

THE WILLFULNESS PENDULUM SWINGS BACK: HOW SEAGATE HELPS LEVEL THE PLAYING FIELD

I. INTRODUCTION

You just learned that one of your company's biggest competitors has been manufacturing its products using your company's patented technology. Accordingly, your company initiates a lawsuit to recover lost profits and to protect its intellectual property. After lengthy litigation, the court finds in your company's favor and awards compensatory damages of \$19.6 million along with attorneys' fees.¹ In addition, the court holds that your competitor "willfully infringed" your company's patent which *doubles* the damages to \$39.2 million.² However, soon after, the judge overturns the earlier award of double damages and attorneys' fees because the standard for determining willful infringement has just changed.³ The penalty associated with willfully infringing your patent has potentially decreased under the new standard, and that is a step in the right direction for the patent system.

On August 20, 2007, the Court of Appeals for the Federal Circuit issued a ruling that substantially altered its willful patent infringement jurisprudence.⁴ The *In re Seagate Technology, LLC* decision overruled a twenty-four-year-old precedent and established a two-part "objective recklessness" test for proving willful infringement.⁵ In doing so, *Seagate* elevated the previously lower threshold for proving willfulness established by *Underwater Devices, Inc. v. Morrison-Knudsen Co.*⁶ This heightened

1. See Press Release, Broadcom, Federal Judge Affirms Jury Verdict that Qualcomm Infringes Three Broadcom Patents (Nov. 23, 2007), <http://www.broadcom.com/press/release.php?id=1080667> (noting the jury found Qualcomm had willfully infringed upon Broadcom's patented cell phone technology).

2. See *id.* (finding Broadcom's patents had been "willfully infringed," the district court judge awarded Broadcom double the damage amount set by the jury).

3. See *id.*

4. See *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

5. *Id.* at 1371.

6. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983).

standard has made it more difficult for a party to recover enhanced damages, also known as treble damages, which allowed for an award up to three times the original damages amount.⁷

The Federal Circuit's willful patent infringement jurisprudence has consistently tried to balance the rights of patent holders, the rights of alleged patent infringers, and the goals of the patent system.⁸ The tension between these competing interests helps explain why the court's "willfulness" jurisprudence is in a constant state of flux. In fact, *Seagate* is further evidence of the Federal Circuit's continuing goal to protect the fundamental liberties of alleged willful infringers,⁹ as well as the need to protect parties from having to pay unreasonable damages.

Although the Federal Circuit's willfulness framework is a step in the right direction for protecting the rights of potential patent infringers, the question still remains whether this policy change unfairly burdens legitimate patent holders. Moreover, the Federal Circuit's refusal to fully articulate the bounds of the test leaves many questions unanswered.¹⁰ For example, although the Federal Circuit provided some guidance on objective recklessness, it failed to fully explain how lower courts should apply the new standard.¹¹ The *Seagate* opinion instead leaves application of the test to future cases.¹² As a result, lower courts have the monumental task of determining how objective recklessness can be proved or disproved.¹³ Technicalities aside, the overall design of the *Seagate* test makes it more difficult for patent holders to collect treble damages.¹⁴

7. 35 U.S.C. § 284 (2000) (providing that "the court may increase the damages up to three times the amount found or assessed.").

8. FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 2 (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> [hereinafter FTC STUDY] ("Competition and patents are not inherently in conflict. . . . Patent law plays an important role in the property rights regime essential to a well-functioning competitive economy.").

9. See *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) (protecting alleged willful infringers from adverse inference for not having obtained advice of counsel, and limiting the scope of waiver of attorney-client privilege and/or work-product privilege when asserting the advice of counsel defense).

10. *In re Seagate*, 497 F.3d at 1371 ("We leave it to future cases to further develop the application of this standard.").

11. *See id.*

12. *Id.*

13. *See id.*

14. *See id.* (making it more difficult to collect treble damages by increasing the burden of proof from an affirmative duty of care towards the patent holder's patents to requiring proof of objective recklessness and eliminating the alleged infringer's affirmative duty to seek legal advice).

This Note discusses some of the implications of the *Seagate* test. More specifically, this Note discusses how *Seagate* is likely to affect alleged patent infringers. Will *Seagate* unfairly burden legitimate patent holders? Does the decision help further any of the goals of the patent system? This Note explores some of the results produced by the previous willfulness test, as established by *Underwater Devices*,¹⁵ and compares them to the results the new *Seagate* test is likely to produce.

In doing so, this Note contends that although *Seagate* is a severe restriction on a patent holder's ability to collect treble damages, it is nonetheless a step in the right direction toward resolving the inequities that resulted from the court's prior willfulness jurisprudence. Although trebling damages is an important mechanism that provides a punitive measure, the use of enhanced damages should be restricted only to reprehensible conduct. In addition to *Seagate*'s willfulness analysis, this Note also explores the manner in which *Seagate* limits the scope of the waiver of the attorney-client privilege and attorney work-product protection when an alleged infringer defends a willful infringement charge. Both *Seagate*'s new willfulness test and its limits on the scope of waiver are necessary in order to remedy the inequities that resulted from the court's previous willfulness jurisprudence.

II. BACKGROUND AND HISTORICAL DEVELOPMENT

A. *The Origin of Enhanced Damages and Willful Infringement*

The basis for enhanced damages, also known as treble damages, is provided in section 284 of the Patent Act.¹⁶ Section 284 states that "a court may increase the damages up to three times the amount found or assessed," in addition to an award that adequately compensates for the infringement.¹⁷ In effect, the statute gives courts discretion to award enhanced damages. In practice, willful infringement is a question left for the jury.¹⁸ Once a jury decides the infringement was willful, the judge then determines whether the damages should be increased.¹⁹

15. *Underwater Devices*, 717 F.2d at 1389 ("Where . . . a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.").

16. 35 U.S.C. § 284 (2000).

17. *Id.*

18. See STEPHEN A. MERRILL ET AL., A PATENT SYSTEM FOR THE 21ST CENTURY 118 (2004).

19. See *id.* ("In practice the threshold question, usually submitted to a jury, is whether the defendant has been 'willful' in the infringement. If the jury finds willfulness, then the judge will

Section 284 does not enumerate situations where enhanced damages would be appropriate.²⁰ A literal interpretation of the statute would essentially give judges discretion to award enhanced damages in any situation they see fit.²¹ However, courts have not adhered to such a strict interpretation.²² Consistent with Supreme Court precedent,²³ the Federal Circuit held that willful infringement was required before a party could collect enhanced damages.²⁴ In *Seymour v. McCormick*, the Supreme Court gave the rationale for this limitation, declaring that a “rule equally affecting all cases, without regard to their peculiar merits”²⁵ made a defendant acting in ignorance or good faith as culpable as a “wanton and malicious pirate.”²⁶ Such a result, the Court held, would be “manifestly unjust.”²⁷ Accordingly, it restricted when enhanced damages were available.²⁸ However, even in its limited form, the willful infringement doctrine still provided courts with a powerful mechanism for maintaining and preserving patent rights.²⁹ Indeed, one of the original motivations behind the willful infringement doctrine was to address the widespread disrespect for patent rights and patent validity.³⁰

Despite these limitations, patent holders welcomed the willful infringement doctrine.³¹ In fact, the slim possibility of receiving treble damages has led patent holders to allege a separate charge for willful infringement in almost all patent infringement cases.³² The chance to win treble damages is just one motivating factor. A greater incentive to allege willfulness stems from its sheer coercive power. For example, an alleged infringer is much more likely to settle than challenge a willfulness charge, even one that only has a remote possibility of succeeding.³³ In order to

determine whether and how much to increase damages . . .”).

