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## Note

### ***In Re Seagate: One Step Closer to a Rational Doctrine***

*Justin McCarthy\**

Seagate Technology defended itself in a patent suit against charges that it willfully violated the plaintiff's patent by raising an opinion of counsel defense.<sup>1</sup> As a result, the trial court issued a discovery order that permitted discovery of communications and work-product that applied not only to the outside counsel that issued the opinion but also to trial counsel.<sup>2</sup> Seagate sought and was granted a writ of mandamus from the Federal Circuit to prohibit enforcement of the order.<sup>3</sup> In granting the writ, an en-banc Federal Circuit in *Seagate* overturned the standard of care required for potential patent infringers to avoid punitive damages first announced in *Underwater Devices Inc. v. Morrison-Knudsen Co.*<sup>4</sup> At the same time, the Federal Circuit limited the ability of opposing counsel to obtain privileged attorney-client communications with an accused infringer's trial counsel through discovery due to an advice of counsel defense asserted in response to a charge of willful infringement.<sup>5</sup>

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1. *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1365 (Fed. Cir. 2007) (en banc).

2. *Id.* at 1366–67.

3. *Id.* at 1376.

4. *Id.* at 1365 (citing *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983)).

5. *See id.* at 1365, 1374–75. An advice of counsel defense, or a patent opinion, allows a company to defend against charges of willful infringement by submitting the patent at issue and the accused product at issue to a

*Seagate* raises a number of important issues pertinent to patent litigation. While the Federal Circuit changed the standard for willful infringement, it declined to decide which factors would be used in determining willful infringement.<sup>6</sup> The consequences of this ruling are great, as a recent study found that 92.3 percent of all patent infringement lawsuits include allegations of willfulness.<sup>7</sup> Furthermore, damages for such findings can be in the tens of millions of dollars.<sup>8</sup> Knowing what evidence a court is likely to consider important in determining whether the infringement was willful will be important both to plaintiffs, when they decide whether to pursue willfulness charges, and to defendants when they are preparing their defense. Additionally, knowing more about the legal landscape of willfulness will help companies structure their conduct to avoid the dreaded and costly “willful infringer” finding. Finally, the *Seagate* ruling will have consequences on pre-trial strategy<sup>9</sup> and discovery.<sup>10</sup>

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supposedly independent patent attorney for a written opinion as to whether or not the accused device infringes and whether or not the patent at issue is valid. Patent opinions may also be used before there is a problem as a legal opinion that a particular device or system does not infringe any other patent. See David V. Radack, *Understanding Patent Infringement Legal Opinions*, JOM, November 1995 at 54 available at <http://www.tms.org/pubs/journals/JOM/matters/matters-9512.html> (last visited 12/12/2008).

6. *Id.* at 1371 (“We leave it to future cases to further develop the application of this standard.”).

7. Matthew Leary, *Adverse To What?: The Increasing Value of Patent Opinions After Knorr-Bremse*, 25 CARDOZO ARTS & ENT. L.J. 271, 273 (2007) (citing a study by Federal Circuit Judge Kimberly A. Moore).

8. See *id.* at 274 (discussing a 1991 verdict of \$53 million for 3M for Johnson & Johnson Orthopaedic, Inc.’s willful infringement and a 2001 award of \$85 million in enhanced damages to Boston Scientific for Medtronic’s willful infringement).

9. Cf. Felicia J. Boyd et al., Faegre & Benson, L.L.P., In *Seagate* Decision, Federal Circuit Raises Standard for Willfulness in Patent Infringement Suits (2007), <http://www.faegre.com/showarticle.aspx?Show=2819> (discussing briefly the potential effects of the *Seagate* decision on litigation strategy).

10. *Id.*:

With respect to the scope of waiver, *In re Seagate* makes a clear distinction between “opinion counsel” and “trial counsel.” Additionally, it continues to afford trial courts the discretion to expand the waiver of privilege to trial counsel, for example, in situations where the parties or counsel engage in “chicanery.” This analysis assumes that “trial counsel” and “opinion counsel” can be readily distinguished and leaves unclear the types of conduct that would constitute chicanery. Thus, it may be wise to continue the

This Comment both provides a critique of the *Seagate* decision and offers some guidance on the types of factors that a court will likely consider when determining willful infringement. This Comment first details the relevant patent and other intellectual property law that predated the *Seagate* decision. Next, this Comment summarizes *Seagate* in more detail, describes the potential weaknesses in the Federal Circuit's reasoning, and provides some insight as to which factors the court will likely use in determining the willfulness of patent infringement. To do this, this Comment relies on other areas of intellectual property law and the conceptions of willfulness found in those areas. Finally, this Comment concludes that while the Federal Circuit left the factors that will be important in this new regime open for later cases, some hints can be divined from *Seagate* itself and from related areas of law.

## I. BACKGROUND OF PATENTS GENERALLY AND OF "WILLFULNESS" IN PATENT AND COPYRIGHT LAW

### A. PATENTS GENERALLY AND THE HISTORY OF WILLFUL INFRINGEMENT

The Constitution authorizes Congress "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."<sup>11</sup> To accomplish this task, Congress created the first U.S. patent statute in 1790, shortly after the passage of the Constitution.<sup>12</sup> A patent confers upon an inventor the exclusive privilege to make, use, offer to sell, or sell the patented invention for a limited time.<sup>13</sup> This privilege has often been called a state-granted monopoly.<sup>14</sup> The purpose of granting a patent is to give incentives to

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practice of keeping the identity and activities of trial counsel distinct and separate from that of opinion counsel.

11. U.S. CONST. art. I, § 8. Prior to the Constitution, individual states often created their own patent systems. This was thought to be ineffective and, thus, provision for federal patent law was made one of the enumerated powers of Congress when the Constitution was adopted. *See* *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 228 (1964).

12. ROBERT PATRICK MERGES & JOHN FITZGERAL DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 8 (4th ed. 2007) (citing the Patent Act of 1790, Ch. 7, 1 Stat. 109–112 (Apr. 10, 1790)).

