



## ASSESSING THE IMPACT OF SEAGATE

*IMS ExpertServices Attorney Panel*  
 by Robert Ambrogi - Editor  
 BullsEye Newsletter: September 2005

Table of Contents

- [PARTICIPANTS](#)
- [DISCUSSION](#)

### SEARCH OUR SITE

Enter Keyword Terms



A panel of lawyers convened by teleconference on Sept. 6, 2007, for a discussion of the significance and impact of the August 20th *en banc decision* of the Federal Circuit Court of Appeals, *In re Seagate Technology*. The discussion was sponsored by IMS ExpertServices.

### PARTICIPANTS



Alison M. Tucher  
 Morrison &  
 Foerster

**Alison M. Tucher** is a partner in the San Francisco office of Morrison & Foerster. She practices complex commercial litigation in federal and state courts. She has represented large corporations in multi-patent disputes, businesses suing or being sued under antitrust and unfair competition laws, and entrepreneurs in a variety of commercial disputes. She has handled cases in the U.S. Supreme Court, the Federal Circuit, district courts around the country, and in California courts. In Seagate, she wrote the amicus brief filed on behalf of Echostar Communications Corp. and BEA Systems Inc. Before joining Morrison & Foerster in 1998, Ms. Tucher served as law clerk to Judge William A. Norris on the Ninth Circuit Court of Appeals and to Justice David H. Souter at the United States Supreme Court. She then spent three years trying cases as a



Deputy District Attorney in Santa Clara County.



Peter A. Sullivan  
Hughes Hubbard  
& Reed

**Peter A. Sullivan** is a litigation partner in the New York office of Hughes Hubbard & Reed, where he practices in the areas of patent, trade secret, product liability and commercial litigation. In Seagate, he wrote the amicus brief for the Association of the Bar of the City of New York. He served as chair of the association's Committee on Patents and he has filed briefs in a number of important patent cases on behalf of the Association and firm clients, including most recently KSR. He is also an active member of the American Intellectual Property Lawyers Association, the Federal Circuit Bar Association, the American Bar Association, and the New York Intellectual Property Law Association.



William F. Heinze  
GE Energy

**William F. Heinze** is patent procurement counsel for GE Energy in Atlanta. His international practice focuses on providing clients with proactive and preventative services in the areas of process development and training, competitive analysis and monitoring, application prosecution, customs registration, import exclusion, enforcement, and portfolio management and measurement at each stage of the product development cycle. He is author of the popular intellectual property blog *I/P Updates*.

**Robert J. Ambrogi**, moderator, is a Massachusetts lawyer and journalist.

[\[back to top\]](#)

## DISCUSSION



Robert Ambrogi  
Editor

**AMBROGI:** On August 20th, the Federal Circuit Court of Appeals, sitting en banc, issued a decision in the case of *In re Seagate Technology* in which it overruled a quarter century of precedent and established a new standard for determining willful infringement in patent cases. The court also discussed the issue of an accused infringer's reliance on the advice of counsel and whether that defense would require waiver of the attorney-client privilege. The court set a new standard for proving willful patent infringement – objective recklessness – abolishing the longstanding duty of care standard that had been in place since the court's 1983 decision, *Underwater Devices Inc. v. Morrison-Knudsen Co.* The three panelists joining us today are here to discuss the significance of this case and its implications for both patent practitioners and businesses.

Peter, let's start with you. Would you give us the nutshell version of what happened in this case?

**SULLIVAN:** Sure. The case giving rise to the *Seagate* opinion was a patent-infringement case between

Convolve and the Massachusetts Institute of Technology on the one hand and Seagate Technology on the other. During the course of litigation, the defendant Seagate, in a defense to charge of willful infringement, invoked the reliance-on-counsel defense. As part of that, they provided discovery in connection with three opinions that were written concerning the patents at issue.

During the course of the litigation, counsel for Convolve and MIT sought discovery not only of opinion counsel, but also trial counsel. They sought discovery of information concerning infringement, invalidity and unenforceability – those three areas – arguing that there was a subject matter waiver of those issues because of the reliance-on-counsel defense. That issue gave rise to a decision *in camera* by the trial court that allowed certain aspects of trial counsel's work product and information to be discoverable. In response, Seagate filed for a writ of mandamus to prevent that disclosure from taking place.