20. See 35 U.S.C. § 284.

21. See *id.*

22. See, e.g., *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

23. See, e.g., *Seymour v. McCormick*, 57 U.S. 480, 488–89 (1853) (refusing to establish a horizontal rule for awarding treble damages in infringement cases without regard for the merits).

24. See, e.g., *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991).

25. *Seymour*, 57 U.S. at 488.

26. *Id.*

27. *Id.*

28. *Id.* at 488–89.

29. See Carol Johns, Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.: A Step in the Right Direction for Willful Infringement, 20 BERKELEY TECH. L.J. 69, 72 (2005).

30. See *id.* at 72–73.

31. See Ira V. Heffan, *Willful Patent Infringement*, 7 FED. CIR. B.J. 115, 139–40 (1997).

32. *Id.* at 139.

33. Jon E. Wright, Comment, *Willful Patent Infringement and Enhanced Damages—Evolution and Analysis*, 10 GEO. MASON L. REV. 97, 97 (2001).

curtail such abuse and ensure fairness, courts have refined the willful infringement doctrine considerably over the years.³⁴ The refining process has not been easy, and courts have had a difficult time balancing the rights of patent holders against the rights of those accused of willful infringement.³⁵

B. Evolution of the Willful Infringement Doctrine

In *Seymour v. McCormick*, the Supreme Court began laying the foundation for the willful infringement doctrine and the use of enhanced damages under the Patent Act of 1836.³⁶ McCormick, the patent holder, brought suit against Seymour for infringement of McCormick's patent on a grain-harvesting machine.³⁷ The jury returned a damages award that was nearly twice the amount demanded by the plaintiff.³⁸ The Court, however, noted that "the Patent Act of 1836 confines the jury to the assessment of 'actual damages'" and that "[t]he power to inflict vindictive or punitive damages is [at] the discretion and judgment of the court . . ."³⁹ The Court distinguished an infringer who acts in "ignorance or good faith" from one who acted like a "wanton or malicious pirate."⁴⁰ As a result, courts have consistently applied the enhanced damages provision to punish only those who intentionally infringe another's patent or act in bad faith.⁴¹ In fact, courts have generally limited enhanced damages to situations where a party "deliberately, consciously, and willfully" infringed another's patent.⁴²

1. Willful Infringement and the Court of Appeals for the Federal Circuit

The creation of the Court of Appeals for the Federal Circuit in 1982 marked a new era for the willful infringement doctrine.⁴³ The Federal Circuit was created under the Federal Courts Improvement Act of 1982 (the Act) "by the merger of two Article III courts—the Court of Claims and the

34. See Johns, *supra* note 29, at 73–75.

35. See *id.* at 83–86 (explaining the criticisms and problems with the willful infringement doctrine that have developed over the years).

36. See generally *Seymour v. McCormick*, 57 U.S. 480 (1853).

37. *Id.* at 485.

38. *Id.* at 491.

39. *Id.* at 489.

40. *Id.* at 488.

41. See Johns, *supra* note 29, at 73 ("In the wake of *Seymour*, courts generally imposed enhanced damages only where there was evidence of deliberate copying or other bad faith behavior.").

42. Wright, *supra* note 33, at 104.

43. *Id.*

Court of Customs and Patent Appeals.”⁴⁴ The Act gave the Federal Circuit exclusive appellate jurisdiction over patent matters with the idea that a specialized court would lead to a stable patent system that fostered growth and innovation.⁴⁵

Over the years, the Court of Appeals for the Federal Circuit has considerably refined the willful infringement doctrine.⁴⁶ As early as 1983, the Federal Circuit developed an initial framework for awarding enhanced damages in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*⁴⁷ In *Underwater Devices*, the Federal Circuit held that where “a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.”⁴⁸ The court further articulated that this “affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.”⁴⁹ In addition, the Federal Circuit opined that a finding of willful infringement would be based on the “totality of the circumstances presented.”⁵⁰

Two subsequent cases developed a series of factors that would help courts determine whether to award enhanced damages. In *Bott v. Four Star Corp.*,⁵¹ the Federal Circuit held that, in determining willfulness:

[T]he court will consider the totality of the circumstances, including (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed[;] and (3) the infringer’s behavior as a party to the litigation.⁵²

Realizing the limited nature of the factors promulgated in *Bott*, the Federal Circuit adopted six additional factors in *Read Corp. v. Portec, Inc.*,⁵³ which expanded the “totality of the circumstances” inquiry so courts could take additional pertinent facts into account when determining whether enhanced damages should be awarded.⁵⁴ The *Read* factors

44. *Id.* at 105.

45. *Id.*

46. *See id.* at 97–98.

47. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

48. *Id.* at 1389.

49. *Id.* at 1390.

50. *Id.*

51. *Bott v. Four Star Corp.*, 807 F.2d 1567 (Fed. Cir. 1986).

52. *Id.* at 1572 (internal citations omitted).

53. *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992).

54. *See id.* at 827.

include: (1) consideration for the defendant's size and financial condition; (2) the closeness of the case, indicating that enhanced damages would not be appropriate for close cases; (3) duration of the defendant's misconduct; (4) leniency for "remedial action by the defendant"; (5) the defendant's motivation for infringing; and (6) whether the defendant attempted to conceal the misconduct.⁵⁵ Taken together, the *Bott* and *Read* factors form a general framework for a trier of fact to determine, based on the totality of the circumstances, whether a party has infringed a patent and whether enhanced damages should be awarded.

2. Opinion of Counsel and the Adverse Inference Doctrine

The *Underwater Devices* decision left many questions unanswered. For example, what types of conduct are presumptively willful? How can defendants rebut allegations of willful infringement? More specifically, was obtaining competent legal advice a prerequisite for potential patent infringers?

To satisfy the *Underwater Devices* duty of due care standard, it was common for alleged willful infringers to obtain a favorable opinion from their counsel before beginning the infringing activity at issue.⁵⁶ Under an "advice of counsel" defense, an alleged willful infringer "aims to establish that due to reasonable reliance on advice from counsel, its continued accused activities were done in good faith."⁵⁷ For instance, counsel may have advised the accused that the patent at issue was "invalid, unenforceable, and/or not infringed."⁵⁸ The need for an opinion was even greater if the infringer had knowledge of its competitor's product.⁵⁹ The advice of counsel defense underwent significant changes over the years, beginning with *Kloster Speedsteel AB v. Crucible, Inc.*,⁶⁰ then *Fromson v. Western Litho Plate & Supply Co.*,⁶¹ and finally with the Federal Circuit's landmark ruling in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v.*

55. *Id.*

56. *See id.* at 829–30.

57. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1369 (Fed. Cir. 2007) (en banc).

58. *Id.*

59. *Novo Industri A/S v. Travenol Labs.*, 677 F.2d 1202, 1211 (7th Cir. 1982) ("[O]nce the interference proceeding had been concluded and the patent had been issued to Novo, Travenol was under an affirmative duty to exercise due care to determine whether it had a reasonable legal basis for its continued sale of Fromase . . ."); *Trio Process Corp. v. L. Goldstein's Sons, Inc.*, 461 F.2d 66, 75 (3d Cir. 1972) (holding that the Goldstein's failure to obtain an opinion of counsel after the patent was issued "alone is enough to support a conclusion of willfulness").

