

SAN FRANCISCO BAY AREA INTELLECTUAL PROPERTY
AMERICAN INN OF COURT

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September 2007 Meeting Announcement:

***A Pirate's Life for Me: Willful Infringement and
Opinions of Counsel in the Wake of Seagate***

In August, the Federal Circuit's en banc opinion in *In re Seagate* surprised many observers by rewriting the law of willful infringement. In recognition of the fact that this first meeting of the 2007-08 term falls on International Talk Like a Pirate Day, the September pupillage group will present a nautically-themed play in two acts. Act I will feature a counseling session between the accused infringer and its lawyers, while Act II will feature oral *ARRR!*-gument for the parties' competing jury instructions.

Pupillage Group:	Monte Cooper	<i>Orrick</i>
	Tom Fitzpatrick	<i>Goodwin Procter</i>
	Jill Ho	<i>Weil Gotshal</i>
	Mark Lemley	<i>Stanford Law School & Kecker & Van Nest</i>
	Michael M. Markman	<i>Heller Ehrman</i>
	Joshua M. Masur	<i>Mayer Brown</i>
	Marc D. Peters	<i>Morrison & Foerster</i>
	Catherine Shiang	<i>Heller Ehrman</i>

Time and Location: September 19, 2007 at 6:00pm
Townsend and Townsend and Crew
379 Lytton Avenue (at Waverley Street)
Palo Alto
650.326.2400

Dinner to Follow at: Restaurant Zibibbo
430 Kipling Street
Palo Alto
650.614.9131

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September 2007 Meeting Hypothetical:

A Pirate's Life for Me: Willful Infringement and Opinions of Counsel in the Wake of Seagate

(a tale in two acts)

ACT I, Scene 1:

Black Pearl Enterprises has developed the TreasureFinder, a divining rod that can detect the location of gold, jewels, rum, and other necessities. Black Pearl Enterprises began selling the rod about a year ago. The primary customers are "marine salvage operators" and "professional treasure hunters."

The established market leader in the "salvage equipment" business is the Flying Dutchman Company. Its CEO, Davy Jones, is a fearsome competitor and is very litigious. Flying Dutchman has a large patent portfolio and Davy Jones has never hesitated to use it.

Not long after Black Pearl began selling the TreasureFinder, Black Pearl received a letter from Flying Dutchman. The letter is carefully worded to "notify" Black Pearl that Flying Dutchman "owns several patents in the field" and identifies a particular patent relating to a rum-detecting divining rod by patent number. The letter suggests that Black Pearl take a license to the Flying Dutchman patent portfolio, and asks for a royalty of 80% on sales of the TreasureFinder.

Black Pearl CEO Jack Sparrow doesn't believe that the TreasureFinder infringes the patent, and has no intention of paying such a ransom. Knowing that a lawsuit is almost certain, he consults with his patent attorney Capt. Morgan Cooper to obtain an opinion of counsel to avoid the charge of willfulness.

*Capt. Jack Sparrow: Mike Markman
Opinion counsel Capt. Morgan: Monte Cooper*

ACT I, Scene 2:

Capt. Morgan Cooper's opinion presented his theory of noninfringement: first, he construed the patent claims, and second, he compared the construed claim language to the features of the TreasureFinder. According to the opinion, several claim limitations are missing from the TreasureFinder

As expected, the license discussions went nowhere—Davy Jones ultimately rejected Capt. Sparrow's efforts at parley. The Flying Dutchman Company promptly sued Black Pearl Enterprises for infringement.

After the parties followed the procedures of the patent local rules, the Court held a *Markman* hearing and issued an order construing the claims of the Flying Dutchman patent. Not every claim term was construed as Capt. Sparrow would have hoped. In particular, some of the Court's claim constructions differ from those used in Black Pearl's opinion—most differences are minor, but two seem significant.

In addition, discovery obtained just last week has revealed something unexpected. One of the conditions of Flying Dutchman's licenses to the patent in suit is that licensees must buy all of their cutlasses and peglegs from Flying Dutchman. This is classic patent misuse! [Should we be surprised?] But Black Pearl did not know anything about this before.