13. 35 U.S.C. § 271(a) (2000).

14. *Sears, Roebuck & Co.*, 376 U.S. at 229.

inventors who invent new and useful things and to encourage public disclosure of those inventions.<sup>15</sup> Currently, patent protection is limited to twenty years from the effective date of filing.<sup>16</sup>

In order to be granted a patent, an invention must meet certain criteria.<sup>17</sup> The first requirement is that only “process[es], machine[s], manufacture[s], or composition[s] of matter, or any new and useful improvement thereof,” qualify as patentable subject matter.<sup>18</sup> Next, patent law requires that an invention be novel<sup>19</sup> and possess some useful purpose.<sup>20</sup> Patent law also rejects inventions that are obvious variations of existing inventions.<sup>21</sup> Finally, the patent application must meet certain additional requirements, such as enabling a person of ordinary skill in the art to make and use the invention, specifying the “best mode” of practicing the invention, and having proper claim term definiteness.<sup>22</sup> A patent is issued if these requirements are satisfied.<sup>23</sup>

A modern issued patent has many features, the most

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15. *Id.*; see *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998).

16. 35 U.S.C. § 154(a)(2) (2000).

17. *See id.* § 101.

18. *Id.* The presumption is that anything is patentable except laws of nature, abstract ideas, and physical phenomenon. *See* *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980) (citing *Parker v. Flook*, 437 U.S. 584 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972); *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 33 U.S. 127, 130 (1948); *O'Reilly v. Morse* 56 U.S. 62, 112–121 (1854); *Le Roy v. Tatham*, 55 U.S. 156, 175 (1853)). *Compare Chakrabarty*, 447 U.S. at 303 (holding that a man-made oil eating bacteria is patentable), *with O'Reilly*, 56 U.S. at 62–63 (holding that a claim to all methods of communicating at a distance using electricity is an abstract idea and not patentable).

19. *See generally* 35 U.S.C. § 102 (2000) (describing the conditions for patentability, novelty, and loss of right to patent).

20. *Id.* § 101; *see also* *Brenner v. Manson*, 383 U.S. 519, 528–29 (1966) (“Our starting point is the proposition, neither disputed nor disputable, that one may patent only that which is ‘useful.’”).

21. 35 U.S.C § 103(a) (2000):

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

22. *See id.* § 112.

23. *Id.* § 101.

important of which is the “claims” section.<sup>24</sup> The claims section is “the portion of the patent document that defines the scope of the patentee’s rights . . . .”<sup>25</sup> Note however, that “the claims must be supported by the disclosure in the rest of the patent specification.”<sup>26</sup>

Congress has created a cause of action against violation, or “infringement,” of the exclusive rights granted to an inventor who holds a patent.<sup>27</sup> An infringement occurs when someone “without authority makes, uses, offers to sell, or sells any patented invention . . . .”<sup>28</sup> The patent’s claims retain primary importance when determining whether infringement has occurred, although the claim specification also plays an important role in the “claim construction” portion of the trial.<sup>29</sup> Infringement is currently a strict liability offense, meaning intent to infringe or lack thereof has no legal significance.<sup>30</sup> Consequently, under the current state of the law, an independent inventor who has no knowledge of the existence of the patented invention (or of the patent for that matter) is still liable for infringement.

If the accused infringer is found guilty of infringement by a court, she may be enjoined from further infringement<sup>31</sup> and assessed “damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer . . . .”<sup>32</sup>

Congress has also authorized the awarding of so-called

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24. Every patent must include at least one claim. *See id.* § 112, ¶ 2.

25. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996); “The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.” 35 U.S.C. § 212 (2000).

26. *Merges & Duffy*, *supra* note 12, at 26.

27. *See* 35 U.S.C. § 281 (2000) (“A patentee shall have remedy by civil action for infringement of his patent.”).

28. 35 U.S.C. § 271(a).

29. *See Merrill v. Yeomans*, 94 U.S. 568, 569–71 (1876); *see also Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–13 (Fed. Cir. 2005) (en banc). In patent litigation, if there is any dispute as to what the patent at issue means or covers, a “claim construction” or “Markman” hearing is held where the judge decides the issue as a matter of law; *see generally Markman*, 517 U.S. 370.

30. Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 56–57 (2001).

31. 35 U.S.C. § 283 (2000).

32. *Id.* § 284.

“triple damages” by discretion of the court.<sup>33</sup> The statute makes no mention of what constitutes grounds for the awarding of increased damages.<sup>34</sup> Traditionally courts have used the triple damages provision only where the infringer deliberately copied the patented technology.<sup>35</sup> Recently, courts have expanded this provision to apply to cases “against infringers who independently developed their own technology, without appropriating ideas from the patentee.”<sup>36</sup> Understanding why courts first imposed the deliberate infringement standard and why they later expanded the reach of the applicable cases where triple damages are imposed (and what that expansion included) requires a brief look at the history and language of the patent laws.<sup>37</sup>

The Patent Act of 1790 provided that the Secretary of State, the Secretary for the Department of War, and the Attorney General would evaluate patent applications to determine whether they were worthy of a patent.<sup>38</sup> The act further specified that infringers were liable for monetary damages determined by a jury.<sup>39</sup> Congress modified the act in the Patent Act of 1793, making two important changes. First, the patent duties held by the Secretary of State, Secretary for the Department of War, and Attorney General were reduced to ministerial duties.<sup>40</sup> Patents were no longer reviewed to determine whether they were worthy of a patent; instead, patents were granted for any invention which met very lenient standards, effectively turning the patent system into a registration system.<sup>41</sup> The second important change arose from

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33. *Id.* (“[T]he court may increase the damages up to three times the amount found or assessed.”).

34. *See id.*

35. Powers & Carlson, *supra* note 30, at 55.

36. *Id.*

37. *See generally* Powers & Carlson, *supra* note 30 for a more thorough look at the history of the Patent Act of 1793 and the evolution of the doctrine of willful patent infringement.

38. *See* Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 109–10 (1790).