60. *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565 (Fed. Cir. 1986).

61. *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988).

*Dana Corp.*⁶²

In *Kloster*, the Federal Circuit explicitly stated that, if on notice of a pre-existing patent, an alleged infringer's failure to assert the advice of counsel defense "would warrant the conclusion that it either obtained no advice of counsel or did so and was advised" that their patent would infringe.⁶³ By stressing the importance of the advice of counsel defense, and incentivizing potential infringers to exercise due care, the *Kloster* decision reflected the Federal Circuit's drive to ensure that the patent system protected a patentee's rights. Additionally, in *Fromson*, the Federal Circuit held that "[w]here the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer's desire to initiate or continue its use of the patentee's invention."⁶⁴

The *Kloster* line of cases gave parties a strong incentive to consult a competent attorney before potential infringement.⁶⁵ However, two serious flaws arose as a result of these cases. First, the presumptive guilt assigned to alleged infringers for failing to obtain advice from counsel was an unjust burden.⁶⁶ Under *Kloster* and *Fromson*, there was a significant risk that a court might prejudge an alleged infringer solely for failing to seek legal advice.⁶⁷ Second, questions arose over whether alleged infringers could assert the attorney-client privilege or work-product protection in order to avoid having to produce an opinion of counsel.⁶⁸

In the landmark *Knorr-Bremse* decision, the Federal Circuit recognized the importance of protecting fundamental client privileges.⁶⁹ In doing so, the court overruled nearly twenty years of Federal Circuit precedent.⁷⁰ In *Knorr-Bremse*, the Federal Circuit asked if it was "appropriate for the trier of fact to draw an adverse inference with respect to willful infringement" when a defendant invokes the attorney-client

62. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004).

63. *Kloster Speedsteel*, 793 F.2d at 1580.

64. *Fromson*, 853 F.2d at 1572-73; see also *Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1561 (Fed. Cir. 1997) ("[F]ailure to introduce an exculpatory opinion of counsel at trial may support an inference that such an opinion was either never obtained or was adverse.").

65. See generally *Kloster Speedsteel*, 793 F.2d at 1565.

66. *Id.* at 1579.

67. See *id.*; see also *Fromson*, 853 F.2d at 1572-73.

68. *Kloster Speedsteel*, 793 F.2d at 1580.

69. *Knorr-Bremse Systeme*, 383 F.3d at 1344.

70. See *id.* at 1347.

privilege or work-product protection.⁷¹ In addition, the Federal Circuit also considered whether it was appropriate to draw an adverse inference with respect to willful infringement in cases where alleged infringers did not seek legal advice.⁷²

Signaling a change in the usual emphasis on securing patentee's rights, the Federal Circuit surprisingly ruled in favor of accused willful infringers by answering both of these questions with a categorical "no."⁷³ No longer would a trier of fact be allowed to infer guilt based solely on an alleged infringer's assertion of the attorney-client or work-product privileges.⁷⁴ The adverse inference prohibition even protected alleged infringers who failed to obtain legal advice.⁷⁵ The *Knorr-Bremse* decision made willful infringement "more difficult to prove, and thus treble damages and attorneys' fees, more difficult to obtain."⁷⁶ This was a severe blow to patentee's rights.

Because it was improper after *Knorr-Bremse* to infer willful infringement based on an alleged infringer's failure to seek advice of counsel, potential infringers had less incentive to do so.⁷⁷ However, some incentive remained because the Federal Circuit gave some weight to legal opinions used as exculpatory evidence.⁷⁸ Thus, even though some considered *Knorr-Bremse* a triumph for alleged infringers, it nevertheless added another layer of complexity to willfulness jurisprudence.⁷⁹ Accordingly, accused infringers soon discovered that there were consequences for using the advice of counsel defense to rebut a willfulness charge.⁸⁰

71. *Id.* at 1344.

72. *Id.* at 1345.

73. *See id.* at 1344–45.

74. *Id.* at 1344.

75. *Knorr-Bremse Systeme*, 383 F.3d at 1345.

76. Sue Ann Mota, *Knorr-Bremse v. Dana Corporation—Willful Patent Infringement May No Longer Be Inferred Either From the Failure to Seek Legal Advice or Invoking the Attorney-Client Privilege, According to the Federal Circuit*, 21 SANTA CLARA COMPUTER & HIGH TECH. L.J. 901, 901 (2005).

77. *See Knorr-Bremse Systeme*, 383 F.3d at 1345–46.

78. *See generally id.*

79. *See Johns, supra* note 29, at 70.

80. *See, e.g., In re Echostar Commc'ns. Corp.*, 448 F.3d 1294, 1298–99 (Fed. Cir. 2006).

3. Waiver of the Attorney-Client Privilege and Work-Product Protection

Although courts were no longer able to make an adverse inference after *Knorr-Bremse*, accused willful infringers still faced a dilemma.⁸¹ If accused infringers chose to forego the right to assert a potentially powerful advice of counsel defense, they would preserve their attorney-client and work-product privileges.⁸² However, if they opted to assert the advice of counsel defense, accused infringers waived their attorney-client and work-product privileges.⁸³ Under this rubric, accused infringers would not only face increased risk of liability for willfully infringing the patent at issue,⁸⁴ but would also likely be subject to intrusive discovery and could expect heavy litigation over the scope of the waiver.⁸⁵ Thus, accused infringers would effectively be forced to waive their confidentiality privileges and give the opposing party full access to normally undiscoverable materials.⁸⁶ Such an expansive waiver prompted parties to deliberately withhold information from their attorneys out of fear that it would be discovered and offered against them at trial.⁸⁷ This fear also had the potential to chill “full and frank communication between attorneys and their clients[,]” a liberty that extends beyond patent law and is essential to the proper functioning of the legal system.⁸⁸

Recognizing the problems that such an absolute waiver would create, the Federal Circuit narrowed the scope of waiver in *In re Echostar Communications Corp.*⁸⁹ The *Echostar* court held that an “accused infringer and his or her attorney do not give their opponent unfettered discretion to rummage through all of their files and pillage all of their litigation strategies” for asserting the advice of counsel defense to a willful

81. See Patent Baristas, *Is the Tide of Willful Patent Infringement Litigation Receding?* (Aug. 24, 2007), <http://patentbaristas.com/archives/2007/08/24/is-the-tide-of-willful-patent-infringement-litigation-receding>.

82. See *id.*

83. See, e.g., *In re Echostar Commc'ns*, 448 F.3d at 1299.

84. Kun Wang, Note, *Uncertainties in the Scope of Waiver in an Advice-of-Counsel Defense and Ethical Issues for Attorneys Serving as Both Opinion and Trial Counsel*, 20 GEO. J. LEGAL ETHICS 953, 962 (2007).

85. See Patent Baristas, *supra* note 81.

86. See generally FED. R. CIV. P. 26(b)(3) (explaining items are discoverable only if the party seeking discovery has a substantial need for the items in preparing its case and is unable to obtain substantially equivalent evidence through other means); *Upjohn Co. v. United States*, 449 U.S. 383 (1981).

87. See Wang, *supra* note 84, at 961.

88. *Upjohn Co.*, 449 U.S. at 389; see also Wang, *supra* note 84, at 961.

