



## Case Digest: *In re Seagate Technology, LLC*

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On August 20, 2007, in a unanimous *en banc* opinion, the Court of Appeals for the Federal Circuit (CAFC) expressly overruled the willful infringement standard of an “affirmative duty of due care” set out in *Underwater Devices, Inc., v. Morrisson-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983) and replaced it with a more stringent standard of “objective recklessness.”

### Objective Recklessness

The Court held that a potential infringer does not have an affirmative obligation to seek and obtain opinion of counsel before commencing any possible infringing activity in order to guard against a finding of willful infringement. In doing so, the CAFC set the standard for finding willful infringement to be the higher and more objective recklessness standard commonly used in determining “willfulness” in the general civil context instead of the lower and less objective prior standard of *Underwater Devices* which the court found to be more akin to ordinary negligence. The CAFC noted that “to 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.”<sup>1</sup>

### Waiver of Attorney-Client Privilege

Regarding the issue of attorney-client privilege, the CAFC held that a party’s assertion of the advice of counsel from pre-litigation opinions as a defense to willful infringement does not constitute a waiver of the attorney-client privilege for communications with trial counsel. The CAFC reasoned that the “the significantly different functions of trial counsel and opinion counsel advise

against extending waiver to trial counsel.”<sup>2</sup> Because a finding of willful infringement is primarily based on an infringer’s pre-litigation conduct, the infringer’s communication with trial counsel has “little, if any, relevance warranting their disclosure, and this further supports generally shielding trial counsel from the waiver stemming from an advice of counsel defense to willfulness.”<sup>3</sup> However, the CAFC conceded that trial courts are free to waive attorney-client privilege with respect to trial counsel in cases where the trial counsel “engages in chicanery.”<sup>4</sup>

### Work-Product Immunity

The CAFC held that the reliance on the advice of counsel defense in response to a charge of willful infringement does not constitute a waiver of work-product immunity with respect to trial counsel’s work product, absent exceptional circumstances. The CAFC reasoned that the same rationales that apply to attorney-client privilege with trial counsel apply “even with greater force to so limiting work product waiver because of the nature of the work product doctrine.”<sup>5</sup>

### Conclusion

It appears that patentees henceforth have a higher burden to overcome in order to obtain enhanced damages even though the CAFC has not clearly defined the recklessness standard with respect to willful infringement. In addition, parties no longer have an affirmative duty to seek advice of opinion counsel in order to avoid enhanced damages. Nonetheless, it remains prudent practice for both legal and practical business reasons to obtain advice from opinion counsel prior to investing extensive resources

in potentially infringing activity or prior to being accused of patent infringement. The timing of an opinion is critical considering that the CAFC clearly stated that opinions obtained after an infringement suit has commenced “appear to be of marginal value.”<sup>6</sup> Further, it continues to be important to consider retaining opinion counsel that is separate from trial counsel in light of the potential of a waiver of attorney-client and work-product privileges.

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<sup>1</sup> *In re Seagate Technology, LLC.*, Misc. Docket No. 830 slip op. at 12 (Fed. Cir. 2007) (*en banc*). (Based on interpretation of *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. \_\_\_\_, Nos. 06-84, -100, slip op. (June 4, 2007)).

<sup>2</sup> *Id.* at 15.

<sup>3</sup> *Id.* at 18.

<sup>4</sup> *Id.* at 18 and 21.

<sup>5</sup> *Id.* at 20.

<sup>6</sup> *Id.* at 18.