The Federal Circuit, in *Seagate*, took the issues and granted the writ of mandamus, and that gave rise to the opinion that we're going to talk about today.

**AMBROGI:** All right. Alison, you filed an amicus brief in this case. What did you see as the significance of the case and what were your clients' interests in the case?

**TUCHER:** I am speaking today on behalf of myself and not my clients, but in filing the brief, we addressed, first, the standard that the Federal Circuit has used for 24 years for defining willfulness and as a predicate, therefore, for allowing treble damages. We believed that the standard used for willfulness was inappropriate under the law and the root cause of many of the problems in the waiver realm. We urged a tougher standard. In fact, we urged the standard that the Federal Circuit adopted, of recklessness, because that is the standard that is consistent with how the Supreme Court and other circuits in other areas of the law have defined willfulness – as reckless or knowing disregard for the legal rights of others.

We then also went on to address the attorney-client privilege and work-product waiver issues because those do remain, either if a party decides to rely on the opinion of counsel in defending against willfulness or in some other context. For example, in an inducement-to-infringe case, some of your readers will know about the case of *DSU Medical Corporation v. JMS Co.* that the Federal Circuit decided en banc in December 2006 that makes opinions of counsel relevant in that area as well. We argued strenuously that the waiver should not extend to trial counsel for a number of reasons. We are very pleased with the decision of the Federal Circuit agreeing with us on all three of the issues under review.

**AMBROGI:** Let's bring Bill Heinze into the discussion. Bill, you're in-house – and I understand that you are not speaking for your client here either – and you've practiced with a law firm in the past. What is your initial take on this case and why it is important?

**HEINZE:** First of all, I think it is interesting that the court once again emphasized that non-infringement or invalidity opinions are not required in order to avoid enhanced damages for patent infringement. This is interesting because, from an in-house perspective, those are probably among the more expensive items, other than litigation, that you might have to obtain from outside counsel. But I think the real question that still remains open is: What do you do, as in-house counsel, when you receive a patent infringement notification letter? The answer used to be that you would immediately go out and get an opinion. Now, I think the answer is probably, "Maybe we don't need to do that; maybe it depends on how likely we are to get thrown into litigation." But I certainly would like to hear what some of the other commentators have to say. I have my own ideas about what might be appropriate.

**AMBROGI:** It seemed that the court, in its opinion, left that open. I'm not sure that it did define a clearer standard. Alison, Peter, what are your thoughts on that?

**TUCHER:** One of the things that I would advise doing in a hypothetical case like that is telephoning your senior technical person to have them take a look at the patent. Your senior technical person – who could probably be characterized as a person of ordinary skill in the art – should be able to read the patent in the way that it could plausibly be construed by the courts in later litigation. That person should be able to say, if you have a good non-infringement argument, "Well, we don't infringe these claims as I read them because we don't do X, and all of these claims say you have to do X." If you can get an answer like that from your technical person, and your technical person sends you an e-mail explaining why there isn't an infringement problem, I don't think you do have to go to the next step of going to get an opinion, in most cases.

Of course, if your senior technical person says, "My goodness, it certainly looks like this reads on our processes or products," you might want to take a different strategy. Then, you might want to hire an opinion counsel to explain to you why the patent is not valid or why, in fact, the patent could very well be construed in a different way than your senior technical person, not being a patent expert, had originally thought.

**SULLIVAN:** I would agree with that approach, generally. I think that the court actually came out and said that there is no affirmative obligation for obtaining opinion of counsel. So it leaves open the ability to be more flexible in your response to the many different ways in which patents come to the attention of companies and in-house patent lawyers. If you have a tiered approach, if you will – where things that are clearly not going to be a problem may be dealt with more quickly and informally – that may be a reasonable process under the circumstances. Even if you are then later sued for infringement, you can show this process as evidence of lack of recklessness, of lack of the intent required to show willful infringement.

**AMBROGI:** I have the opinion in front of me, and the court does express that when it says, "Because we abandon the affirmative duty of due care, we also re-emphasize that there is no affirmative obligation to obtain opinion of counsel."

