

## **The Evolution of the Objective Recklessness Standard in Cases Following Seagate**

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### **I. INTRODUCTION**

*In re Seagate Technology*, which was decided *en banc* by the Court of Appeals for the Federal Circuit in August 2007, replaced the prior standard for determining whether an infringer committed willful patent infringement with a new standard that thus far, has made it more difficult for patent owners to prove willful patent infringement. *In re Seagate Technology, LLC*, 497 F.3d 1360, 2007 WL 2358677, 83 U.S.P.Q.2d 1865, (Fed. Cir. (N.Y.), August 20, 2007 (Misc. No. 830.)). This change significantly affects damages a patentee can receive for infringement as a patent owner must establish willful infringement as a prerequisite to qualify for enhanced damages under 35 U.S.C. § 384. *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed.Cir.1991).

The focus of this paper is to provide a review of cases that have considered the *Seagate* standard and either found that no willful infringement occurred or if so, awarded no enhanced damages. The rationale underlying the post-*Seagate* decisions are explored to identify factors relied on by courts in deciding that an infringer did not act with objective recklessness and therefore did not commit willful patent infringement.

### **II. THE STANDARD FOR DETERMINING WILLFUL INFRINGEMENT**

Before *Seagate*, an infringer was found to have committed willful patent infringement if, after having actual notice of another's patent rights, it failed to exercise an affirmative duty of due care to determine whether it was infringing. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed.Cir.1983). *Underwater Devices* established that, in order to comply with its affirmative duty of due care, an infringer must have obtained a competent

noninfringement or invalidity opinion from counsel upon notice of its potentially infringing activity. *Id.* at 1390.

Under the *Seagate* standard for determining willfulness, “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.” 497 F.3d at 1371. “[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.” *Id.* “If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.” *Id.* The court in *Seagate* also found that “no affirmative obligation to obtain opinion of counsel” exists to avoid a finding of willful infringement. *Id.*

### III. CASES FOLLOWING SEAGATE

A review of the cases<sup>1</sup> that have considered the *Seagate* standard for willful infringement reveals that a majority of the time courts are finding no willful infringement and/or not awarding enhanced damages. With respect to objective recklessness, the court stated, “[w]e leave it to future cases to further develop the application of this standard” and “the standards of commerce would be among the factors a court might consider.” *Id.* In the cases finding that no willful patent infringement occurred or denying the enhancement of damages in spite of a finding of willful patent infringement, there are various factors further developing the application of the *Seagate* standard. Some of the factors relate to a defendant’s conduct and point to best practices for avoiding a finding of willful infringement, while other factors are based on a patentee’s conduct in asserting its patent and can point to promising litigation strategies for defending against assertions of willful infringement.

#### A. Design Around

Post-*Seagate* attempts by an infringer to design around the valid patent at issue have resulted in a finding of no willful infringement and/or no enhanced damages. In *Rhino Assoc., L.P. v. Berg Mfg. and Sales Corp.*, the court entered a default judgment but found enhanced damages were not proper because the infringer “did not act with ‘an objectively high likelihood that its actions constituted infringement of a valid patent’” given the infringer’s “attempt to design around

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<sup>1</sup> Includes a review of cases following *Seagate* and through the first quarter of 2009 that consider the *Seagate* standard for willful patent infringement.

the ‘essentially one piece’ requirement in the [patent at issue].” *Rhino Assoc., L.P. v. Berg Mfg. and Sales Corp.*, 531 F.Supp.2d 652, 658- 659 (M.D.Pa. 2007). This attempt to design around and other infringers’ post-*Seagate* design around attempts have been sufficient to avoid willful infringement and/or enhanced damages. See also *Northbrook Digital Corp. v. Browster, Inc.*, 2008 WL 4104695, at \*7 (D.Min. 2008) (summary judgment of no willful infringement because infringer “took steps to reduce or eliminate any damages by removing the ‘prefetching’ feature from its product [which] also weighs against a finding of recklessness”); *Trading Technologies Int’l, Inc. v. eSpeed, Inc.*, 2008 WL 63233, at \*1 (N.D.Ill. 2008) (JMOL of no willful infringement because “once defendants became aware of the patent there were no further sales, and they immediately began a redesign, resulting in a product that was on the market within five months of the patent’s issuance, and which this court found did not infringe the patent.”); *Eastman Kodak Co. v. Agfa-Gevaert N.V.*, 560 F.Supp.2d 227, 305 (W.D.N.Y. 2008) (no willful infringement because infringers “took steps that they believed avoided the patents”); and *Fischer Price, Inc. v. Safety 1st, Inc.*, 2008 WL 1976624, at \*6 (D.Del. 2008) (jury found willful infringement, but enhanced damages were not awarded because infringer “engaged in efforts to redesign its [infringing] product after the first infringement verdict”).

