overruled the affirmative duty to obtain an opinion of counsel required by *Underwater Devices*. Relying on Supreme Court precedent the Federal Circuit concluded that *Underwater Devices*² “duty of care” standard was more akin to a negligence standard. This “negligence” standard allowed for punitive damages in a manner inconsistent with Supreme Court precedent dealing with willfulness in other civil contexts.

Seagate held “that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.” To prove willful infringe-

ment under *Seagate* a patentee must show by clear and convincing evidence (1) that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent, and (2) the risk was either known or so obvious that it should have been known. The Court also made clear that the infringer’s state of mind is not relevant to the first “objective” prong of the test.

SEAGATE APPLIED

The cases that have applied *Seagate*’s new standard illustrate what now constitutes willful infringement and what does not. In *Ball Aerosol*³ the court found that the defendants engaged in willful infringement both before filing and throughout litigation. The dispute arose over a patented candle tin having a lid that doubled as a tray on which to set the candle to protect the underlying surface from burning. The plaintiff, Ball, was going to sell its patented candle tin to the defendant, Limited. During the negotiations, Ball sent Limited detailed technical and engineering formulations on how to make the patented candle tin, sensitive pricing information, and a copy of the patent. After receiving Ball’s sensitive information, Limited had the candle tin made by a foreign supplier. Ball notified Limited of its infringement. Limited continued to sell the accused candle tin after Ball sued, and even after the court found that Limited infringed the patent.

The court also considered Limited’s post filing conduct. Although, the court acknowledged that under *Seagate* post-filing activity cannot form the sole basis to find willful infringement, the totality of the circumstances can be considered, including post-filing conduct. The court noted that Limited Brands represented that it had stopped selling the accused candle tin, which may have dissuaded Ball from seeking a preliminary injunction. Despite this representation, Limited continued to sell the infringing candle tin for more than a year after it represented that it had stopped. Based on this record and the absence of any credible evidence negating willful infringement, the court granted summary judgment of willful infringement.

*Church & Dwight Co., Inc.*⁴ holds that an invalidity defense based on art that was considered by the Patent Office is not enough to avoid willful infringement. The jury found the defendant, Abbott, had willfully infringed Church & Dwight’s (“C&D”) patent. Abbott filed a motion to set aside the jury’s willful infringement finding. The court denied Abbott’s motion. The court noted that the patents were presumed valid and Abbott’s invalidity defenses were weak. Significantly, Abbott’s invalidity arguments were identical to those considered, and rejected, by the Patent Office when determining whether to grant C&D’s patent. In addition, Abbott conceded infringement.

The court also noted that Abbott knew the risk. C&D notified Abbott of its infringement. Abbott knew it was very difficult to sell a functional product without infringing on C&D’s patents. Abbott also sought to “insure” itself against liability exposure via indemnifications, and Abbott sold the division that sold the accused products in part to avoid current intellectual property issues. The court found that the jury had sufficient evidence from which to find Abbott willfully infringed C&D’s patent. Likewise in *Bard Peripheral Vascular, Inc.*⁵, the Court denied a post trial motion to set aside a jury’s finding of willful infringement where the defendant argued that the patent was invalid over the same references the Patent Office considered and found not to invalidate the patent.

FOLLOWING THE NEW PRECEDENT

The case law also provides clear guidance on how to avoid willful infringement. Where there is a substantial question about validity or infringement, courts are likely to grant summary judgment of no willful infringement. Some recurring fact patterns illustrate how to avoid willful infringement.

An opinion of counsel is still a powerful tool to avoid willful infringement. While no longer necessary, a well reasoned opinion from competent patent counsel can show that there is not an objectively high likelihood of infringement. In fact, that opinion need not address both validity and infringement. If the opinion concludes that the patent is either invalid or not infringed, that should be sufficient to preclude a willfulness finding.⁶ The Federal Circuit has illustrated just how powerful a well reasoned opinion of counsel can now be to avoid a charge of willful infringement. After the defendant was found to have infringed a

valid patent, the defendant obtained an *oral* opinion concluding that its post-trial motion to set aside the infringement verdict would be successful. Based on that opinion, the defendant proceeded to sell the remaining inventory of the accused products prior to the court issuing an injunction. The Federal Circuit affirmed the district court's finding that post-verdict sales did not constitute willful infringement. The Federal Circuit reasoned that it was not "objectively reckless" to obtain and rely on the opinion of counsel, which had predicted a favorable outcome of the post trial JMOL pending before the district court.⁷ The Court concluded this despite the district court denying defendants' JMOL.

Well developed invalidity or non-infringement positions, even those developed during litigation, can likely avoid *Seagate's* objectively reckless prong. For example, a district court's grant of summary judgment of non-infringement, which is later reversed, could be sufficient to establish that defendant's conduct was not objectively reckless.⁸ Finally, filing a request for reexamination with the Patent Office is another tool accused infringers might use to show that their actions were not objectively reckless. For example, a court granted summary judgment of no willful infringement based, in part, on the Patent Office's decision to reexamine the patent-in-suit. In granting such a request, the Patent Office must find that there is a substantial new question of patentability. While the court noted that requests for reexamination are granted almost as a matter of course⁹, it could not ignore that the Patent Office found that there was a substantial new question of patentability.¹⁰ The district court found that determination sufficient to avoid the "objectively reckless" standard and granted summary judgment of no willful infringement.

With this guidance, companies should be able to avoid willfully infringing patents with more predictability. Moreover, willful infringement claims will likely be resolved early in litigation through summary judgment. This will make it easier to assess risk by making it easier to predict when trebled damages and attorneys' fees are possible.

ENDNOTES

1. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*).
2. *Underwater Devices, Inc. v. Morrison-Knudsen, Inc.*, 717 F.2d 1380 (Fed. Cir. 1983).
3. *Ball Aerosol and Specialty Container, Inc. v. Limited Brands, Inc.*, 553 F. Supp. 2d 939 (N.D. Ill. 2008).
4. *Church & Dwight Co., Inc. v. Abbott Labs.*, No. 05-2142, 2008 U.S. Dist. LEXIS 49587 (June 23, 2008).
5. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, No. 03-0597, 2008 U.S. Dist. LEXIS 60850 (D. Az. July 29, 2008).
6. *Finisar Corp. v. DirectTV Group, Inc.*, 523 F.3d 1323 (Fed. Cir. 2008) (finding that a competent opinion of counsel concluding either non-infringement or invalidity would provide a sufficient basis to proceed without engaging in objectively reckless behavior).
7. *Lexicon Medical, LLC v. Northgate Tech., Inc.*, No. 2007-1420, 2008 U.S. Dist. LEXIS 18825 (Fed. Cir. Aug. 28, 2008).
8. *Franklin Elec. Co., Inc. v. Dover Corp.*, No. 05-C-598-S, 2007 U.S. Dist. LEXIS 84588 (W.D. Wis. Nov. 15, 2007).
9. The Patent Office grants over 90% of all requests for reexaminations.
10. *Lucent Tech., Inc. v. Multimedia Patent Trust*, No. 07-CV-2000, U.S. Dist. LEXIS 95934 (S.D. Cal., Oct. 30, 2007).