89. *In re Echostar Commc'ns*, 448 F.3d 1294.

infringement charge.⁹⁰ Although *Echostar* held that relying on in-house counsel's advice to rebut a willfulness charge waives both the attorney-client and work-product privileges, it limited the latter to work-product that was actually communicated to an accused infringer.⁹¹ However, *Echostar* still did not address whether such a waiver extended to trial counsel.⁹²

Such was the evolution of the law before *In re Seagate Tech., LLC*.⁹³ *Knorr-Bremse* and *Echostar* demonstrated the Federal Circuit's break from earlier decisions that emphasized the rights of patent holders. The court's focus on protecting the rights of accused willful infringers became even more evident in *Seagate*.

III. THE SEAGATE DECISION

The *In re Seagate Tech., LLC* litigation began in July 2000, when Convolve, Inc. and the Massachusetts Institute of Technology (hereinafter referred to as Convolve) sued Seagate alleging that it had willfully infringed two of Convolve's patents, U.S. Patent Nos. 4,916,635 (the '635 patent) and 5,638,267 (the '267 patent).⁹⁴ On January 25, 2002, Convolve amended its complaint to add U.S. Patent No. 6,314,473 (the '473 patent), which was issued after Convolve's lawsuit against Seagate had begun.⁹⁵

Prior to the alleged infringement, Seagate consulted its counsel, obtaining several opinions concerning Convolve's patents.⁹⁶ The first opinion, issued July 24, 2000, addressed the '635 and '267 patents and "concluded . . . that Seagate's products did not infringe."⁹⁷ Five months later, Seagate's counsel supplied a second opinion, which "concluded that the '267 patent was possibly unenforceable."⁹⁸ The opinions acknowledged "that not all of the patent claims had been reviewed," and that further analysis should be postponed until the '473 patent was issued.⁹⁹ Finally, Seagate's counsel issued a third opinion on February 21, 2003, which focused on the '473 patent.¹⁰⁰ The Federal Circuit found that, throughout this process, "Seagate's opinion counsel operated . . .

90. *Id.* at 1303.

91. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (en banc).

92. *Id.*

93. *See id.* at 1368–70.

94. *Id.* at 1366.

95. *Id.*

96. *Id.*

97. *In re Seagate*, 497 F.3d at 1366.

98. *Id.*

99. *Id.*

100. *Id.*

independently of trial counsel at all times.”¹⁰¹

In an effort to refute the willfulness charge, Seagate asserted the advice of counsel defense, disclosed all three opinions, and allowed Convolve to depose its opinion counsel.¹⁰² Soon after, Convolve sought to discover “any communications and work product” produced by Seagate’s attorneys, both its in-house and trial counsel.¹⁰³ Convolve sought a wide range of documents, but seemed focused on obtaining the opinion counsel’s work-product.¹⁰⁴ The trial court favored Convolve and held that Seagate had “waived the attorney-client privilege for all communications between it and *any* counsel.”¹⁰⁵

Furthermore, the trial court held that Seagate’s waiver of the attorney-client privilege and work-product protection began when Seagate “first gained knowledge of the patents and would last until the alleged infringement ceased.”¹⁰⁶ Thus, Convolve could rightfully seek all communications made during that period.¹⁰⁷ With respect to the trial counsel’s documents, the trial court provided for an in camera review and held that “any advice from trial counsel that undermined the reasonableness of relying on [opinion counsel’s] opinions would warrant disclosure.”¹⁰⁸ Additionally, the trial court held that “protection of work product communicated to Seagate was waived.”¹⁰⁹ Accordingly, Convolve sought from Seagate all “trial counsel opinions relating to infringement, invalidity, and enforceability of the patents, and also noticed depositions of Seagate’s trial counsel.”¹¹⁰

The trial court denied Seagate’s subsequent request for an interlocutory appeal and motion to stay.¹¹¹ Seagate then petitioned the Federal Circuit for a writ of mandamus.¹¹² In response, the Federal Circuit stayed the discovery orders and, “*sua sponte* ordered en banc review of the petition.”¹¹³ The en banc review set out to answer three questions.¹¹⁴

101. *Id.*

102. *Id.*

103. *In re Seagate*, 497 F.3d at 1366.

104. *Id.*

105. *Id.* at 1366 (emphasis added).

106. *Id.* at 1367.

107. *See id.*

108. *Id.*

109. *In re Seagate*, 497 F.3d at 1367.

110. *Id.*

111. *Id.*

112. *Id.*

113. *Id.*

114. *Id.*

First,¹¹⁵ “[g]iven the impact of the statutory duty of care standard announced in [*Underwater Devices*] on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?”¹¹⁶ Second, “[s]hould a party’s assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party’s trial counsel?”¹¹⁷ Third, “[w]hat is the effect of any such waiver on work-product immunity?”¹¹⁸

In considering the first question, the Federal Circuit compared the meaning of willfulness that was articulated in *Underwater Devices* with the Supreme Court’s recent interpretation in *Safeco Insurance Company of America v. Burr*.¹¹⁹ In *Safeco Insurance*, the Court discussed the Fair Credit Reporting Act, which granted consumers actual damages for negligent violations thereof and made punitive damages available for willful violations.¹²⁰ The Court concluded that the “standard civil usage” of willfulness includes reckless behavior.¹²¹ The Court also held that using the reckless definition for willfulness comported with the common law, “which treated actions in ‘reckless disregard’ of the law as ‘willful’ violations.”¹²²

In *Seagate*, the Federal Circuit noted that the “duty of care [standard] announced in *Underwater Devices* sets a lower threshold for willful infringement that is more akin to negligence.”¹²³ But, choosing instead to follow the Court’s reasoning in *Safeco Insurance*, the Federal Circuit overruled that standard and held that willful infringement would require “at least a showing of objective recklessness.”¹²⁴ To clarify what it meant by “recklessness,” the court stated that a patentee could succeed in proving willful infringement if there was “clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”¹²⁵ The court emphasized that an accused infringer’s actual state of mind was not relevant to the threshold

115. The order of the questions presented by the Federal Circuit has been rearranged to facilitate the organization of this Note.

116. *In re Seagate*, 497 F.3d at 1367.

117. *Id.*

118. *Id.*

119. *See id.* at 1370–71.; *see also* *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (2007).

120. *See Safeco Ins.*, 127 S. Ct. at 2205–06.

121. *Id.* at 2209.

122. *Id.* at 2208.

123. *In re Seagate*, 497 F.3d at 1371.

124. *Id.*

125. *Id.*

objective inquiry.¹²⁶ Once a patentee meets the threshold objective standard, 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.”¹²⁷

The court next considered the scope of the attorney-client privilege waiver that results when an accused willful infringer asserts the advice of counsel defense.¹²⁸ The *Seagate* court noted that, under *Fort James Corp. v. Solo Cup Co.*, a waiver of the attorney-client privilege with respect to one subject matter waived the privilege with respect to any communications made by any of the party’s attorneys that related to the same subject matter.¹²⁹ However, district courts had reached varying conclusions as to the extent that this broad waiver applied to trial counsel.¹³⁰ While some lower courts extended the waiver to trial counsel,¹³¹ others took a balanced approach and “extended waiver to trial counsel only for communications contradicting or casting doubt on the opinions asserted.”¹³²

Recognizing the need for a uniform approach, the Federal Circuit noted that both fairness and the vastly different roles of trial counsel and opinion counsel “advise against extending waiver to trial counsel.”¹³³ Moreover, the court emphasized that “in ordinary circumstances, willfulness will depend on an infringer’s prelitigation conduct.”¹³⁴ Accordingly, it reasoned that communications with trial counsel are likely to “have little, if any, relevance warranting their disclosure.”¹³⁵ Thus, the *Seagate* court held that asserting the advice of counsel defense “[does] not constitute waiver of the attorney-client privilege for communications with

126. *Id.*

127. *Id.*

128. *Id.* at 1372.