#### **B. Obtain Competent Opinion of Counsel**

Although *Seagate* removed the affirmative obligation to obtain an opinion of counsel as required in *Underwater Devices*, cases where an infringer obtains a competent opinion of counsel have still resulted in findings of no willful infringement and/or no enhanced damages. In *Finisar Corp. v. DirecTV Group, Inc.*, the Federal Circuit reversed a finding of willful infringement because “a competent opinion of counsel concluding either that [the infringer] did not infringe the [asserted] patent or that it was invalid would provide a sufficient basis for [the infringer] to proceed without engaging in objectively reckless behavior with respect to the [asserted] patent.” *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008). So even though the infringer proceeded to practice its infringing system despite the fact that its opinion of counsel only addressed infringement and not validity, was sufficient because the asserted patent “would only have been a problem for [the infringer] if [it] infringed it and it was valid.” *Id.* Other post-*Seagate* cases where the infringer obtained a competent opinion of counsel have found there was no willful infringement and/or enhanced damages. See also *Lexicon Medical, LLC v. Northgate Technologies, Inc.*, 2008 WL 4097481, at \*8 (Fed. Cir. 2008) (affirming no willful infringement because “it was [not] objectively reckless for [infringer] to obtain and rely on the opinion of counsel, which had predicted a favorable

outcome in view of the renewed motion for JMOL then pending before the district court” and therefore the infringer’s post-verdict sales liquidating its inventory were not willful); *Pivonka v. Central Garden & Pet Co.*, 2008 WL 486049, at \*2 (D.Colo. 2008) (summary judgment of no willful infringement because “[t]he defendants have presented evidence showing that they consulted with patent counsel after learning of the plaintiffs’ patents and, following that consultation, believed there were defenses to infringement.”); and *TGIP, Inc. v. AT&T Corp.*, 527 F.Supp.2d 561, 578-579 (no willful infringement because the infringer relied upon an opinion of counsel of noninfringement and invalidity which were obtained after receiving notification of infringement from the patentee).

### **C. Infringer Performs Own Analysis**

In furtherance of *Seagate’s* removal of the affirmative obligation to obtain an opinion of counsel as required in *Underwater Devices*, cases where an infringer performs its own reasonable infringement or invalidity analysis, which is something short of an opinion from counsel, have still resulted in findings of no willful infringement and/or no enhanced damages. In *Honeywell Int’l Inc. v. Universal Avionics Systems Corp.*, the infringer “performed a patent review which included technical and legal analyses” prior to going to market, which involved a substantial number of patents and involved the infringer’s outside patent counsel, and did not identify any infringement issues. This analysis, despite no opinion of counsel, was sufficient for the court on remand to grant summary judgment of no willful infringement. *Honeywell Int’l Inc. v. Universal Avionics Systems Corp.*, 585 F.Supp.2d 636, 643 (D.De. 2008). See also *Cohesive Technologies, Inc. v. Waters Corp.*, 526 F.Supp.2d 84, 104, 106 (D.Mass. 2007) (no willful infringement when infringer “obtained an opinion of counsel in good faith . . . [t]he fact that Janiuk was in-house counsel is not determinative of whether his opinion of noninfringement was written other than in good faith” especially given that the in-house counsel’s conclusions were drawn from the results of the infringer’s scientists).

### **D. Reasonable/Good Faith Defense**

Finally, although obviously a goal of every infringer’s litigation strategy, a show of proof that the infringer’s conduct was reasonable or that it acted in good faith has resulted in findings of no willful infringement and/or no enhanced damages. In *ResQNet.com, Inc. v. Lansa, Inc.*, the court found no willful infringement because “[w]hile [the infringer] was ultimately unsuccessful in defending against infringement or proving invalidity with regard to the [asserted patent], its arguments in these areas were substantial, reasonable, and far from the sort of easily-dismissed claims that an objectively reckless infringer would be forced to