39. Patent Act of 1790, ch. 7, § 4, 1 Stat. at 111.

40. Powers & Carlson, *supra* note 30, at 62.

41. *See id.*; *see generally* MERGES & DUFFY, *supra* note 12, at 8–9:

But while the patent system got on its feet under Jefferson, it did not grow to its full stature until the 1836 revision, when a formal system of examination, with professional examiners, was substituted for the pro forma registration system of the 1793 Act, a system which had itself been substituted for the original (1790) procedure under which

Congress' fear that patent rights were not adequately respected throughout the country. Congress feared jury nullification, whereby a jury that disliked patents could award nominal damages to patent holders whose patents had been infringed.<sup>42</sup> Probably as a result of this fear, the Patent Act of 1793 contained a provision that mandated a jury award of triple the price of the patentee's invention.<sup>43</sup>

The Patent Act of 1836 changed the damages from mandatory triple damages to a maximum of triple damages based on the discretion of the court.<sup>44</sup> Congress made this change to protect good-faith infringers who had legitimately discovered the patented invention independently and were being hurt by the triple damages provision.<sup>45</sup> Congress was also likely worried about unscrupulous individuals taking advantage of the relative ease of obtaining a patent under the pro-forma registration system and obtaining patents on inventions they did not invent, and then obtaining large verdicts against real innovators.<sup>46</sup> The judicial doctrine of awarding of triple damages only for situations in which the defendant deliberately infringed the patent sprang out of this reasoning.<sup>47</sup> This doctrine remained the law until *Underwater Devices* expanded its application in 1983.<sup>48</sup>

In *Underwater Devices*, Spencer Robley had patented a

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patentability was determined by three high-level government officials (including Jefferson as Secretary of State).

42. At least one historian credits this fear to a pamphlet published by a patent agent named Joseph Barnes, in which he "criticized the 'indeterminate principle upon which patents are granted,' as well as the limitation of damages for infringement to those assessed by a jury." Powers & Carlson, *supra* note 30, at 61–62. Barnes was the patent agent of an aggrieved inventor. *Id.* at 61.

43. Patent Act of 1793, ch. 11 § 5, 1 Stat. 318 (1793) ("[E]very person so offending, shall forfeit and pay to the patentee, a sum, that shall be at least equal to three times the price, for which the patentee has usually sold or licensed to other persons, the use of the said invention . . .").

44. See Patent Act of 1836, ch. 357, § 14, 5 Stat. 117, 123 (1836) (current version at 35 U.S.C. § 284 (2000)).

45. See Powers & Carlson, *supra* note 30, at 67–68.

46. *Id.*

47. See *Seymour v. McCormick*, 57 U.S. 480, 488–89 (1853); Powers & Carlson *supra* note 30, at 69–70 ("Courts justified imposing treble damages as a means to punish the misappropriation of patented technology. Courts also used the treble damages provision as a way to punish bad faith business tactics in the context of patent licensing agreements.")

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



method for laying pipe underwater.<sup>49</sup> When Morrison-Knudsen Co. was bidding to build an underwater sewer in Hawaii, the owner of Robley's patent contacted Morrison-Knudsen with an offer to license the patent for the project.<sup>50</sup> Morrison-Knudsen commenced operations on its independently derived (yet infringing) method after receiving only an initial cursory opinion of the invalidity of the Robley patent from its general counsel.<sup>51</sup> Morrison-Knudsen later obtained a more thorough opinion regarding the patent after it had already begun laying pipe.<sup>52</sup> Building on prior cases,<sup>53</sup> the court held that once "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."<sup>54</sup> This standard applies regardless of whether the accused infringer intended to infringe.<sup>55</sup> The court rejected Morrison-Knudsen's defense of good-faith reliance on counsel because the opinion was biased, for it was given by in-house counsel and was only a cursory examination.<sup>56</sup>

Under the Federal Circuit jurisprudence following the *Underwater Devices* standard,

[T]he general test for whether a patentee is entitled to increased damages is whether, in view of the totality of the circumstances, the patentee shows by clear and convincing evidence that the infringer acted in disregard of the patent and lacked a reasonable basis for believing it had a right to do so.<sup>57</sup>

A court could consider several factors in determining

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49. *Id.* at 1382.

50. *Id.* at 1384.

51. *Id.* at 1385.

52. *Id.*

53. *Id.* at 1389–90 (citing *Milgo Elec. Corp. v. United Bus. Comm'ns, Inc.*, 623 F.2d 645 (10th Cir. 1980); *Gen. Elec. Co. v. Sciaky Bros., Inc.*, 415 F.2d 1068 (6th Cir. 1969); *Marvel Specialty Co. v. Bell Hosiery Mills, Inc.*, 386 F.2d 287 (4th Cir. 1967)).

54. *Underwater Devices*, 717 F.2d at 1389.

55. *See id.* at 1390.

56. *Id.* at 1390.

57. *Powers & Carlson, supra* note 30, at 82; *see also Vulcan Eng'g Co. v. Fata Aluminium, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002):

[T]he focus is generally on whether the infringer exercised due care to avoid infringement, usually by seeking the advice of competent and objective counsel, and receiving exculpatory advice. When it is found that the infringer acted without a reasonable belief that its actions would avoid infringement, the patentee has established willful infringement, which may be accompanied by enhanced damages.

whether conduct was willful and the plaintiff was entitled to triple damages:

- (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;
- (3) the infringer's behavior as a party to the litigation.
- . . . .
- (4) Defendant's size and financial condition.
- (5) Closeness of the case.
- (6) Duration of the defendant's misconduct.
- (7) Remedial action by the defendant.
- (8) Defendant's motivation for harm.
- (9) Whether defendant attempted to conceal its misconduct.<sup>58</sup>

In the absence of evidence of actual, deliberate copying, the court permits evidence in its consideration of factors two through nine that would allow the court to *infer* that willfulness occurred (essentially relying on circumstantial evidence), either in infringing initially or infringing after the party was notified that its process or product potentially infringed.