129. *See* *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005) (“The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter.”).

130. *See In re Seagate*, 497 F.3d at 1372.

131. *Id.*; *see, e.g.*, *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 454 F. Supp. 2d 957 (N.D. Cal. 2006) (holding that the scope of waiver resulting from the advice of counsel defense automatically extends to all communications with trial counsel).

132. *In re Seagate*, 497 F.3d at 1372; *see, e.g.*, *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46 (D. D.C. 2006) (holding that the scope of waiver resulting from the advice of counsel defense extends to trial counsel only for communications contradicting or casting doubt on opinion counsel’s findings).

133. *In re Seagate*, 497 F.3d at 1373.

134. *Id.* at 1374.

135. *Id.*

trial counsel.”¹³⁶ Nevertheless, the court acknowledged that trial courts may still exercise discretion in “unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery.”¹³⁷

Finally, the court determined that the advice of counsel defense waiver may extend to trial counsel’s work-product.¹³⁸ As before, the court held that reliance on opinion counsel’s work-product generally does not waive trial counsel’s work-product protection.¹³⁹ But, lower courts would still have discretion to decide whether waiver should be extended to trial counsel in situations where a “party or counsel engages in chicanery.”¹⁴⁰

IV. WILLFUL INFRINGEMENT AFTER *SEAGATE*

A. *Seagate Correctly Limits Punitive Damages for Intentional or Reckless Conduct*

As discussed throughout this Note, *Seagate* has considerably changed the willful patent infringement landscape. *Seagate* moved away from the “affirmative duty of care” negligence standard established in *Underwater Devices* and adopted a more rigorous “objective recklessness” standard.¹⁴¹ The new two-part test requires a patent holder alleging willful infringement to meet both an objective threshold and demonstrate the alleged infringer’s knowledge of the risk of infringement.¹⁴² The great difficulty in meeting this two-part test should not be underestimated. Without providing any guidance or definition, the Federal Circuit’s new test requires patent holders to show that the infringer acted in the face of an “objectively high likelihood” that its actions would infringe.¹⁴³ Even if the patent holders satisfy this threshold inquiry, they must also prove that this objective risk was “either known or so obvious that it should have been known” to the infringer.¹⁴⁴

136. *Id.*

137. *Id.* at 1374–75 (failing to provide an appropriate definition of “chicanery”).

138. *Id.* at 1375.

139. *In re Seagate*, 497 F.3d at 1376.

140. *Id.*

141. *Id.* at 1371.

142. *See id.* (noting that patentee must show “infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” Once this standard is met, the patentee must then demonstrate that “this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.”).

143. *Id.*; *see also* *Sharper Image Corp. v. Honeywell Int’l Inc.*, 222 F.R.D. 621, 630 (N.D. Cal. 2004).

144. *In re Seagate*, 497 F.3d at 1371; *see also* *Sharper Image*, 222 F.R.D. at 630.

In effect, the *Seagate* holding significantly shifts the risks and burdens originally faced by accused willful infringers under the *Underwater Devices* standard back to patent holders seeking treble damages.¹⁴⁵ The need to curb the growing number of frivolous willful infringement cases was the court's likely motivation.¹⁴⁶ The *Seagate* ruling, however, also addressed other inequities associated with the *Underwater Devices* duty of care standard.¹⁴⁷

Courts have generally rejected the argument that treble damages should function as a remedial measure for injured patent holders.¹⁴⁸ In *Sensonics, Inc. v. Aerosonic Corp.*, the Federal Circuit acknowledged that although 35 U.S.C. § 284 was silent on when enhanced damages may be granted, case law had established that "enhanced damages are punitive, not compensatory."¹⁴⁹ Since an accused infringer only needs to be negligent in order to meet the *Underwater Devices* standard,¹⁵⁰ it made little sense to award a patent owner enhanced damages for such non-egregious conduct. A rule that requires reprehensible conduct before awarding punitive damages was advocated prior to the *Seagate* decision.¹⁵¹ Such a rule is justified not only on grounds of fairness to alleged willful infringers, but also by the Supreme Court's punitive damages jurisprudence.¹⁵² Based on

145. *In re Seagate*, 497 F.3d at 1371; see also *Sharper Image*, 222 F.R.D. at 630.

146. See Grant Gross, *Patent Reform Debate Heats Up*, IDG NEWS SERVICE, Oct. 28, 2007, <http://www.pcworld.com/printable/article/id,139005/printable.html> (citing a finding by the Coalition for Patent Reform asserting that the number of patent lawsuits filed each year has almost tripled); see also *In re Seagate*, 497 F.3d at 1371.

147. See Thomas Claburn, *Google Calls for Patent Reform*, INFORMATIONWEEK, Sept. 5, 2007, <http://www.informationweek.com/story/showArticle.jhtml?articleID=201804286> ("Google and other technology companies increasingly face mounting legal costs to defend against frivolous patent claims."); see also Jessie Seyfer, *Patent Defendants Score Big at Federal Circuit*, RECORDER, Aug. 21, 2007, <http://www.law.com/jsp/article.jsp?id=1187600834319> (quoting Edward Reins, president of the Federal Circuit Bar Association, who stated that "[i]n *Seagate*, the [court] . . . attempt[s] to address some of the excesses of patent litigation").

148. See *Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1574 (Fed. Cir. 1996).

149. *Id.* at 1574 (citing *Beatrice Foods Co. v. New England Printing and Lithographing Co.*, 923 F.2d 1576, 1580 (1991)).

150. See *In re Seagate*, 497 F.3d at 1371 ("[T]he duty of care [standard] announced in *Underwater Devices* sets a lower threshold for willful infringement that is more akin to negligence."); *Sharper Image Corp. v. Honeywell Int'l, Inc.*, 222 F.R.D. 621, 630 (N.D. Cal. 2004) ("[S]ome judicial articulations of the kind of showing that could satisfy the objective standard seem to move the infringement inquiry into perilous proximity to mere negligence.").

151. See *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1351 (Fed. Cir. 2004) (Dyk, J., concurring in part and dissenting in part) ("[A] finding of reprehensibility is a predicate to the award of punitive damages.").