rely upon.” *ResQNet.com, Inc. v. Lansa, Inc.*, 533 F.Supp.2d 397, 420 (S.D.N.Y. 2008). See also *Krippelz v. Ford Motor Co.*, 2009 WL 799493, at \*6 (N.D.Ill. 2009) (no willful infringement during period after disclosed additional prior art could reasonably rely upon); *Pivonka*, 2008 WL 486049, at \*2 (no willful infringement since BPAI’s preliminary order of obviousness showed infringer had a “colorable [validity] challenge”); *Kleen-Tex Industries, Inc. v. Mountville Mills, Inc.*, 2008 WL 2486363, at \*8 (N.D.Ga. 2008) (no willful infringement due to credible invalidity defense); *Eastman Kodak Co.*, 560 F.Supp.2d at 305 (no willful infringement since raised substantial validity and infringement questions); *Fischer Price, Inc.*, 2008 WL 1976624, at \*6 (no enhanced damages because infringer nearly overcame all of the patentee’s claims); *Informatica Corp. v. Business Objects Data Integration, Inc.*, 527 F.Supp.2d 1076, 1082-83 (N.D.Cal. 2007) (no enhancement of damages because infringement and invalidity were “hotly contested”); and *Franklin Electric Co. v. Dover Corp.*, 2007 WL 5067678, at \*8 (W.D.Wis. 2007) (no willful infringement because the specification and prosecution history significantly supported noninfringement).

Reasonable and good faith reliance by an infringer upon prior USPTO or court findings regarding the enforceability of the patent at issue has also resulted in findings of no willful infringement and/or no enhanced damages award. In *Pivonka*, the court found no willful infringement because the infringers relied upon a preliminary order by the BPAI which held that each of the patentee’s claims were unpatentable as obvious which “shows that the [infringers] have advanced a colorable challenge to the validity of the plaintiff’ patents” and therefore the patentee cannot show “that the [infringers] acted despite an objectively high likelihood that their actions constituted infringement of a valid patent.” *Pivonka*, 2008 WL 486049, at \*2.

Conversely, unreasonable conduct by a patentee such as its delay in bringing a patent infringement suit after its initial notice to an infringer has resulted in findings of no willful infringement and/or no enhanced damages. In *TGIP, Inc.*, after initially notifying the infringer of its alleged infringement, the patentee failed to take action with respect to one of the patents at issue for six years. In fact, in response to the notice of infringement, the infringer sent correspondence laying out its positions on invalidity and noninfringement to which the patentee never responded, so the infringer considered the matter concluded. *TGIP, Inc.*, 527 F.Supp.2d at 578-579. The patentee “had the burden to prove by clear and convincing evidence that [the infringer] knew, or should have know, that there was an objectively high likelihood that [it] was infringing on one or both of the patents” and its evidence of two letters notifying infringer of infringement was not enough to find willful infringement or enhanced damages. *Id.* at 579. Another

case in which the patentee delayed in enforcing the patent is *Eastman Kodak Co.*, where no willful infringement was found because infringers “openly sold their products and received no accusations of infringement”, despite the patentee testing the infringing product, until six years later. *Eastman Kodak Co.*, 560 F.Supp.2d at 305.

#### IV. PROPOSED AMENDMENTS TO 35 USC § 284

As the courts further develop the *Seagate* standard, it appears that the proposed amendments to 35 U.S.C. § 284 contained in the Patent Reform Act of 2009, will attempt to codify some of the above factors for finding no willful infringement or denying an award of enhanced damages. In the bill’s current form, “an infringer may not be found to have acted with objective recklessness where for any period of time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent, and — (i) there was reasonable reliance on advice of counsel; (ii) the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or (iii) there is sufficient evidence that the infringer had a good faith belief that the patent was invalid or unenforceable, or would not be infringed by conduct later shown to constitute infringement of the patent.” Therefore, the Patent Reform Act of 2009 essentially codifies some of the post-*Seagate* factors, including: designing around; obtaining a competent opinion of counsel; performing an infringer’s own analysis; and relying upon prior USPTO or court findings regarding the enforceability of a patent.

#### V. CONCLUSION

The courts in post-*Seagate* cases that either found that no willful infringement occurred or if so, awarded no enhanced damages, based their decisions on a variety of factors, all of which are founded in the standards of fair commerce, e.g., acting reasonably and in good faith. Examples of such factors include evidence that an infringer’s conduct included one or more of the following: attempts to design around the asserted patent; obtainment of a competent opinion of counsel regarding either noninfringement or invalidity; performance of its own noninfringement or invalidity analysis; or if available, assertion of reasonable or good faith defenses, or reliance upon a prior USPTO or court finding regarding the enforceability of the asserted patent.