The problem with the second factor is that a defendant must have a "good-faith" belief, so this factor often "turn[s] on the defendant's state of mind at the time of the infringement."<sup>59</sup> State of mind is entirely subjective, and a defendant must somehow prove his state of mind.<sup>60</sup> An opinion of counsel that is adequate and relied upon can be evidence of that state of mind.<sup>61</sup> Thus one common way for a firm to avoid liability is to utilize factor number two and obtain a competent written opinion by counsel upon receiving notice that a product or device potentially infringes.<sup>62</sup> Courts evaluating this defense would look into the adequacy of the opinion, considering such factors as the "nature of the advice, the thoroughness and

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58. *Read Corp.*, 970 F.2d at 827 (citations omitted).

59. Joshua Stowell, Comment, *Willful Infringement and the Evidentiary Value of Opinion Letters After Knorr-Bremse v. Dana*, 2005 DUKE L. & TECH. REV. 5, ¶ 29, <http://www.law.duke.edu/journals/dltr/articles/pdf/2005dltr0005.pdf>.

60. *Id.*

61. *Id.*

62. See Douglas Y'Barbo, *Written Opinions from Counsel*, 29 AIPLA Q.J. 65, 70–71 (2001).

competence of the legal opinion presented, and its objectivity. The court will determine whether the advice of non-infringement or invalidity or unenforceability could have reasonably been relied on . . . .”<sup>63</sup>

One problem with utilizing this approach is that a court scrutinizes the opinion to determine whether the defendant should have reasonably relied upon the advice given.<sup>64</sup> Frequently this entails detailed and much criticized forays into minutia of patent opinions of which non-lawyers would likely not be aware.<sup>65</sup> This creates problems for infringement defendants and sets up a series of catch-22 situations. If the company obtains two opinions, it might be deemed to be engaged in opinion shopping.<sup>66</sup> If the opinion is too short, it is arguably incompetent; if it is too long, the court may suspect that it is designed to avoid willfulness findings.<sup>67</sup>

In later decisions, the Federal Circuit adopted an “adverse

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63. SRI Int’l, Inc. v. Advanced Tech. Labs., Inc., 127 F.3d 1462, 1465 (Fed. Cir. 1997).

64. YBarbo, *supra* note 62, at 67. The author writes:

[S]hould the lawyer’s written opinion turn out to be anything less than an exhaustive recitation on every issue of even the remotest relevance, the opinion may no longer serve as a defense to willful infringement. For example, if counsel omits a doctrine of equivalents analysis, omits an objective factors analysis, fails to base a validity analysis on un-cited prior art, omits any other of patent law’s hyper-technical minutiae that relates to infringement, validity, or enforceability, regardless of whether it influences the opinion’s conclusion, the firm pays for those failure of omissions in a potentially big way. In addition, the purely technical quality of a legal document is somehow supposed to be probative of the reader’s state of mind. This is a strange end result considering that the reader is almost always unqualified to assess the technical merit of such a document. Yet that is exactly what the law requires from a law firm in order to insulate itself against a charge of willful infringement: it must critically evaluate its lawyer’s advice rather than point to a good faith basis for having relied upon it.

*Id.*

65. *See id.*

66. *I.e.*, the defendant may be getting multiple opinions for the purpose of finding one that is more favorable to its position. *Id.* at 99–100.

67. *See id.* at 101:

One might also imagine a dispute over the thoroughness of an opinion. The infringer urges that because his opinion considered every remotely plausible issue, there is clear evidence of his intent to avoid infringement. On the other hand, the plaintiff argues that the one hundred-page opinion was in fact strategically designed to avoid enhanced damages, rather than provide the infringer with straightforward information about whether it can sell its product.

inference” against infringers who, knowing that they were potentially infringing a patent, failed to seek an opinion from outside counsel.<sup>68</sup>

#### B. THE ATTORNEY-CLIENT PRIVILEGE ISSUE IN WILLFULNESS INFRINGEMENT

The attorney-client privilege protects communications between an attorney and his client from disclosure and possible use against the client during a trial or other proceeding.<sup>69</sup> The “privilege ‘is founded upon the necessity, in the interest and administration of justice, of the aid of persons having knowledge of the law and skilled in its practice, which assistance can only be safely and readily availed of when free from the consequences or the apprehension of disclosure.’”<sup>70</sup> This privilege can be waived by the client.<sup>71</sup>

Several court decisions have held that when an accused patent infringer relies on the advice of counsel defense, such a defense constitutes a waiver of the attorney-client privilege.<sup>72</sup> This waiver extends to all communications relating to the subject matter of the opinion.<sup>73</sup> Some cases have extended this waiver to communications between trial counsel and the accused infringer, finding the communications between the two all bear on the mental state of the infringer (i.e., whether the alleged infringer reasonably relied upon the opinion), which is

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68. See Powers & Carlson, *supra* note 30, at 79–82; *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572–73 (Fed. Cir. 1988). This negative inference was overruled prior to *Seagate* in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1346 (Fed. Cir. 2004) (“[T]he failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable.”). Despite this ruling, many commentators noted that the real effect of this ruling was minimal at best.”). See, e.g., Debra Koker, *Fulfilling the “Due Care” Requirement after Knorr-Bremse*, 11 B.U. J. SCI. & TECH. L. 154, 162 (2005). See *infra* note 77 for a more thorough discussion.

69. See *Upjohn Co. v. U.S.*, 449 U.S. 383, 389 (1981).

70. *Id.* (quoting *Hunt v. Blackburn*, 128 U.S. 464 (1888)).

71. *U.S. v. Jones*, 696 F.2d 1069, 1072 (4th Cir. 1982) (“Any disclosure inconsistent with maintaining the confidential nature of the attorney-client relationship waives the attorney-client privilege. Any voluntary disclosure by the client to a third party waives the privilege not only as to the specific communication disclosed, but often as to all other communications relating to the same subject matter.”).