**HEINZE:** I'm glad to hear everyone say that because it mirrors an approach that I would sometimes use when I was with a law firm and working with a sophisticated client. Instead of sending a full-blown non-infringement analysis, I would sometimes prepare a short e-mail message. I would include a picture of the allegedly infringing product side-by-side with a copy of one of the figures from the patent, a short summary of the important features that were in the claim – sometimes taking out some of the other features – and then maybe a few paragraphs about either why we don't infringe or, if there was also an invalidity argument, another few pictures of the prior art and why that prior art invalidated the patent. Then I would also include a statement in that message that said, "My firm is prepared to offer you an opinion along the following lines."

The idea would be that an in-house counsel could look at that message, quickly evaluate the associated infringement risk from just looking at the images in the patent, then pass that along to the technical folks, who are usually much more comfortable looking at images than they are at the actual patent claims themselves. It also prevented the technical folks from having to make legal determinations with regard to infringement.

The objection that I would sometimes receive from my colleagues in law firms was, "Well, that's a shortcut approach, and if it's ever litigated, you might get in trouble." My thoughts – then and probably still now, although I have not tried this at GE – were that instead of this being an insurance document to avoid the possibility of enhanced damages, this was more of a risk analysis to let everyone know what they might be up against. They can just take a quick look at your reasoning, your technical justification and your arguments, and decide whether the business is really worth that level of risk.

**SULLIVAN:** I think that that there is much more room now to have in-house counsel make those kinds of risk assessments and use them affirmatively as part of the evidence at trial. I think that *Underwater Devices* not only gave us the standard that we labored under for the last 25 or so years, but it also gave rise to a very formulaic approach to what kinds of opinion were OK. In-house opinions were sometimes considered not as good – courts have said as much – and the opinions themselves became much more formulaic. Perhaps they needed to be — to do what they were supposed to be doing, which was to inform whether one infringed or whether the patent was valid or not.

So I think that, following on what Alison said before, there is room for more flexible approaches, approaches that don't require the kind of boilerplate that we used to see and still do see in opinions of counsel from outside law firms.

**AMBROGI:** Peter, we heard a bit about Alison's amicus brief in *Seagate*. What was the position that you argued in your brief?

**SULLIVAN:** We too argued that the affirmative duty of care standard should no longer be a part of the willfulness determination. We also asked that the court conform its definition of willfulness to that understood in every other area of the law and areas of the common law, and have the standard be akin

to reckless conduct, knowing disregard. I would say that was the position of many of the amici with regard to the willfulness standard, because it was very difficult to deal with the affirmative duty standard that existed before.

**AMBROGI:** The Federal Circuit decided on its own to hear this case *en banc*. Was there anything about this case in particular, do you think, that led the circuit to do that, or was the time simply ripe for a review of these issues?

**SULLIVAN:** I think that the court was looking for this type of case since it decided the *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.* case in 2004, which was the case that first started to challenge the policy underpinnings of *Underwater Devices*. In that case, the question was whether there should be a negative inference for the failure to disclose an opinion of counsel in connection with your defense to willfulness, and the court said that there should not be. In that case, Judge Newman, during oral arguments, started discussing whether the historical context for *Underwater Devices* no longer fit with our contemporary perspective, where now we have more respect for patents than we had in 1983. It is my belief that this was something that the court contemplated way back when it was looking at *Knorr-Bremse*, and this is a continuation of that rationale.

**TUCHER:** I agree that it's a continuation of *Knorr-Bremse* in the sense of fixing the problems that the *Underwater Devices* case back in 1983 started. But I have been told by a colleague – I haven't independently confirmed this – that one member of the Federal Circuit has said publicly that there was only one vote for putting that third issue on the agenda in the *en banc* order, and by the third issue, I am referring to revisiting *Underwater Devices*.

I think the court took this case, first and foremost, because they saw that a waiver extending to trial counsel – which is what the discovery order had done here – was a train wreck waiting to happen. They stepped in to correct that. There was probably considerable debate about whether it was worth going to the next step of revisiting *Underwater Devices*. But then they would obviously have to take the case *en banc* if they were going to consider taking that step, since no individual panel can reverse the precedent of another panel.

