

CLIENT ALERT

Federal Circuit Raises the Bar for Proving Willful Infringement, and Provides for Protection of Trial Counsel Communications and Work Product From Discovery -- Great News for Accused Infringers

Sep.18.2007

The threat of treble damages against defendants based on allegations of willful infringement has been reduced. Based on the recent unanimous *en banc* decision of the Federal Circuit, only objectively reckless behavior by a defendant may warrant a finding of willful infringement. Additionally, the Court held that the scope of waiver of privilege resulting from an 'opinion of counsel' defense against willfulness charges does not ordinarily extend to trial counsel, which should provide further assurance to defendants that typically segregate opinion and trial counsel. *In re Seagate*, No. M830 (Fed. Cir., Aug. 20, 2007).

With respect to the standard for willful infringement as a predicate for awarding enhanced damages and attorneys' fees, as set out in *Underwater Devices Inc. v. Morrison-Knudson Co.*, 717 F.2d F.2d 1380, 1389-90 (Fed. Cir. 1983), the court held that the previous "standard fails to comport with the general understanding of willfulness in the civil context, . . . allow[ing] for punitive damages in a manner inconsistent with Supreme Court precedent." In overruling *Underwater Devices*, the court held that the new standard requires at the least a showing of "objective recklessness," which involves proof by "clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." There must also be a showing that the infringer knew or should have known of the objectively-defined risk. The court expressly abandoned the 'affirmative duty of due care' that has historically been created by notice of infringement.

In holding that the scope of waiver of privilege resulting from an opinion of counsel defense does not ordinarily extend to trial counsel, the Federal Circuit reasoned that while opinion counsel "serves to provide an objective assessment" in the course of making business decisions, "trial counsel focuses on litigation strategy" and that such a fundamental difference would not present the classic "sword and shield" concerns that arise when privilege is being asserted selectively. The court did, however, indicate that "trial courts remain free to exercise their discretion" when "unique circumstances . . . such as if a party or counsel engages in chicanery" present themselves.

As a result, proving willfulness may now become more difficult, not only because the intent standard has been raised, but because the scope of waiver will now clearly be limited. By increasing the burden for showing willfulness, the Federal Circuit has also made it more challenging to obtain enhanced damages and fees even when infringement is shown.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.