72. See *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006).

73. *Id.*

relevant in determining whether the infringement is willful.<sup>74</sup> This was the ruling of the district court that was eventually overturned in *Seagate*.<sup>75</sup>

Commentators have often criticized this waiver theory on the grounds that allowing the jury to hear potentially damaging statements regarding an accused infringer's assessment of the situation could potentially prejudice the jury's determination of actual infringement.<sup>76</sup>

Thus, infringement defendants often were forced to choose between disclosure of potentially prejudicial information or withhold the information and risk exposure to triple damages.<sup>77</sup>

### C. THE ATTORNEY WORK-PRODUCT RULE AND WILLFULNESS INFRINGEMENT

The Supreme Court, in the watershed case of *Hickman v. Taylor*, held that production of "written statements and mental impressions contained in the files and the mind of the attorney"<sup>78</sup> are protected from discovery unless the party seeking production shows substantial need and/or hardship.<sup>79</sup>

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74. See Powers & Carlson, *supra* note 30, at 92 & n.287 (stating the position and providing several district court opinions extending the scope to trial counsel).

75. *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1366–67 (Fed. Cir. 2007).

76. See, e.g., Powers & Carlson, *supra* note 30, at 91–92.

77. M. Curt Lambert, Note, Knorr-Bremse's *Elimination of Adverse Inferences: A First Step in Willful Infringement Litigation Reform*, 32 N. KY. L. REV. 589, 605 (2005) (noting the burdens facing litigants under the "adverse inference" rule). Note that while Knorr-Bremse did remove the adverse inference rule from consideration, it retained the duty of care. Many commentators argued that this did not remove the difficult choice a patent litigant was faced with since the only way to show due care was to produce a patent opinion. *Id.* at 609–10 ("Thus, while the trier of fact can no longer infer that legal advice would have been unfavorable when the infringer failed to obtain it, the trier of fact can still consider this failure when deciding if a good faith belief of invalidity or non-infringement was formed."); see also Koker, *supra* note 68, at 162:

Arguably, telling a jury that an infringer did not bother to obtain a patent opinion when he could and should have is very similar to an adverse inference. Likewise, telling a jury that an infringer obtained a patent opinion and is choosing not to disclose it will likely create an adverse inference in their minds.

Leary, *supra* note 7, at 294 ("Even for cases decided after *Knorr-Bremse*, district courts have been almost unanimous in allowing evidence of defendants' failures to obtain opinions.")

78. *Hickman v. Taylor*, 329 U.S. 495, 509 (1947).

79. See *id.* at 511; see also FED. R. CIV. P. 26(b)(3) ("[A] party may obtain

In the willful infringement context, courts are split over whether the advice of counsel defense allows the opposing party to obtain discovery of the opinion counsel's attorney work-product.<sup>80</sup> The theory for allowing it is that it is relevant for purposes of attacking the opposing party's reasonableness for relying upon the defense.<sup>81</sup> However, this presents the same tough choices for patent infringement defendants that the aforementioned attorney-client privilege waivers present.

#### D. AN EXAMINATION OF WILLFULNESS IN COPYRIGHT LAW

An examination of copyright law is relevant as a point of comparison as copyright law also contains a provision for increased damages for willful violations,<sup>82</sup> and the *Seagate* court relied heavily on this definition of "willful."<sup>83</sup> Copyright cases have a threshold requirement, similar to patent cases,<sup>84</sup> to show willfulness once the defendant has been put on notice of his or her potentially infringing conduct: "Proof that a warning of infringement was received and disregarded is essential to show willful infringement."<sup>85</sup> Copyright cases hold that the standard for judging willfulness is recklessness.<sup>86</sup>

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discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative . . . only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.").

80. *Eco Mfg. v. Honeywell Int'l, Inc.*, 2003 WL 1888988, at \*4 (S.D. Ind. 2003) (recognizing a division among courts); *see also In re Seagate*, 497 F.3d 1360, 1372 ("In considering the scope of waiver resulting from the advice of counsel defense, district courts have reached varying results with respect to trial counsel.").

81. *See In re Seagate*, 497 F.3d at 1369.

82. 17 U.S.C. § 504(c)(2) (2006) ("In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000.").

83. *In re Seagate*, 497 F.3d at 1370.

84. *See Underwater Devices*, 717 F.2d at 1389 (stating that in patent infringement cases, a potential infringer's actual notice of another's patent rights creates "an affirmative duty to exercise due care to determine whether or not he is infringing").

85. 18 AM. JUR. 2D *Copyright* § 262 (2008) (citing *Doehrer v. Caldwell*, 1980 WL 1158, at \*2 (N.D. Ill. 1980), *disapproved of on other grounds*, *F.E.L. Publ'ns, Ltd. v. Catholic Bishop of Chi.*, 754 F.2d 216 (7th Cir. 1985)).

86. Willfulness in this context means that the defendant "recklessly disregarded" the possibility that "its conduct represented infringement."

These cases have often found the following factors helpful in determining whether a copyright violation is willful.

- (1) “lack of intent to infringe;”<sup>87</sup>
- (2) “a bona fide belief in noninfringement;”<sup>88</sup>
- (3) “a substantial defense to the infringement charge;”<sup>89</sup>
- (4) “failure of the defendant to seek advice of counsel.”<sup>90</sup>

Where infringement is found, a court may consider the following factors when evaluating an award of statutory damages:

- (5) “defendant’s mitigating conduct towards the copyright holder;”<sup>91</sup>
- (6) “the extent of the infringing defendant’s contributions to the project;”<sup>92</sup>
- (7) “the fact that the project caused the infringer to lose considerable sums of money.”<sup>93</sup>

#### E. SUMMARY

When *Underwater Devices* was decided, it was a difficult period for patents and the enforcement of patents.<sup>94</sup> The somewhat less rigorous “due care” standard was most likely intended by the Federal Circuit as a deterrent for would-be patent infringers. This deterrent was likely necessary to ensure the continued vitality of the patent system for

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Hamil Am., Inc. v. GFI, 193 F.3d 92, 97 (2d Cir. 1999) (citing Fitzgerald Publ’g Co. v. Baylor Publ’g Co., 807 F.2d 1110, 1115 (2d Cir. 1986)); see also Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1010 (2d Cir. 1995) (“[R]eckless disregard of the copyright holder’s rights . . . suffices to warrant award of the enhanced damages.”). A plaintiff is not required to show that the defendant “had knowledge that its actions constitute[d] an infringement.” *Id.* at 1010; Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 112 (2d Cir. 2001).