**AMBROGI:** Who are the primary beneficiaries of this ruling? Given that it makes willfulness harder to prove, does that tend to favor smaller, more innovative companies, or does it tend to favor more established patent-holders?

**TUCHER:** It is a case that definitely benefits accused infringers, and any company can be either the patent-holder or the accused infringer regardless of its size. But certainly we can say that, to the extent in any particular patent dispute a company finds itself the accused infringer, it benefits from this decision. Conversely, a company that is seeking to enforce its own patent rights is going to have a less valuable case because it is going to be harder to prove willfulness.

I do find one silver lining to the cloud for patent-holders in this case. It comes from the fact that I think the patent-holder is no longer going to have to prove actual knowledge of its patent in order to establish willfulness. In practice, I'm not sure how often this will make a difference. But we now have a standard that requires that the accused infringer have an objectively unreasonable defense and that the accused infringer knew or should have known of the unreasonably high risk that it was running in relying on this kind of defense. But because of the new "or should have known" language, I think patent holders can still proceed with a willfulness claim in a case where the accused infringer doesn't have a legitimate defense and where the patent was well known in the industry – either because it got publicity when first issued or because it was litigated against somebody else previously – without having to demonstrate that the current defendant actually knew about the patent itself.

**HEINZE:** That was one of my concerns also. In her concurring opinion, Judge Newman talks about the standards of behavior being judged against standards of fair commerce. My first thought was: Is there a standard of fair commerce in certain industries where we're supposed to be doing patent searches and patent watches in order to make sure that we're not infringing other folk's patents? For some businesses, that could likely be very, very difficult, but for other businesses, especially for products that are less complicated where fewer patents are involved, that might now be an expectation.

**SULLIVAN:** One of the arguments that the association made in its brief was that any new standard had to account for what we call willful blindness – that is, a conscious disregard of patents when it should know that patents exist in an area. The idea being that you shouldn't be able to ignore things and then say that you're not liable for willfulness when anybody who would be practicing in that industry would understand that there could be some risk there. I don't know if the case addresses that directly. I think that there's room to argue that now under this new standard.

**AMBROGI:** Let me talk a little bit about the aspect of the case that deals with waiver of the attorney-client privilege and of work product. Alison mentioned that the court may have seen a train wreck coming here and tried to avert that. Is that the significance here? And what are the practical implications of this for a law firm or for a corporate client?

**SULLIVAN:** I agree that this is a good case for accused infringers, not only because of willful infringement but also because the risk of trial counsel's thoughts and thought processes being discovered really isn't there any more. The lower court's decision really put at risk trial counsel's mental processes, and that is a potential train wreck for trial lawyers. So this was an important case to clarify what was becoming an impractical standard under subject matter waiver.

**HEINZE:** Would you still recommend obtaining your non-infringement opinions from different counsel than your trial counsel?

**TUCHER:** Absolutely.

**SULLIVAN:** Yes, I would. In fact, in our brief, we said that trial counsel's opinion should not be invaded unless trial counsel is actually affirmatively working on the opinions themselves or in consultation with somebody else. That didn't get picked up in the opinion. However, this concept of chicanery, which was not defined in the opinion, seems to leave open the possibility of having double-dipping trial counsel be problematic in cases.

**AMBROGI:** Does that extend to firms too? Does this require firms to kind of put up Chinese walls of some sort between lawyers who are offering opinions and lawyers who are handling the trials?

**TUCHER:** You mean on the same case?

**AMBROGI:** Yes. My sense is that that happens, that both opinion counsel and trial counsel could be within the same firm. Does this case change how a firm should handle that situation?

**TUCHER:** I don't think it changes it, but I think that it's still true that a more complete separation is desirable.

**SULLIVAN:** I would agree with that.

**AMBROGI:** What about going forward and proving willfulness in cases in the future? Obviously, this changes the standard in a significant way. How would that change how lawyers should approach these cases in litigation?

