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Patent Defendants Score Big at Federal Circuit

Court clarifies guidelines on willful infringement, waivers of attorney-client privilege

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Tech company general counsel, who routinely wrestle with accusations of patent infringement, can breathe a sigh of relief -- thanks to a decision Monday by the U.S. Court of Appeals for the Federal Circuit.

In deciding *In Re Seagate Technologies*, 830, the Federal Circuit has made it far more difficult to accuse a company of willful patent infringement, a finding which allows for triple damages.

The ruling also made a crucial clarification regarding waivers of attorney-client privilege: If a defendant waives privilege for so-called "opinion counsel," that does not mean it is also waived for a defendant's communications with trial counsel.

"This is a very pro-accused infringer decision," said Edward Reines, a patent litigation partner at Weil, Gotshal & Manges and president of the Federal Circuit Bar Association. "It's a great day for Silicon Valley tech companies."

When a company was accused of patent infringement, often a first step was obtaining an opinion letter from an attorney, known as opinion counsel, on whether the company is indeed infringing. Then, when a case reached trial, accused companies would often waive privilege for those opinion letters -- provided, of course, that the counsel found there was no infringement.

Often courts treated this gesture as sufficient to counter allegations that a defendant was willfully infringing on a plaintiff's patent.

Yet in the *Seagate* case, accusers used this opinion counsel privilege waiver to seek communications between defendants and their trial counsel. And when a New York federal judge ordered Scotts Valley, Calif.-based Seagate to turn over trial counsel communications to its opponent, Convolve Inc., the order sent shivers through the nation's IP litigation bar.

Amid the outcry, the Federal Circuit court decided to take a new look at the privilege issue, along with the standard for willfulness. It received nearly two dozen amicus briefs on the issue.

"We conclude that the significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel," Judge Haldane Robert Mayer wrote in the unanimous decision by 10 judges. Two of them also wrote concurring opinions.

And in deciding what constitutes willful infringement, "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement," Mayer wrote.

This new willfulness standard focuses less on whether the accused infringer obtained opinion counsel, and more on whether the defendant did what a "hypothetical reasonable company should have done under the circumstances," said Charles Barquist, a patent litigation partner with Morrison & Foerster in Los Angeles.

That means companies don't have to worry, necessarily, about being accused of willful infringement if they don't automatically obtain opinion counsel every single time they are accused of infringement, IP litigators said.

"The need for companies to go out and get opinions is greatly reduced," Barquist said. "They no longer need to go out and get an opinion as part of a litigation defense strategy."

He added: "I think people are going to be more focused -- and this'll be a good thing -- on how serious the actual infringement issue is, as opposed to worrying about setting up defenses to a charge of willful infringement."

The finding also dovetails with a greater pendulum shift away from patent holders' rights, Reines said.

"In *Seagate*, the Federal Circuit is clearly attempting to address some of the excesses of patent litigation about which the tech community, the Supreme Court, major media and commentators have complained," he said.