87. 18 AM. JUR. 2D, *supra* note 85.

88. *Id.*

89. *Id.*

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*

94. Lewis R. Clayton, ‘Seagate’s’ *Objective Standard—‘State of Mind’ Irrelevant*, 238 N.Y.L.J. 3, Sept. 6, 2007, available at <http://www.paulweiss.com/resources/pubs/detail.aspx?publication=1634> (“*Underwater Devices* was issued at a time when, the Federal Circuit later said, ‘widespread disregard of patent rights was undermining the national innovation incentive.’”) (quoting Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1343 (Fed. Cir. 2004)).

protecting and fostering innovation. However, times have changed, and the Federal Circuit's jurisprudence is also changing. For the first several years after the Federal Circuit was created, the Supreme Court took few appeals, perhaps because they felt the Federal Circuit was correctly interpreting the law.<sup>95</sup> Recently, the Supreme Court has taken more appeals from the Federal Circuit and has reversed it several times.<sup>96</sup> Some speculate that perhaps the Court is unsettled regarding the pro-patent Federal Circuit.<sup>97</sup> The Federal Circuit has responded by backing away slightly. As a result of widespread disapproval<sup>98</sup> of the due care standard of willfulness, the standard walked right into the crosshairs of a Federal Circuit that is attempting to moderate its pro-patent position.

## II. SEAGATE FIXES SOME ISSUES AND LEAVES SOME UNFINISHED BUSINESS

Faced with a patent litigation suit where the plaintiff was charging willful infringement, Seagate Corporation utilized the "opinion of counsel" defense in an attempt to show that its infringement was based on a good faith belief that the patent at issue was invalid.<sup>99</sup> This tactic then raised the issue of waiver of the defendant's attorney-client privileges and attorney work-product.<sup>100</sup> Seagate voluntarily disclosed the opinion counsel's entire work-product and made the opinion counsel himself available for a deposition.<sup>101</sup> Plaintiff Convolve, Inc. sought to compel, and the district court granted, discovery of much more, including "any communications and work-product of Seagate's other counsel, including its trial counsel."<sup>102</sup> The district court defined the scope of the waiver to extend to any communication concerning the opinion for the time period between when

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95. Tony Mauro, *High Court Case Could Imperil Pending Patents*, LEGAL TIMES, Nov. 28, 2006, available at <http://www.law.com/jsp/article.jsp?id=1164636899425> (noting that, until recently, the Federal Circuit's decisions were usually affirmed).

96. *Id.* (stating that, in the past four years, the Supreme Court has taken nine Federal Circuit appeals and affirmed none).

97. *Id.*

98. See generally Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 BERKELEY TECH. L.J. 1085 (2003).

99. *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1366 (Fed. Cir. 2007).

100. *Id.* at 1369-70.

101. *Id.* at 1366.

102. *Id.* at 1366.



Seagate first gained knowledge of the patents until the infringement ceased.<sup>103</sup> Seagate, faced with potentially very damaging disclosures of confidential communications, petitioned the Federal Circuit for a writ of mandamus, which the court granted.<sup>104</sup>

The court's first item of business was to review the standard announced in *Underwater Devices* that defined willful infringement.<sup>105</sup> The court's reasoning for examining this issue was that a change in the standard of willfulness might change the relevancy of any documents sought by the plaintiff.<sup>106</sup> The court here indicated the need to review the willfulness standard given the subtle interplay between willfulness, due care, and the waiver rules.<sup>107</sup> If the standard for willful infringement were changed from a subjective standard to an objective standard, the plaintiffs might not need to seek privileged documents to make their case, as it would no longer need evidence of the defendant's state of mind.

The court did change the standard, and in the process overruled *Underwater Devices* and the standard of "due care" for determination of willful infringement.<sup>108</sup> In place of "due care", the court stated that the true test is one of "objective recklessness": "Accordingly, to 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."<sup>109</sup> Furthermore, the court said that this objectively defined risk must have been "known or so obvious that it should have been known to the accused infringer."<sup>110</sup> Thus *Seagate* established a

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103. *Id.* at 1367.

104. *Id.*

105. *Id.* at 1368–69.

106. *Id.* at 1371–72. ("While it is true that the issue of willful infringement, or even infringement for that matter, has not been decided by the trial court, it is indisputable that the proper legal standard for willful infringement informs the relevance of evidence relating to that issue and, more importantly here, the proper scope of discovery.")

107. *See id.* at 1367 (reciting the questions for determination and listing as No. 3: "Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 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?") (citation omitted).

108. *Id.* at 1371.

109. *Id.*

110. *Id.*

two-part test for finding willfulness.

The essential reasoning of the court was that precedent has treated willfulness as the linchpin of a finding of treble damages, and the definition of the word “willful” as applied to patent law was different than the definition of “willful” as applied to other areas of law.<sup>111</sup> Therefore, patent law should be “harmonized” with other areas of the law. The court cited *Ebay, Inc. v. MercExchange, L.L.C.*,<sup>112</sup> for the proposition that the Supreme Court approves of harmonizing copyright and patent law.<sup>113</sup> The court briefly reviewed copyright case law that uses “reckless” as the standard for its definition of “willful.”<sup>114</sup> The Federal Circuit also analogized to other areas of the law to support its conclusion that willful equals reckless. Specifically, the Federal Circuit used a Supreme Court decision that addressed the “meaning of willfulness as a statutory condition of civil liability for punitive damages” under the Fair Credit Reporting Act.<sup>115</sup> The Fair Credit Reporting Act had provisions for assessment of increased damages based on a finding of willfulness.<sup>116</sup> In that case willfulness was defined as “reckless disregard of the law.”<sup>117</sup> The court concluded that because other areas of the law define willfulness as recklessness, patent law should as well.<sup>118</sup> The court left further development of the standard open for later cases.<sup>119</sup>

With the affirmative duty of care standard in flames, the court transitioned to the attorney-client privilege issue by stressing that there is “no affirmative obligation to obtain opinion of counsel,”<sup>120</sup> and that the “state of mind of the accused infringer is not relevant to this objective inquiry.”<sup>121</sup> This set the stage for the discussion of the attorney-client

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111. *See id.* at 1370–71.