**TUCHER:** It depends which side you're on. If you're the patent-holder, starting on that side, you're going to want to be careful about not putting a willfulness allegation in your complaint until you have good evidence for it, because the Federal Circuit reminded us that there is a Rule 11 obligation there. I think we'll see fewer allegations of willfulness as a result.

Both sides will now be looking to introduce something we've never seen – or at least I haven't seen before – which is industry experts opining on what are the standards of fair commerce.

And in a case where the accused infringer has non-infringement arguments based on a claim construction that the district court did not adopt, and where the court's claim-construction decision significantly harms an accused infringer's non-infringement case, I think that we will see patent lawyers being introduced as experts – whether or not they prepared an opinion of counsel and whether or not any opinion they prepared was relied upon and disclosed. They could opine that it would have been plausible for the district court to have construed the claims in a different way, and that the non-infringement arguments that flowed from that different construction would have provided the company

with a reasonable basis for thinking it could have gone forward to defend this case. That's the kind of proof that we don't have much reason for now, except in the context of reliance on opinion of counsel.

**SULLIVAN:** I would think that it's still going to be important for patent holders, where they have actual notice, to plead that in their complaints, and that may suffice along with some investigation to allow a pleading on willfulness. Whether that carries the day at summary judgment and whether, under the clear and convincing evidence standard, there is enough evidence of objective recklessness, is another thing. But I would not be surprised to see more motion practice on willfulness.

**AMBROGI:** Under Rule 11?

**SULLIVAN:** No, on moving to dismiss that aspect of the claim.

**TUCHER:** You know what else I think we'll see a lot more of are preliminary injunction motions. One of the things that the Federal Circuit said in its decision is that, at least in the main, in the ordinary course of things, post-filing or post-complaint willfulness should be addressed by a preliminary injunction. The court said that if a patent-holder doesn't attempt to get a preliminary injunction to stop infringement of its valid patent, then it should not then be able to rely solely on post-litigation conduct for evidence of willfulness.

**HEINZE:** I am wondering if the decision might not slow down the rate of growth of patent litigation a little bit, especially in conjunction with some of the other decisions that have left patent owners wide open to a declaratory judgment action for essentially getting involved in licensing negotiations. If there is less potential for enhanced damages, and if the patent owners are quite concerned about being drawn into an infringement action on a declaratory judgment situation, then perhaps this will help to slow down what some have perceived as an explosive growth in patent litigation.

**AMBROGI:** What are the questions that remain in the wake of this decision? This case resolved some significant questions. But did it leave other questions unanswered? Did it raise new questions that need to be resolved?

**SULLIVAN:** I have a question about how they are going to construe that portion of the opinion about solely post-conduct activities that give rise to willfulness. Will you have to file a preliminary injunction in order to get willfulness damages in a case? I have to confess that I was a little confused by how that came out. It was not clear to me that if you have a record of both pre-filing and post-filing conduct, whether that would still suffice irrespective of whether somebody were to file for a preliminary injunction.

**AMBROGI:** Alison, Bill? Has the case raised any new questions for you?

**TUCHER:** Well, it certainly leaves some issues unanswered. On the waiver area, it does not tell us what is going to happen on waiver with regard to in-house counsel. That is something that the district court had ordered discovery on, but that the parties had not really squarely put before the Federal Circuit, and therefore the Federal Circuit properly refused to address it in its opinion. It is, I think, a very important unanswered question.

There is also the question of what is the subject matter scope of the waiver, if there should be a waiver. Will a waiver in reliance on an opinion that addresses infringement automatically waive, for example, invalidity, because claim construction is the link between the two and they are all defenses? Or will courts continue, as many of them but not all of them have done in the past, to treat those as different defenses and different waiver issues?

On the question of how will the new standard play out, I think there are lots of open questions. One is the preliminary injunction issue that Peter just mentioned. Another concerns the second prong: Once you've got past the threshold issue of whether there is an objectively high likelihood of infringement, how does the potential state of mind piece of the second prong play out and what evidence is relevant there? How will opinions of counsel will still be used there? I think that is still very undecided.

**HEINZE:** I am also a bit concerned about what is the appropriate standard of behavior in a situation where you find out one of your competitor's products is marked with a patent number. And on the flip side, I am concerned about whether my client should be marking its own products with patent numbers, even though it is often very difficult to determine exactly which patents cover which products, so that we risk setting ourselves up for a claim of false marking.

