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Claim Construction, Willful Infringement Post Seagate

Law360, New York (October 20, 2009) -- Though much has been written about the Federal Circuit's recent decision in *In re Seagate* to toughen the standard for proving willful infringement, little attention has been given to an unexpected yet significant result arising from the new standard.

Now that an objectively reasonable argument of noninfringement can preclude a finding of willful infringement, a defendant may avoid willful infringement by relying on the reasonableness of the claim construction positions that it proffered in an effort to establish noninfringement.

This possibility raises significant questions such as:

- Should courts treat those willfulness determinations as questions of law?
- What principled analytical approach should courts use to determine the reasonableness of an ultimately incorrect proposed claim construction?
- When should defendants request and courts make those determinations of willfulness?

Before *Seagate*, actual notice to an accused infringer triggered an affirmative duty to exercise due care to determine whether there was infringement. See, e.g., *Underwater Devices v. Morrison-Knudsen*, 717 F.2d 1380 (Fed. Cir. 1983).

The fact-intensive "due care" analysis revolved around the accused infringer's actions and presented a clear question of fact.

Seagate toughened that standard for patentees by requiring them to prove by clear and convincing evidence that an accused infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent — the "objective

recklessness” standard. See *In re Seagate Technology LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

Under the new standard, an objectively reasonable argument of noninfringement precludes a finding of willful infringement.

Historically, under the “due care” analysis, defendants considered formal opinions of outside counsel, setting forth a detailed basis for noninfringement or invalidity of asserted patents, the gold standard in establishing a defense to willfulness.

Although Seagate adopted a totality of the circumstances approach to assessing willfulness and made clear that formal counsel opinions were not a *sine qua non* to a successful willfulness defense, in the early days after Seagate, many potential defendants and patent practitioners continued to rely on formal opinion letters as safe vehicles for memorializing the defendants’ reasoned bases for believing they should not be liable for infringement of asserted patents.

A year after Seagate, in *Cohesive Technologies Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008), the Federal Circuit interpreted its Seagate decision to permit a defendant to rely on the reasonableness of its claim construction positions that would support a position of noninfringement in order to avoid willful infringement, even if those positions proved to be ultimately incorrect.

In *Cohesive Technologies*, the defendant relied on a disclaimer in the prosecution history to support a proposed claim construction that would have established noninfringement.

The Federal Circuit held that the defendant’s proposed claim construction, though incorrect, was still objectively reasonable, thus affirming the district court’s finding of no willful infringement.

A defendant’s ability to rely on the reasonableness of a proposed claim construction to avoid willful infringement raises the question of whether a willfulness determination in this context is one of law, definitively removing it from the jury’s ambit.

Although the Federal Circuit in *Cohesive Technologies* repeated the standard that a “court’s finding [on] willful infringement is one of fact,” a determination about the reasonableness of a claim construction position seems tantamount to a determination about claim construction itself, a question of law. *Id.*

If the proper construction of potentially ambiguous claim terms becomes the decisive issue in willful infringement jurisprudence, the rationale of *Cohesive Technologies* raises the possibility that willfulness issues should be raised and decided outside the presence of a jury. Still, whether the Federal Circuit will reconsider its position and deem the question one of law remains to be seen.

One compromise could be to acknowledge that the willfulness determination in this context is a mixed question of law — the reasonableness of an ultimately incorrect proposed claim construction position — and fact — the reasonableness of reaching a conclusion of noninfringement under that construction.

A court could conceivably decide the question of law and leave the question of fact for the jury. It would certainly be unusual, however, and likely too complicated to ask a jury to decide the question of infringement twice, using two sets of claim constructions.

Another significant question revolves around what principled approach determines the reasonableness of a defendant's ultimately unsuccessful proposed claim construction.

In *Cohesive Technologies*, the Federal Circuit offered little guidance, merely stating that the claim construction issue in that case was “a sufficiently close question to foreclose a finding of willfulness.” *Id.*

Providing more guidance may prove difficult in view of case law that suggests an intrinsic ambiguity in the claim construction process. See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1324 (Fed. Cir. 2005) (noting there is no magic or rigid formula or catechism for conducting claim construction).

That ambiguity may result in determinations of willfulness being reserved only for the most egregious cases, those in which a defendant has no plausible claim construction argument whatsoever.

The clear and convincing evidence standard for proving willful infringement may justify that approach.

On the other hand, a court may require an exacting standard from a defendant, such as an arguable but ultimately unclear disclaimer, to foreclose a finding of willfulness. *Cohesive Technologies* certainly suggests that type of analysis, with its seeming requirement for a “sufficiently close question.” 543 F.3d at 1374

A related question is when a defendant should raise the issue of willful infringement. The lack of a rigid formula for conducting claim construction, and thus the intrinsic ambiguity of the process, suggests that a defendant should raise the willfulness issue at the time it presents its proposed claim construction.

At that time, the court has not made its final claim construction determination and may be susceptible to the argument that the defendant's proposal is reasonable, even if the court ultimately disagrees with the proposal.

The court's view of the reasonableness of the defendant's proposal may fade after making and justifying its own claim construction determination.

Most defendants would likely welcome, and patentees would likely oppose, such a procedural shift in willfulness jurisprudence. Courts themselves may, on one hand, view such a shift as promoting fairness, allowing them to more expeditiously resolve the merit of a threat of willfulness.

Courts may also view such a shift as administratively efficient, since they must already expend resources to determine the correctness, and thus the reasonableness, of proposed claim constructions.

On the other hand, courts may find it undesirable to expend any additional resources on the issue of willful infringement until a judge or jury makes an initial finding of infringement. Whether courts will adopt this procedural shift remains to be seen.

The Federal Circuit will likely have a number of opportunities to refine its willfulness jurisprudence in the coming years, as the threat of a finding of willful infringement and the possible imposition of enhanced damages and attorneys' fees has been one of the more potent weapons available to patentees in negotiation and litigation. Companies on both sides of the patentee-defendant divide should continue to monitor this evolving area of the law.

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