112. *Ebay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

113. *In re Seagate*, 497 F.3d at 1370.

114. *Id.* (“Under the Copyright Act, a copyright owner can elect to receive statutory damages, and trial courts have discretion to enhance the damages, up to a statutory maximum, for willful infringement. Although the statute does not define willful, it has consistently been defined as including reckless behavior.”) (citation omitted).

115. *Id.* (citing *Safeco Ins. Co. of Am. v. Burr*, 127 S.Ct. 2201 (2007)).

116. 15 U.S.C. § 1681n(a) (2006).

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

118. *Id.*

119. *Id.*

120. *Id.* at 1371.

121. *Id.*

privilege and attorney work-product immunity. Previously, courts often invoked the relevancy of the state of mind of the accused when granting broad discovery access to privileged attorney-client communications and work-product.<sup>122</sup>

The court began by upholding the implied waiver rule, reasoning that opinion counsel communications are relevant to determining whether the objectively reckless risk was “known or so obvious that it should have been known to the accused infringer” and represents the objective business decision regarding whether or not infringement has occurred.<sup>123</sup> This is also based on the premise of fairness: if the defense is going to use the advice of counsel defense, the other side must have access to be able to test that defense.<sup>124</sup>

The court next addressed the trial counsel waiver by holding that “the significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel.”<sup>125</sup> The court contrasted the role of opinion counsel with that of trial counsel, which has a significantly different function and role: to prepare for adversarial litigation.<sup>126</sup> The need for access to the communications between trial counsel and client is strongly counterbalanced by the principles underlying the attorney-client and the attorney work-product privileges.<sup>127</sup>

Furthermore, since the court found that most often trial counsel are retained after filing suit, any probative value would only be to post-filing conduct by the defendant.<sup>128</sup> However, the court further reasoned that since litigation had already begun,

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122. See *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1297 (Fed. Cir. 2006).

123. *In re Seagate*, 497 F.3d at 1371 (Fed. Cir. 2007).

124. *Id.* at 1372 (referring to the “sword and shield” theory of waiver whereby the subject matter scope of the waiver “is grounded in principles of fairness and serves to prevent a party from simultaneously using the privilege as both a sword and a shield; that is, it prevents the inequitable result of a party disclosing favorable communications while asserting the privilege as to less favorable ones”).

125. *Id.* at 1373.

126. *Id.*

127. The court discusses *Hickman v. Taylor*, 329 U.S. 495 (1947), which is really an attorney work-product case, and concludes that the same factors supporting the application of the attorney work-product doctrine apply to the attorney client privilege. Those factors are reduction of inefficiency, unfairness, and sharp practices. *Id.* at 511.

128. *In re Seagate Tech., L.L.C.*, 497 F.3d at 1374.

the patentee could apply for a preliminary injunction to prevent ongoing infringement.<sup>129</sup> If the preliminary injunction was granted, the patentee's rights were protected from future infringement and there was no relevance to having trial counsel's privileged communications or work-product.<sup>130</sup> Moreover, if the preliminary injunction was denied, it was likely because the plaintiff could not meet its burden of showing a substantial likelihood of success at trial, probably because the defendant had shown a substantial question as to invalidity.<sup>131</sup> The court reasoned that the plaintiff was unlikely to be able to meet the new, more stringent, objective reasonableness standard in such a case (again making trial counsel communications and work-product useless).<sup>132</sup> The court strongly hinted that in a case where a patentee sues an alleged infringer and pleads willful infringement but does not move for a preliminary injunction, the patentee "should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct."<sup>133</sup> Implicit in this reasoning is that a patent holder should not be able to sleep on his or her rights (to obtain a preliminary injunction) and then drag a defendant to court for what could be a very long and drawn-out trial while the meter is running on the damages.<sup>134</sup> The court left open for future consideration a case in which the preliminary injunction is denied on grounds other than the likelihood of success on the merits.<sup>135</sup>

The majority opinion continued by holding that the advice of counsel waiver does not extend to the work-product of trial counsel.<sup>136</sup> The court found the same rationales for the existence of the attorney work-product that the Supreme Court articulated in *Hickman* apply with equal force to patent cases.<sup>137</sup> The court did not alter the standard rule that "a party may obtain discovery of work product [by showing] need and

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129. *See id.*

130. *Id.*

131. *Id.* In infringement cases, invalidity is one of the relevant factors a court uses to determine whether to issue a preliminary injunction. *See Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001).

132. *In re Seagate Tech., L.L.C.*, 497 F.3d at 1374.

133. *Id.*

134. *See id.*

135. *Id.* at 1374.

136. *Id.* at 1375.

137. *Id.* at 1376.

hardship.”<sup>138</sup>

Finally, the court granted Seagate’s mandamus and ordered the district court to “reconsider its discovery orders.”<sup>139</sup> This completely overhauled not only the willfulness standard, but also the scope of the attorney work-product and attorney-client privilege doctrine.

