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Federal Circuit Overrules Precedent - A Sea Change in the Law on Willfulness

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In a decision dated August 20, 2007, Seagate Technology, LLC (Miscellaneous Docket No. 830), the Court of Appeals for the Federal Circuit has reversed precedent dating almost to the inception of that Court, and raised the standard for proving that an adjudged infringer's conduct was willful (which could entitle the patent owner to up to treble damages and attorney fees). Under the Court's precedent, Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983), a company with knowledge of a patent had an affirmative duty of care to avoid infringement. In its Seagate decision, the Federal Circuit reversed itself with regard to the affirmative duty to avoid infringement, which it likened to a negligence standard, in favor of a new standard requiring a showing of recklessness by clear and convincing evidence in order for the jury to conclude that the infringement was willful. Accordingly, patentees will have a higher burden to provide willfulness in future and pending litigation. Id. at 12 ("[T]o establish 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 of a valid patent").

Under the new willfulness standard "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement." Seagate at 12. While this standard will be developed further in future decisions, it is clear that the failure of a party to obtain a written opinion of counsel is not sufficient grounds alone for finding of willfulness. Companies that are alerted as to another company's patent are not automatically obligated to go to the expense of obtaining a competent opinion of counsel before continuing their activities. Id. ("Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel."). Instead, courts will focus on what a reasonable company should have done under the circumstances.

The Court of Appeals also clarified last year's ruling in Echostar Communications Corp., 448 F.3d 1294 (Fed. Cir. 2006), and held that a waiver of privilege with respect to an opinion prepared by an attorney retained solely to provide an opinion would not operate as a waiver of privilege for communications between trial counsel and his or her client on the subject matter of the opinion. Id. at 15 ("Therefore fairness counsels against disclosing trial counsel's communications on an entire subject matter in response to an accused infringer's reliance on opinion counsel's opinion to refute a willfulness allegation.").

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