152. See *State Farm Mut. Auto Ins. Co. v. Campbell*, 538 U.S. 408, 419 (2003) ("It should be presumed a plaintiff has been made whole for his injuries by compensatory damages, so punitive damages should only be awarded if the defendant's culpability, after having paid compensatory damages, is so reprehensible as to warrant the imposition of further sanctions to

this reasoning, *Seagate*'s objective recklessness test is not only consistent with prior punitive damages jurisprudence, but it also comports with general notions of fairness to those accused of willfully infringing.¹⁵³

B. Seagate Eliminates the Problems Associated with Notice Under the Underwater Devices Duty of Care Standard

Another imbalance resulting from the *Underwater Devices* affirmative duty of care standard resulted from courts' interpretation of "actual notice."¹⁵⁴ According to *Underwater Devices*, a patent holder would likely be able to recover enhanced damages if the patentee could prove that the accused willful infringer was on actual notice of the patent at issue.¹⁵⁵ In *Imonex Services v. W.H. Munzprufer Deitmar Trenner GmbH*, Imonex alleged that Munzprufer willfully infringed its patent rights because Munzprufer had actual notice of its patents.¹⁵⁶ According to the facts, Imonex disclosed its patents to the employees of the infringers at trade shows years before filing suit.¹⁵⁷ Additionally, Imonex distributed advertising literature indicating that its products were patented, and it even informed Munzprufer's employees about the use of its patented devices in their products.¹⁵⁸

Although the defendants agreed that Imonex informed its employees of the patents, they argued that "notice was insufficient to trigger its duty of due care, because no defendant employees with decision-making capacity received notice or studied the patents themselves."¹⁵⁹ The *Imonex* court rejected this argument and held that there was substantial evidence for the jury to find willfulness.¹⁶⁰ In effect, the *Imonex* court punished the accused organizations for "willfully" infringing simply because their employees were put on notice.¹⁶¹ Unreasonably, the court gave "little consideration of the blameworthiness of the conduct of the individuals deciding to make [or] market" the infringing product.¹⁶² The *Imonex* decision illustrates the

achieve punishment or deterrence.").

153. *In re Seagate*, 497 F.3d at 1371; *see also Sharper Image*, 222 F.R.D. at 630.

154. *In re Seagate*, 497 F.3d at 1371; *see also Sharper Image*, 222 F.R.D. at 630.

155. *In re Seagate*, 497 F.3d at 1371; *see also Sharper Image*, 222 F.R.D. at 630.

156. *See Imonex Servs., Inc. v. W.H. Munzprufer Deitmar Trenner GmbH*, 408 F.3d 1375, 1377 (Fed. Cir. 2005).

157. *Id.* at 1378.

158. *Id.*

159. *Id.*

160. *Id.*

161. *Id.*

162. Brief for Ass'n of the Bar of the City of New York as Amici Curiae In Support of Neither Party at 10, *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (No. 00-CV-5141).

undue burden organizations face when accused of willful infringement under the *Underwater Devices* standard. In abandoning the duty of care standard, *Seagate* helps to avoid problems associated with unusually broad interpretations of notice. The Federal Circuit explicitly held that the “state of mind of the accused infringer [was] not relevant to [the] objective inquiry.”¹⁶³

C. Seagate Eliminates the Financial Burdens Associated with the Advice of Counsel Requirement

The *Seagate* decision also alleviates the problem of the role the advice of counsel defense plays in a willfulness charge. In many cases, the most determinative factor in the willfulness equation is whether the defendant sought advice of counsel upon learning about the patent at issue.¹⁶⁴ If the counsel’s opinion was that the patent at issue was invalid, not infringed, or unenforceable, then the accused willful infringer could successfully assert that it relied on the advice of counsel, helping to establish that any resulting infringement was not willful.¹⁶⁵ Although an invaluable defense, this advice of counsel requirement was an additional burden that the accused willful infringer would have to meet *before* the willful infringement inquiry even began.¹⁶⁶ The severe financial burden this requirement places on organizations should not be underestimated.¹⁶⁷ The court’s prior willfulness inquiry focuses on the accused infringer’s conduct on a continuous basis.¹⁶⁸ As a result, it may be necessary for the accused infringer to “update the opinion over time and especially during

163. *In re Seagate*, 497 F.3d at 1371.

164. *See Sharper Image*, 222 F.R.D. at 631 (“[I]n the willfulness equation the weightiest single factor often will be whether, upon learning about the patents in question, the defendant sought advice of counsel and received a ‘competent’ opinion either that his product did not infringe or that the patent would be deemed invalid or for some other reason unenforceable.”); *see also Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998) (“It is well settled that an important factor in determining whether willful infringement has been shown is whether or not the infringer obtained the opinion of counsel.”).

165. *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992).

166. *See In re Seagate*, 497 F.3d at 1368–69.

167. *See* Brief for Biotechnology Industry Organization as Amici Curiae In Support of Petitioner at 12, *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (No. 00-CV-5141) (“A typical opinion can cost \$20,000, but complicated ones may cost more than \$100,000—money that biotechnology businesses would much rather invest in their products than in their lawyers.”); *see also* Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law’s Willfulness Game*, 18 *BERKELEY TECH. L.J.* 1085, 1092 (2003) (“[Counsel] opinions are expensive. Estimates we have heard put the cost at between \$20,000 and \$100,000 per patent, and notices of infringement often include more than one patent.”).

168. *Sharper Image*, 222 F.R.D. at 644–45.

litigation to account for new information.”¹⁶⁹ The process of updating patent opinions can lead to a significant financial burden.¹⁷⁰

In *Seagate*, the Federal Circuit explicitly held that “[b]ecause we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain the opinion of counsel.”¹⁷¹ Thus, *Seagate* “focuses less on whether the accused infringer obtained [an] opinion . . . and more on whether the defendant did what a ‘hypothetical reasonable company should have done under the circumstances.’”¹⁷² In effect, *Seagate*’s objective recklessness test no longer requires companies to go out and obtain costly opinions every time willful infringement is alleged.¹⁷³

Although it is arguable whether companies are unlikely to stop seeking advice of counsel as a defense,¹⁷⁴ *Seagate* helps alleviate some financial burden on organizations by providing alleged willful infringers the option to not seek such advice.¹⁷⁵ The role of the advice of counsel defense under *Seagate* remains unclear. So far, at least one court has held that evidence of reliance upon opinion letters stating that the patents-in-suit were invalid and not infringed would not conclusively prove objective reasonableness.¹⁷⁶

169. Lemley & Tangri, *supra* note 167, at 1093–94.

170. *Id.* at 1094.

171. *In re Seagate*, 497 F.3d at 1371.

172. Seyfer, *supra* note 147.

173. *In re Seagate*, 497 F.3d at 1371.

174. Thomas Elkind, *Seagate ruling raises the bar for infringement liability*, BOSTON BUSINESS JOURNAL, Sept. 21, 2007, <http://boston.bizjournals.com/boston/stories/2007/09/24/focus4.html> (“Even though the court has stated that there is no obligation to obtain an opinion of counsel, it seems clear that if an opinion is obtained that concludes that the patent is invalid, unenforceable or not infringed, it will be very difficult for the patent holder to prove that the infringer knew or should have known that there was an objectively high likelihood that its actions infringed a valid patent.”).

175. *In re Seagate*, 497 F.3d at 1371 (“Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”).

176. *See* TGIP, Inc. v. AT&T Corp., 527 F. Supp. 2d 561, 578 (E.D. Tex. 2007) (“AT&T provided uncontradicted evidence that Mr. Samuel Dworetzky, an employee of AT&T, received, and relied upon, opinion letters from the law firm Morgan & Finnegan stating that the patents-in-suit were invalid and not infringed by the AT&T System. The correspondence between AT&T’s other counsel Akin Gump, and TGIP’s predecessor, Call Processing Inc. (‘CPI’), sets out AT&T’s position that the patents-in-suit are invalid, referring to invalidity based upon the Yamaki publication and to noninfringement because of prior activation of the cards If AT&T had the burden of proof, this evidence would not conclusively prove that AT&T was objectively reasonable.”).

