Willful Infringement: New Developments and Strategies

Presented by: Kevin Meek

BAKER BOTTS

Willfulness: What are the key issues?

Post-Halo Willfulness

What has changed? And how does that affect you?

Avoiding Unintentional Waiver of Attorney-Client and Work-Product Privileges

Case law examples of unintentional waivers of privilege when defending against willfulness.

Defending Against Willfulness at Trial

Who should you put on the stand?

What do they need to say?

You Have Received a "Notice Letter." Now What?

Best practices and strategies for responding to a letter alleging infringement.

Willfulness Post-*Halo*, 136 S. Ct. 1923 (2016)

- *Halo* eliminated the best way to keep willfulness from the jury by eliminating the objective prong of the *Seagate* test.

1. Objective Prong:

~~clear and convincing evidence that the infringer acted despite an objectively high likelihood its actions constituted infringement of a valid patent~~

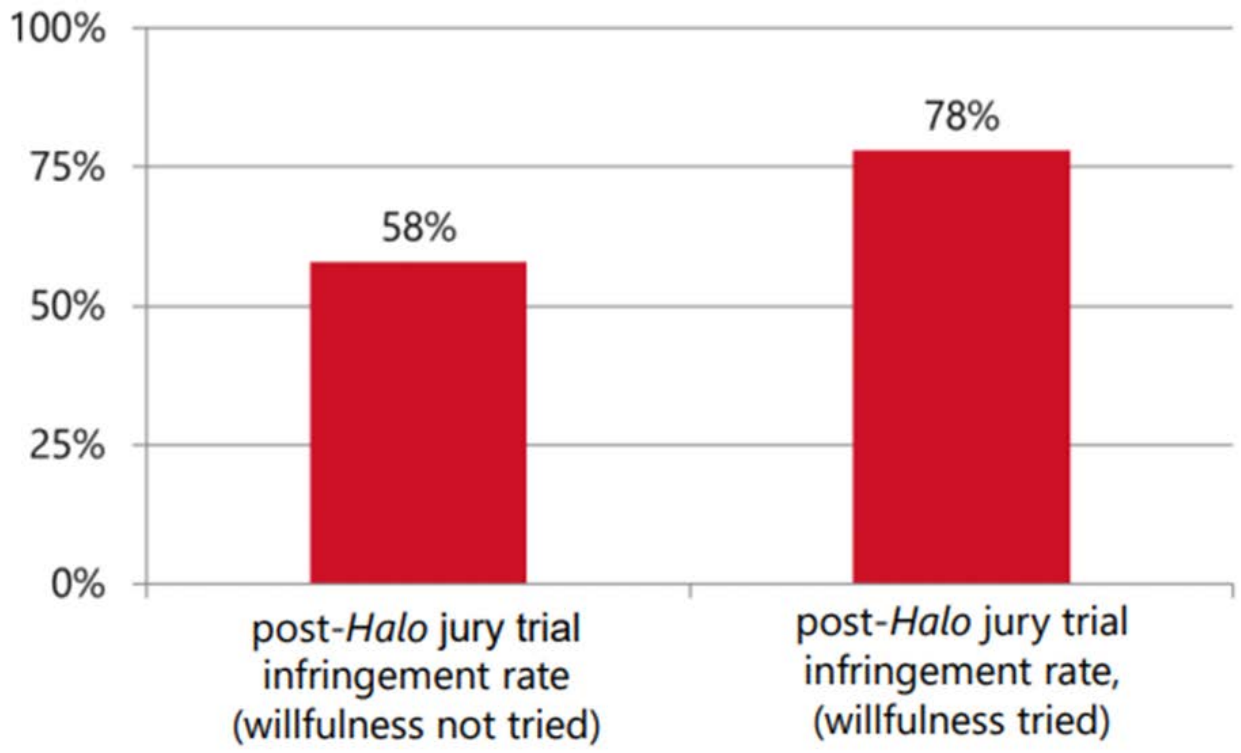
2. Subjective Prong:

infringer knew or should have known about the risk of infringement

In re Seagate Tech., 497 F.3d 1360, 1371 (Fed. Cir. 2007).