**AMBROGI:** A comment I read about this case is that it is reflective of a trend by the Federal Circuit to align itself more with the law in other circuits. The Supreme Court, it seems, has been critical of the Federal Circuit in a couple of recent cases. Does this case reflect a trend within the Federal Circuit to rethink some of its precedent in patent law?

**SULLIVAN:** I think it does. Going back to *Knorr-Bremse*, this was an argument that the association made in that case, that the court should align its law on privilege to accord with the way privilege is considered in other areas of law. In the 2006 case *eBay Inc. v. MercExchange*, the Supreme Court ordered the test for injunctions that existed for other aspects of the law, informed of course by the specific issues involved in patent laws.

And the 2007 Supreme Court ruling in *KSR International v. Teleflex* was probably another one where the outcome followed principles established by the Supreme Court, versus what the Federal Circuit had constructed after it formulated the motivation-to-combine test, which was distinct and apart from what the Supreme Court had used as its own standard.

**TUCHER:** Nothing concentrates the mind of a judge like being reversed. And that circuit has been reversed now several times when it starts getting too creative in its own little area of patent law. The Supreme Court has brought them back again and again to the idea that they are part of American jurisprudence and not an island unto themselves. I also think it is noteworthy that the week before *Seagate* was argued in the Federal Circuit, the Supreme Court handed down a decision that defined willfulness – admittedly in a completely different area of the law, the Fair Credit Reporting Act – as knowing or reckless disregard for the wrongfulness of one's acts. That is completely black-letter law – the easily recognizable common-law definition. It wasn't new, but when the Supreme Court said it the week before the Federal Circuit had its argument, the Federal Circuit was going to be hard pressed to give willfulness a completely different definition. At that point, either they were going to have to adopt the same standard, as they did, or they were going to have to chuck willfulness entirely, which is the approach that Judge Gajarsa encouraged in his concurrence.

**HEINZE:** I think the opinion helped to clarify the law quite a bit, and I'd like to see a few more just like it in connection with claim construction.

**AMBROGI:** We are getting near the end of our time. Before we conclude, I want to offer each of you an opportunity to share any closing thoughts you have. Peter, since we opened with you, let's start with you.

**SULLIVAN:** *In re Seagate* is another case that we are seeing where the Federal Circuit is reassessing its law to contend with the ramifications of older cases. The fact that it is reassessing the law and looking at it in today's context, I think, is a very positive step. We look forward to seeing more of those types of cases in the future.

**AMBROGI:** Alison, your closing thoughts.

**TUCHER:** I would second Peter's comments entirely. I think that for opinion counsel and for trial counsel and for accused infringers, it is a terrific decision. For patent holders, it at least has the merit of making the law clearer and, after all, many clients are in one case the patent-holder and in the next case the accused infringer. So I think that for almost everybody it is really good news.

**AMBROGI:** Bill, since you're in-house, it is only appropriate that you get the last word.

**HEINZE:** I am looking forward to hearing some of the thoughts of my client's competitors on just what the heck these standards of behavior in patent matters are going to be, but I certainly have learned a lot from the commentators who spoke today.

**AMBROGI:** Thank you all very much. I really appreciate all of you taking the time to share your

perspectives on this case.

[\[back to top\]](#)

[IMS Expert Services](#) is the premier expert witness and litigation consultant search firm in the legal industry. IMS Expert Services is focused exclusively on providing custom expert witness search services to attorneys. We are proud to be the choice of 91 of the AmLaw Top 100. Call us at 877-838-8464 or visit us at [www.ims-expertservices.com](http://www.ims-expertservices.com).

[View All Articles](#) | [Newsletter Signup](#) | [Contact Us](#)



**Our Contact :**  
**Phone: 877-838-8464**

**Copyright 2008 IMS ExpertsServices**  
**All Rights Reserved**

[home](#) | [about us](#) | [need an expert?](#) | [client list](#) | [press releases](#)  
[| newsletter](#) | [contact us](#) | [sitemap](#) | [privacy policy](#)