*D. In Comparison to Underwater Devices, Seagate No Longer
Incentivizes Parties to Be Willfully Blind*

A key issue that *Seagate* indirectly addresses concerns the willful blindness strategy adopted by many organizations.¹⁷⁷ Under the old willfulness standard, a party could be liable for willful infringement if it had acquired knowledge of the patent at issue at any point in time.¹⁷⁸ Indeed, this broad interpretation of “knowledge” by lower courts perversely incentivized companies to be willfully blind of existing patents.¹⁷⁹ In a series of hearings conducted by the Federal Trade Commission and the Department of Justice involving the “balance of competition and patent law and policy,”¹⁸⁰ business participants in the hearings readily admitted that “they do not read their competitors’ patents out of concern for such potential treble damage liability.”¹⁸¹

Under prior jurisprudence, if a company learned of a competitor’s patent, it was forced to spend tens of thousands of dollars to obtain an exculpatory patent opinion, no matter how they learned of the patent at issue.¹⁸² Companies soon realized that they would be much better off if they had never learned of their competitor’s patent.¹⁸³ As a result, many patent lawyers began advising their clients to avoid reading all patents to avoid liability for willfulness.¹⁸⁴ The practice of willful blindness was promulgated throughout the company, from decision-makers all the way to product engineers.¹⁸⁵

Although such company-wide prohibitions from reading or discussing other patents provided organizations some protection against a charge for willful infringement, such measures also took a serious toll on some of the fundamental justifications for the patent system. Indeed, one clear disadvantage of the “ignorance is bliss” strategy was the way it stifled open

177. *See In re Seagate*, 497 F.3d at 1371.

178. *See Imonex Servs., Inc. v. W.H. Munzprufer Deitmar Trenner GmbH*, 408 F.3d 1375, 1377 (Fed. Cir. 2005).

179. *See, e.g., id.*

180. FTC STUDY, *supra* note 8, at 3 (“The FTC/DOJ Hearings Examined the Balance of Competition and Patent Law and Policy.”).

181. *Id.* at 16.

182. Lemley & Tangri, *supra* note 167, at 1100.

183. *Id.* at 1100–01.

184. *Id.* (“Once a company becomes aware of a patent, it has an obligation to obtain a written opinion of counsel or risk later being held a willful infringer. To avoid this significant cost, in-house patent counsel and many outside lawyers regularly advise their clients not to read patents if there is any way to avoid it. What you do know will certainly harm you, they reason, so it is generally better not to know.”).

185. *See id.*

discussion,¹⁸⁶ a result that harms both individuals and society in general. Ironically, the same patent system that sought to promote open disclosure of ideas by granting inventors the right to exclusivity also incentivized others to be willfully blind of such disclosures. This odd result was a product of the Federal Circuit's *Underwater Devices* jurisprudence.

Although the *Seagate* decision is not guaranteed to prevent companies from practicing willful blindness, the structure of the two-part objective recklessness test does not incentivize this practice to the same extent as the *Underwater Devices* standard. As the Federal Circuit held, the first part of the objective recklessness test requires the patentee to present "evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent."¹⁸⁷ Furthermore, the court held that "[t]he state of mind of the accused infringer [was] not relevant to [the] objective inquiry."¹⁸⁸

Indeed, as Judge Gajarsa pointed out in his *Seagate* concurrence, any subjective beliefs of the accused willful infringer would only be relevant if the patent holder successfully showed that the accused acted objectively unreasonable.¹⁸⁹ So far, at least one court has affirmed that an accused infringer's knowledge of the patent at issue does not establish willful infringement.¹⁹⁰ Accordingly, under *Seagate*, organizations are less likely to go to such extreme measures to avoid obtaining knowledge.

V. APPLICATION OF THE SEAGATE TEST BY COURTS SHOWS THAT IT WILL POSITIVELY IMPACT THE PATENT SYSTEM

Although the Federal Circuit formulated a two-step "objective recklessness" framework for analyzing willful infringement,¹⁹¹ it never explained how courts should go about applying that standard. Instead, the Federal Circuit expressly reserved the application of its willfulness standard to be developed by future cases.¹⁹² Furthermore, Judge Newman's concurrence suggested that any future application of its

186. Alex Wexelblat, Copyfight, The Sad State of Patents Effects (Aug. 13, 2007), http://copyfight.cornate.com/archives/2007/08/13/the_sad_state_of_patent_effects.php.

187. *In re Seagate*, 497 F.3d at 1371.

188. *Id.*

189. *Id.* at 1384 (Gajarsa, J., concurring) ("Seagate's subjective beliefs may become relevant only if Convolv successfully makes this showing of objective unreasonableness.").

190. *See Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 103 (D. Mass. 2007) ("Willful infringement is not established by the simple fact of infringement, even where the accused has knowledge of the patents.").

191. *In re Seagate*, 497 F.3d at 1371.

192. *Id.* ("We leave it to future cases to further develop the application of this standard.").

willfulness standard would comport with “standards of fair commerce.”¹⁹³ Although only a handful of willful infringement opinions have applied the *Seagate* willful infringement test,¹⁹⁴ the results in these cases suggest that *Seagate* will have an overall positive impact on the patent system.

In *Cohesive Technologies, Inc. v. Waters Corp.*, Cohesive alleged that Waters had willfully infringed on one of its patents.¹⁹⁵ The court noted that a Waters employee discovered Cohesive’s patent one week after it was filed, and subsequently forwarded it to Waters’ in-house counsel.¹⁹⁶ Waters had been manufacturing a product similar to the one described in Cohesive’s patent application.¹⁹⁷ However, after learning about Cohesive’s patent, Waters began conducting extensive experiments in order to determine whether Cohesive’s patents would preclude Waters from selling its product.¹⁹⁸ After conducting the experiments, Waters’ managers, scientists, and in-house counsel held a meeting to review the Cohesive patent application and determine whether Waters’ product had infringed upon it.¹⁹⁹ Based on their findings at the meeting, Waters’ in-house counsel drafted an opinion concluding that Waters had not infringed Cohesive’s patent.²⁰⁰

Applying *Seagate*, the *Cohesive* court considered several factors that were relevant to the objective recklessness inquiry.²⁰¹ The *Cohesive* factors included:

- (1) whether there was a bona fide disagreement regarding patent invalidity or infringement,
- (2) whether the infringer solicited or followed the advice of counsel,
- (3) whether there was continued infringement after notice of probable infringement was received,
- (4) whether there was a degree of similarity between the patented and accused devices,
- (5) whether the infringer took efforts to avoid infringement, and
- (6) whether the infringer was indemnified against infringement costs.²⁰²

193. *Id.* at 1385 (Newman, J., concurring) (“The standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular circumstances.”).

194. *See, e.g., Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 103 (D. Mass. 2007).

195. *Id.* at 104.

196. *Id.*

197. *Id.*

198. *Id.*

199. *Id.*

200. *Cohesive Tech.*, 526 F. Supp. 2d at 104.

201. *Id.* at 103–04.