- *Halo* also lowered the burden of proof to a preponderance of the evidence.

Willfulness Affects Damages AND Liability



Beware Waiver of Attorney-Client and Work-Product Privileges!

- Relying on advice of counsel (in-house or outside) to defend against an allegation of willfulness waives attorney-client privilege, and that waiver extends to "**all other communications relating to the same subject matter**."
  - *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006).

- An advice of counsel defense also waives work-product privilege, but this waiver extends only to work-product that was communicated to the alleged infringer at the time of the alleged infringement.
  - *Id.* at 1303.

- Best practice is to keep "opinion" and "trial" counsel separate or else . . .

Worst-Case Waiver Scenario: *Krausz Industries* (E.D.N.C. 2016)

- *Krausz Indus. Ltd. v. Smith-Blair, Inc.*, No. 5:12-CV-00570-FL, 2016 WL 10538004 (E.D.N.C. Dec. 13, 2016).

- Held that Defendant waived privilege covering:
  - Pre-suit communications with outside opinion counsel
  - Communications with outside opinion counsel occurring **after the suit began**
  - Communications between opinion counsel and trial counsel
  - Communications between Defendant and trial counsel that included opinion counsel
  - Communications between Defendant and trial counsel regarding conversations either had with opinion counsel

- Note: waiver was limited to the subject matter of the advice of counsel defense (in *Krausz*, counsel's advice addressed only non-infringement theories)

Worst-Case Waiver Scenario: *Krausz Industries* (E.D.N.C. 2016)

- **How did this happen?**

- Allegation of ongoing willful infringement justified extending waiver past the start of the suit.

- Defendant relied on opinion counsel before and during the suit.
  - Defendant's trial counsel also interacted directly with opinion counsel during the suit.

- "[Opinion counsel]'s active, on-going involvement in this litigation blurs the lines between the roles of objective advisor and partisan advocate." *Id.* at *10.

The Blurry Line Between Opinion and Pre-Trial Strategy Counsel: *Zen Design* (E.D. Mich. 2018)

- *Zen Design Grp. Ltd. v. Scholastic, Inc.*, 327 F.R.D. 155 (E.D. Mich. June 22, 2018).

- Waiver of privilege over opinion counsel's pre-trial work product and communications may potentially extend to include trial counsel's pre-trial work product and communications on the same subject if roles are not clear.

- "The moment at which an attorney's role morphs from pre-suit advisory counsel into pre-trial strategy counsel is not easily defined by a distinct point in time and is better suited to a fact-intensive and case-by-case analysis."
  - *Id.* at 162.

- Consider: 1) Circumstances of the Disclosure, 2) Nature of the Advice Sought, and 3) Prejudice to the Parties.

The Blurry Line Between Opinion and Pre-Trial Strategy Counsel: *Zen Design* (E.D. Mich. 2018)

- In *Zen*, the defendant hired Counsel A to represent it in licensing negotiations with the plaintiff after being accused of infringing.
- Counsel A had previously represented the defendant in settlement negotiations with the plaintiff regarding an earlier allegedly infringing product.
- The defendant also hired Counsel B to provide an independent opinion regarding whether the accused product was infringing.
- Counsel A became the defendant's trial counsel once the suit was filed.
- The defendant refused to turn over the pre-suit work product of Counsel A, claiming Counsel A was hired to represent them in the adversarial process by negotiating with the plaintiff and later as their trial counsel.

- Held: Counsel A's role prior to litigation was more akin to an advisory role than one preparing defenses for litigation, so his work product and communications relating to the subject of B's opinions were discoverable.

Who To Call at Trial? What Do They Say?

