# Standards for Willfulness, Waiver, and Opinion of Counsel:
## *Seagate and Broadcom v. Qualcomm*

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# Today's Presentation

1. Background – Pre-*Seagate*
2. *Seagate* Holding
3. Background – Pre-*Broadcom v. Qualcomm*
4. *Broadcom v. Qualcomm* Holding

# Background – Pre-*Seagate*

- *Underwater Devices* (1983): Affirmative Duty of Care
  - Duty to obtain competent legal advice before potentially infringing
  - Duty if "actual notice of another's patent rights"
- Deeper *Underwater*: From Bad to Worse in Subsequent Cases
  - Production of opinion letter = waiver of privilege
    - Defendants' Dilemma: To Waive or Not to Waive

      **1.** Keep the letter and maintain privilege

      **OR**

      **2.** Produce the letter and risk exposure of potentially damaging communications

# Background – Pre-*Seagate*

- Trying to Fix the *Underwater* Problem
  - *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.* (Fed. Cir. 2004)
    - Adverse inference struck down
  - *In re EchoStar Communication Corp.* (Fed. Cir. 2006)
    - Held no waiver of work product not communicated to client
    - Left open whether waiver applied to only to opinion counsel, or to trial counsel too

# *Seagate* Holding

- *In re Seagate Technology* (Fed. Cir. Aug. 20, 2007) *(en banc)*
- Prior to suit by Convolve, Seagate sought opinions of non-infringement, invalidity, and non-enforcement which were received by Seagate shortly after the complaint was filed
- Seagate disclosed opinion counsel's work product and offered opinion counsel for deposition
- Trial court ordered discovery of trial counsel communications and work product

# *Seagate* Holding

- In addition to demanding trial counsel documents, Convolve noticed trial counsel for deposition
- Trial court denied Seagate's request to certify an interlocutory appeal
- Seagate petitioned Federal Circuit for writ of mandamus
- Federal Circuit stayed discovery and *sua sponte* ordered en banc review of the discovery issues and the broader issue of standard for willful infringement

# *Seagate* Holding

- New Willful Infringement Standard
  - Explicitly overruled *Underwater* and held "objective recklessness" required for willful infringement:
    - "[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. The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer. . . ."

# *Seagate* Holding

- New Willful Infringement Standard
  - No opinion of counsel required:
    - "[T]here is no affirmative obligation to obtain an opinion of counsel."

# *Seagate* Holding

- Willful infringement ordinarily based on pre-litigation conduct
  - If post-filing conduct were reckless, a patentee could move for a preliminary injunction as a remedy for that willful infringement
  - If the defendant defeats preliminary injunction by demonstrating substantial question of success, infringement cannot be willful
    - "[a] patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct."

# *Seagate* Holding

- Waiver of Attorney-Client Privilege and Work Product Immunity Does Not Extend to Trial Counsel
  - Trial counsel and opinion counsel have "significantly different functions"
    - **Opinion counsel:** Objective advice for business decisions
    - **Trial counsel:** Litigation strategy and tactics
- Discretion to extend waiver to trial counsel in unique circumstances such as "chicanery" by counsel or parties

# Supreme Court Denies Cert of *Seagate*

- On November 15, 2007, Convolve, Inc. filed a Petition for a Writ of Certiorari in the Supreme Court regarding the Federal Circuit's decision in *Seagate*
- The Supreme Court denied certiorari on February 25, 2008. *See* 128 S.Ct. 1445

# Background – Pre-*Broadcom v. Qualcomm*

- *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006)
  - A defendant accused of inducing infringement must have intended to cause the acts that constitute a direct infringement of the patent
  - Inducement requires either
    - the defendant knew the direct infringement would occur, or
    - the defendant should have known that its action would cause the direct infringement

# *Broadcom v. Qualcomm* Holding

- *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 783 (Fed. Cir. 2008)
- Broadcom and Qualcomm both manufacture computer chips for use in mobile devices
- 3 patents covering technology allowing mobile phones to process information from multiple third-generation (3G) networks simultaneously
- Broadcom alleged that several processor chips produced by Qualcomm infringed the technology in the 3 patents
- Qualcomm sold its chips for use by other phone makers and network providers downstream
- Broadcom asserted both direct and inducement infringement claims

# *Broadcom v. Qualcomm* Holding

- Jury found Qualcomm willfully directly infringed and induced infringement of all 3 patents
- Qualcomm obtained invalidity opinions but elected not to rely on them to avoid waiver of attorney-client privilege
- In light of *Seagate*, TC vacated willfulness verdict but maintained direct infringement and inducement
- Qualcomm argued
  - No affirmative of duty for opinion of counsel in *Seagate*
  - Specific intent is higher standard than objective recklessness
  - Therefore, opinion of counsel is not relevant in inducement context

# *Broadcom v. Qualcomm* Holding

- Federal Circuit disagreed
  - "A lack of culpability for willful infringement does not compel a finding of non-infringement under an inducement theory."
- Opinion of counsel is both an offensive and a defense tool
  - "It would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function, as was the case in *DSU* … and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe."
- Opinions-of-counsel are relevant in determining inducement to infringe regardless of whether willfulness is found in view of *Seagate*
  - Circumstantial evidence of intent
  - One factor under totality of circumstances to determine whether accused infringer knew or should have known its action would cause another to infringe

# *Broadcom v. Qualcomm* Holding

- Factors considered
  - On notice of Broadcom's patents and infringement contentions
    - Failure to investigate
  - Work closely with customer on accused products but did not work to change products or instruct customers how to avoid infringement after suit was initiated
    - Failure to design around
    - Failure to take remedial steps
  - Failure to seek legal advice

# Future Need for Opinions of Counsel

- In cases where the allegation of willfulness is weak, the need for an opinion may be lower:
  - No longer required to refute willfulness
  - No longer a negative inference for not relying on one
- But after *Broadcom v. Qualcomm*,
  - May be required if sale to downstream customers
  - May be required to rebut the lack of good faith or intent
- In a closer case, the costs/benefits of an opinion may be higher than before:
  - Useful proof to refute objective willfulness, since opinion is from third party
  - Useful to rebut lack of good faith or intent in inducement, since failure to produce is admissible to the jury
  - No longer a downside to obtaining opinion and deciding later whether to disclose it