202. *Id.*

Based on the facts, the court concluded that the evidence of willful infringement was not clear and convincing.²⁰³ The evidence showed that Waters did not copy its product from Cohesive.²⁰⁴ Moreover, Waters practiced “sufficient due diligence in determining whether its product would infringe,” which the court held was indicative of the company acting in good faith.²⁰⁵ Further, the court noted that Waters conducted experiments, held a meeting to determine potential infringement, and concluded that there was a bona fide dispute over whether it had infringed, all before the company sold any of its products.²⁰⁶ Accordingly, the court held that Cohesive did not prove that Waters willfully infringed.²⁰⁷

If this same case were decided under the *Underwater Devices* standard, it is likely that the court would have reached the same result. Assuming the same facts, it is likely that Waters would have responded to Cohesive’s willfulness charge by asserting the advice of counsel defense to show that it acted in good faith.²⁰⁸ Although it is likely that the *Underwater Devices* and *Seagate* willfulness standards would lead to the same result in this case, it is important to consider how those standards would independently reach the result. In an *Underwater Devices* analysis, the court’s main inquiry would focus on whether the accused met its duty of care by seeking advice from counsel.²⁰⁹ Assuming the court was satisfied that reliance on the counsel’s opinion was in good faith, it would rule that the infringement was not willful.²¹⁰

The court’s analysis in *Seagate*, however, focused the inquiry on the “reasonableness of the actions taken in the particular circumstances.”²¹¹ In arriving at its decision, the *Cohesive* court noted all the things Waters did correctly: performing extensive research, meeting to discuss any possible infringement, and seeking the advice of counsel.²¹² Unlike the old willfulness test, which merely incentivized parties to obtain advice of counsel, this court’s application rewarded the accused willful infringer for exercising due diligence upon learning of any possible infringement.²¹³

203. *Id.* at 105.

204. *Id.*

205. *Id.*

206. *Cohesive Techs.*, 526 F. Supp. 2d at 105.

207. *Id.* at 106–07.

208. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983).

209. *Id.* at 1390.

210. *See id.*

211. *In re Seagate*, 497 F.3d at 1385 (Newman, J., concurring).

212. *Cohesive Techs.*, 526 F. Supp. 2d at 104–05.

213. *Id.* at 105.

Indeed, this is the kind of proactive conduct that courts should be incentivizing in order to encourage accused willful infringers to act accordingly.

Two additional benefits of *Seagate* were demonstrated in *TGIP, Inc. v. AT&T Corp.*²¹⁴ In this case, TGIP sought damages from AT&T for willful infringement.²¹⁵ Applying *Seagate*, the court held that “TGIP had the burden to prove by clear and convincing evidence that AT&T knew, or should have known, that there was an objectively high likelihood that AT&T was infringing on one or both of [TGIP’s] patents.”²¹⁶ In support of its burden, TGIP produced letters sent to AT&T accusing the corporation of infringement and the fact that a jury found AT&T had infringed in 2007.²¹⁷ The court held that this evidence was “only a scintilla of the evidence needed” under the *Seagate* standard.²¹⁸

AT&T separately provided evidence that one of its employees obtained opinion letters soon after learning of the possible infringement.²¹⁹ The opinion letters stated that the patents at issue were invalid and not infringed by AT&T.²²⁰ Addressing this evidence, the court noted that AT&T did not have the burden of proving it was objectively reasonable.²²¹ Even if it did have the burden, the opinion letters did not prove that AT&T was objectively reasonable.²²² In continuing with its application of *Seagate*, the court noted that “[e]ven though AT&T ultimately did not prove its invalidity defense by clear and convincing evidence, its position was hardly objectively unreasonable.”²²³

The *TGIP* court’s reasoning provides greater insight into the application of the *Seagate* test. Although TGIP had sent letters accusing AT&T of infringement, the court held that such notice was “hardly objectively unreasonable.”²²⁴ Under a strict application of *Seagate*, it appears that AT&T knew or should have known that it was infringing on TGIP’s patents.²²⁵ However, the TGIP court emphasized that there was no

214. *TGIP, Inc. v. AT&T Corp.*, 527 F. Supp. 2d 561 (E.D. Tex. 2007).

215. *Id.* at 568.

216. *Id.* at 579.

217. *Id.*

218. *Id.*

219. *Id.* at 578.

220. *TGIP*, 527 F. Supp. 2d at 578.

221. *Id.* at 579.

222. *Id.*

223. *Id.*

224. *Id.*

225. *See id.* (“TGIP’s evidence in this regard consists of the 1998 and 1999 letters accusing AT&T of infringement . . .”).

clear and convincing evidence that “it was known or obvious that there was an objectively high likelihood that AT&T’s non-infringement position was incorrect.”²²⁶

The *TGIP* case highlights two things. First, an accused infringer need not be liable for willful infringement simply because they were put on notice, so long as there was a bona fide dispute of fact as to the validity of the patent at issue.²²⁷ Second, *Seagate* no longer requires the accused infringer to rebut a charge of willfulness.²²⁸ Previously, the *Underwater Devices* standard permitted patentees to charge the accused infringer with willfulness, and the burden to refute the charge was on the accused.²²⁹ After *Seagate*, the burden to prove willfulness now rests with the patentee.²³⁰ The realignment of this burden is proof that *Seagate* is consistent with general notions of fairness and justice. Therefore, *Seagate* may curb lawsuits alleging frivolous claims of willfulness.

VI. CONCLUSION

The Federal Circuit’s new standard significantly tilts the balance in favor of the accused willful infringer. The court’s move to the reckless standard is more than just an attempt to harmonize the definition of “willfulness” with Supreme Court precedent.²³¹ *Seagate* is a policy-based decision that limits recovery of punitive damages to instances involving truly reprehensible conduct.²³² While discouraging willful infringement

226. *TGIP*, 527 F. Supp. 2d at 579.

227. *See id.* (“Reasonable persons, properly instructed and exercising impartial judgment, could not find by clear and convincing evidence that AT&T acted in the face of an unjustifiably high risk of harm that was either known, or so obvious that it should have been known.”).

228. *Id.* (“If AT&T had the burden of proof, this evidence [(opinion letters from AT&T’s legal counsel stating patent-in-suit were invalid)] would not conclusively prove that AT&T was objectively reasonable. However, *TGIP* had the burden to prove by clear and convincing evidence that AT&T knew, or should have known, that there was an objectively high likelihood that AT&T was infringing on one or both of the patents.”).

229. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983) (“Where, as here, a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.” (citations omitted)).

230. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (“[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.”).

231. *See Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2208 (2007) (“[W]here willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well”).

232. *See In re Seagate* 497 F.3d at 1371.

activity is an important goal of the patent system, the *Underwater Devices* standard was unduly burdensome on accused willful infringers. Due to this broad standard, accusing a party of willful infringement became a routine charge in patent proceedings.²³³ The *Seagate* decision should limit such abuse.

It is a natural law that for every action there is an equal and opposite reaction. Thus, while *Seagate* greatly benefits those accused of willful infringement, it also impinges on the rights of patentees. Under *Seagate*, patent owners have to meet a much greater burden in order to recover damages for willful infringement. However, because the *Seagate* test is still in its infancy, it is not clear to what extent patentees will face such a burden. Although the *Seagate* standard does not necessarily make it impossible for patentees to recover enhanced damages, it is up to the courts to define the boundaries of *Seagate*. In the interim, one thing is clear—the *Seagate* decision corrects many of the problems troubling the patent system. For that reason alone, it is a step in the right direction.

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233. See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 232 (2005) (“For those that complained that willful infringement was alleged in every lawsuit, their concerns were justified.”); Brief for Amicus Curiae American Intellectual Property Law Association as Amici Curiae In Support of Petitioner at 1, *In re Seagate Technology LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (No. 2006–830) (“Although findings of willful infringement are quite rare, willful infringement is pled as a boilerplate charge in almost every patent case.”).

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