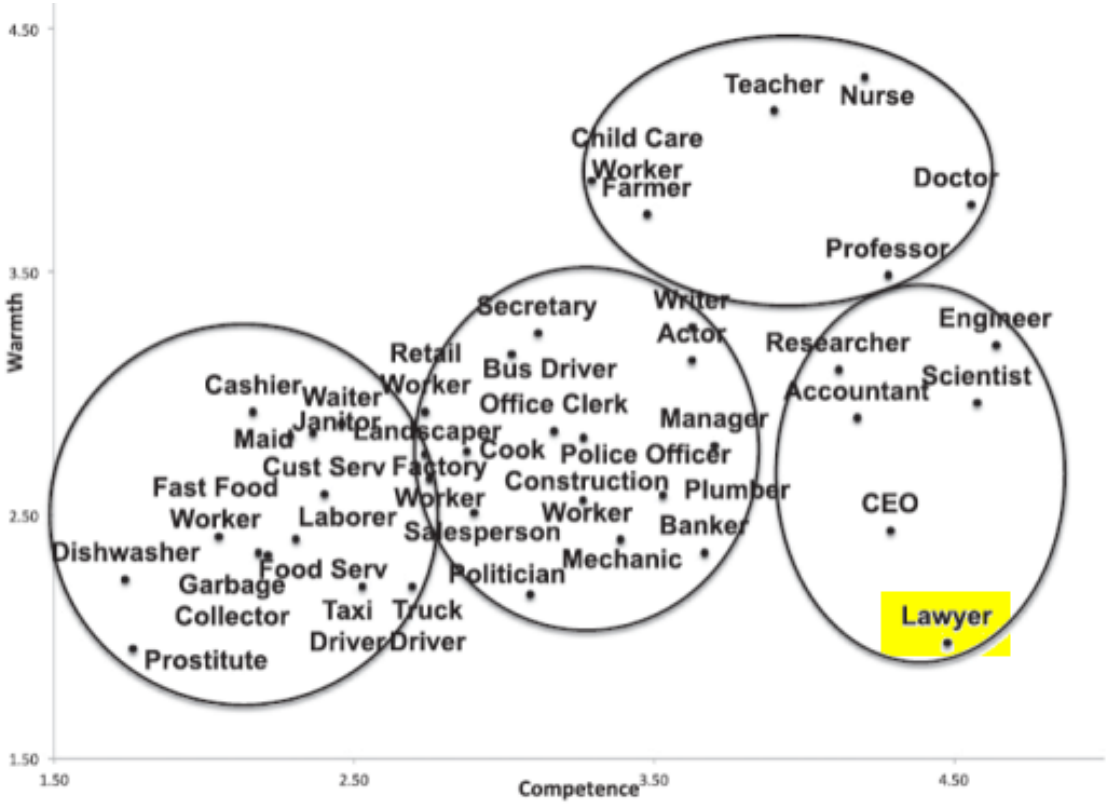
- The test is subjective, focus is on what the defendant believed at the time of the alleged infringement.
  - The jury needs to hear WHY the defendant believed what they did at that time.

- Having the witness explain that regular policies and procedures for evaluating infringement claims exist and were applied in this case lends greater credibility.

Who To Call at Trial? What Do They Say?