Now, Capt. Sparrow consults with his litigation counsel: "Dead Man's Chest" Fitzpatrick. He wants to know whether Black Pearl should obtain a revised opinion, now that the court has construed the claims. And what of this newly discovered misuse defense?

Capt. Jack Sparrow: Mike Markman
Trial counsel: Tom "Dead Man's Chest" Fitzpatrick

ACT II:

Avast! The Federal Circuit has just gone hard a-starboard. *Seagate* has brought about a sea change in the law of willfulness.

The case of *Flying Dutchman v. Black Pearl* has continued, and the Court has set the matter for trial. Jack wanted to make sure that all those pieces of eight he gave to opinion counsel weren't wasted, so he disclosed those opinions as part of his defense.

At the pretrial conference, counsel for the Plaintiff Flying Dutchman and the defendant Black Pearl argue in favor of their competing proposed jury instructions on willfulness, each insisting that their formulation best captures the holding of *Seagate*.

Flying Dutchman's counsel: Jill Ho
Black Pearl's counsel: Catherine Shiang
Judge: Mark Lemley

Plaintiff's Proposed Jury Instruction

If you find that Black Pearl infringed Flying Dutchman's patent, either literally or under the doctrine of equivalents, then you must also determine whether this infringement was willful. The issue of willfulness should not affect your decision regarding whether Black Pearl infringed the patent, but it is relevant to the amount of damages. If you decide that Black Pearl willfully infringed the patent, then it will be my job to decide whether to award increased damages to Flying Dutchman.

To prove that Black Pearl's infringement was willful, Flying Dutchman must show that it is highly probable that:

1. Black Pearl was aware of Flying Dutchman's patent;
2. A reasonable person would have concluded there was a high likelihood that Black Pearl's activity would infringe a valid patent; and
3. Black Pearl acted despite knowing that there was a high likelihood it would infringe a valid patent, or the risk was so obvious that Black Pearl should have known it was likely to infringe a valid patent.

In determining whether Black Pearl's infringement was willful, you must consider the totality of the circumstances. Black Pearl's reliance upon advice of counsel does not necessarily mean that its infringement was not willful; rather, it is only one factor you may choose to consider in assessing what Black Pearl knew or should have known about the likelihood that it would infringe Flying Dutchman's patent.

Defendant's Proposed Jury Instruction

Flying Dutchman argues that Black Pearl willfully infringed its patent.

To prove willful infringement, Flying Dutchman must first persuade you that Black Pearl infringed a valid claim of the patent. Second, Flying Dutchman must also persuade you that Black Pearl acted with reckless disregard of the claims of Flying Dutchman's patent.

To prove such "reckless disregard," Flying Dutchman must persuade you that it is "highly probable" that:

- A. Black Pearl had actual knowledge of Flying Dutchman's patent; and
- B. Black Pearl knew, or it was so obvious that it should have known, that there was a high likelihood that its TreasureFinder product infringed Flying Dutchman's patent

The test for determining "willful infringement" is an objective, not subjective, test. Black Pearl's actual state of mind with respect to Flying Dutchman's patent is not relevant to determining whether Black Pearl acted in a reckless manner. Thus, Black Pearl had no affirmative duty to obtain a legal opinion that its TreasureFinder product did not infringe Flying Dutchman's patent.

In determining whether there was an "high probability" that Black Pearl knew, or should have known, that its TreasureFinder product infringed Flying Dutchman's patent, you must consider all of the facts, which include but are not limited to:

- A. Whether Black Pearl had a substantial defense to infringement;
- B. Whether Black Pearl acted in a manner consistent with the standards of commerce for its industry;
- C. Whether Black Pearl intentionally copied a product of Flying Dutchman covered by the patent;
- D. Whether Black Pearl relied on a legal opinion that was well-supported and believable and that advised Black Pearl that the TreasureFinder product did not infringe Flying Dutchman's patent.