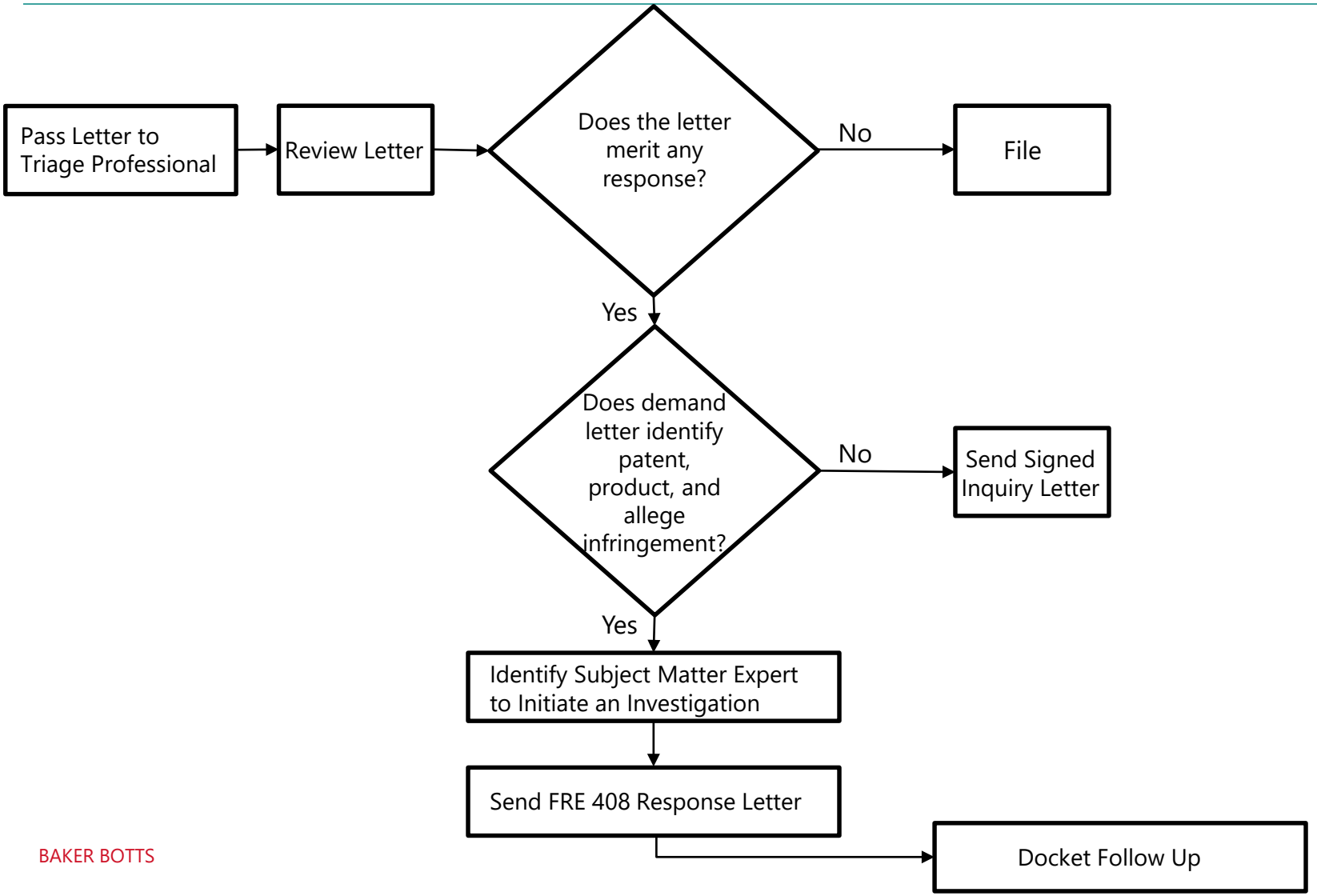
- Need a witness that can testify:
  - "I am the Vice President of Product Development and Strategy."
  - "I am not a lawyer."
  - "Our company values IP and takes all patent infringement claims seriously."
  - "I became aware of the infringement claim at issue on March 11, 2020, and I took that claim seriously, as I do all infringement claims."
  - "We have policies and procedures in place for assessing the credibility of infringement claims, and those procedures were followed in this case."
  - "I have the authority within the company to put a hold on product sales when I believe there is a credible claim of patent infringement."
  - "I did not find the infringement claim to be credible because our review showed that our product does not practice all elements of the asserted claims and that the asserted claims are anticipated by the Smith reference."
  - "I did not change my mind about the credibility of the infringement claim at any time in the alleged period of infringement."

Who to put on the stand? Not a lawyer.



Fiske, S.T. & C. Dupree, *Gaining trust as well as respect in communicating to motivated audiences about science topics*, Proc. of Nat. Academies of Sciences 111 Supp. 4 (2014)

Strategies for Responding to a Notice Letter



Strategies for Responding to a Notice Letter

- You can use your response to leverage a better position:
  - "To move forward, please agree:"
    - To waive willfulness
    - To waive all attorney conflicts
    - To agree to mediation prior to filing suit
    - To agree to venue in _____
  - "If we do not hear back from you we assume you agree the issue is resolved."
  - Request NDA that restricts use of any pre-suit interactions as evidence at trial.
    - Pre-suit interactions can be used as evidence of willfulness.
      - *See Core Wireless Licensing v. LG Elecs., Inc.*, 2018 WL 7199139 (E.D. Tex. Sept. 27, 2018).

- Assume that the jury will see your response.
  - Consider identifying defenses in the initial response.

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