### III. CRITICISM AND THE FUTURE DIRECTION OF WILLFULNESS LITIGATION

#### A. THE USE OF COPYRIGHT LAW AS A COROLLARY IN WILLFULNESS INFRINGEMENT.

The majority opinion borrows case law regarding copyright infringement under 17 U.S.C. § 504(c).<sup>140</sup> Copyright opinions define the term “willfully” as used in the statute to mean “reckless” behavior.<sup>141</sup> Thus the *Seagate* majority “harmonized” willfulness between patent law and copyright law. The majority further supported this use of copyright law with a citation to *Ebay, Inc. v. MercExchange, L.L.C.*,<sup>142</sup> in which the Supreme Court majority opinion “not[ed] with approval that its resolution of the permanent injunction standard in the patent context created harmony with copyright law.”<sup>143</sup> In contrast to copyright law, the patent statutes on damages do not mention the word “willfully” at all. Judge Gajarsa’s *Seagate* concurrence, joined by Judge Newman, asserted that the court should not read “willfully” into the statute at all. Thus a comparison with copyright law, which specifically includes the term “willful” in the statute, is inappropriate.<sup>144</sup> The

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138. *Id.*

139. *Id.*

140. The statute provides that a copyright owner, in lieu of actual damages may recover an award of statutory damages of between \$750 and \$30,000. 17 U.S.C. § 504(c)(1). It also provides that where the copyright owner proves that the infringement was “committed willfully,” the court can increase the award to a maximum of \$150,000. *Id.* § 504(c)(2).

141. See, e.g., *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112 (2d Cir. 2001) (“Willfulness . . . means that the defendant ‘recklessly disregarded’ the possibility that its conduct represented infringement.”) (quoting *Hamil America, Inc. v. GFI*, 193 F.3d 92, 97 (2d Cir. 1999)).

142. *Ebay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (cited in *In re Seagate*, 497 F.3d at 1370).

143. *In re Seagate*, 497 F.3d at 1370, quoting *id.*

144. *Id.* at 1378–79 (Gajarsa, J., concurring).

concurring opinion aimed to make the finding of “willfulness” a sufficient but not necessary element of awarding triple damages.<sup>145</sup> The concurring justices would allow a judge control and wide discretion in awarding of punitive damages.

The problem with the concurring opinion’s argument is that it uses a case, *General Motors Corporation v. Devex Corporation*,<sup>146</sup> that refused to graft existing *common law* onto an after-arising statute regarding interest awarded for prevailing plaintiffs in patent infringement suits.<sup>147</sup> Prior to 1946, the Patent Act contained no specific interest provision for prevailing plaintiffs in patent litigation; nonetheless, the court applied a common law standard that when a party had acted in bad faith, the opposing party was entitled to interest.<sup>148</sup> When the Patent Act was modified by Congress to specifically include interest in 1946, the awarding of interest was allocated to the discretion of the court.<sup>149</sup> The *General Motors* court held that no bad faith standard should be read into the statute, thus giving the court broader discretion to award interest.<sup>150</sup> The *Seagate* concurrence reasoned that “[w]hen Congress wishe[s] to limit an element of recovery in a patent infringement action, it [will say] so explicitly.”<sup>151</sup> The problem with this opinion is that it ignores other Supreme Court precedent that explicitly integrates requirements not originally present in the statutes into the statutes themselves based on other similar statutes. A good example is the watershed copyright case of *Sony Corp. of America v. Universal City Studios, Inc.*, in which the Supreme Court upheld the legality of the video cassette recorder.<sup>152</sup> In doing so, it imported the Patent Act’s staple article of commerce provision into copyright law.<sup>153</sup> This provision exempts from the domain of contributory infringement any device that has a substantial non-infringing use.<sup>154</sup> The Court found that the

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145. *Id.*

146. *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983) (refusing to incorporate the common law standard that in the absence of bad faith on the part of the defendant, interest did not accrue on unliquidated damages).

147. *See In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1379 (Fed. Cir. 2007) (Gajarsa, J., concurring).

148. *Id.* at 1379–80.

149. *Id.* at 1380.

150. *See Gen. Motors*, 461 U.S. at 653–54.

151. *In re Seagate*, 497 F.3d at 1380 (Gajarsa, J., concurring).

152. 464 U.S. 417, 456 (1984).

153. *Id.* at 442.

154. 35 U.S.C. § 271(c) (2006) (“Whoever offers to sell or sells within the

VCR had a substantial non-infringing use as a device that facilitated “time shifting.”<sup>155</sup>

Furthermore, any argument against harmonization ignores other cases that have interpreted patent and copyright law similarly. For example, copyright law has provisions for awarding attorney’s fees for prevailing parties at the discretion of the court.<sup>156</sup> A split developed in the circuit courts over the standard a plaintiff must meet, as opposed to the standard a defendant must meet, to be entitled to an award of attorney’s fees if that party prevails at trial.<sup>157</sup> One line of cases held that a defendant was allowed attorney’s fees if it could prove that the suit was frivolous or brought in bad faith, while the plaintiff was allowed attorney’s fees as a matter of course.<sup>158</sup> The other line of cases applied the same standard to both the plaintiff and defendant winners.<sup>159</sup> The Supreme Court, in *Fogerty v. Fantasy, Inc.*,<sup>160</sup> resolved this split by holding that the standard should be the same for plaintiffs and defendants.<sup>161</sup> The court, in a footnote, compared its holding to the patent statute, which contained more specific language that was interpreted to be undifferentiated as to the party claiming the attorney’s fees.<sup>162</sup>

These examples indicate that the Supreme Court will apply analogous rules when policy so requires. The Court in *Sony* and *Fogerty* and the Federal Circuit in *Seagate* implicitly

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United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.”) (emphasis added).

155. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984). “Time shifting” is the process of recording a live television broadcast and watching it later. *Id.* at 421.

156. 17 U.S.C. § 505 (2006). (“In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney’s fee to the prevailing party as part of the costs.”).

157. *See Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520–21 (1994).

158. *See id.* at 520–21.

159. *See id.* at 521.

160. *Id.* at 517.

161. *Id.* at 534.

162. *Id.* at 525 n.12.

recognized that at some points in time—particularly the remedy phase of an infringement action—the policies of the copyright and patent statutes are implicitly the same or very similar. The idea of both areas of law is to compensate the injured party and deter egregious conduct. Thus, applying principles of patent law to copyright law and vice versa is not unjustifiable, even if the court were to add restrictions on statutory language that is not explicit in the statute.

The *Seagate* concurrence provided examples to support its reasoning that the awarding of triple damages should not be confined to simply cases about willfulness.<sup>163</sup> One of these examples involved a case where the patentee could not prove the amount of damages suffered at the hands of an infringer.<sup>164</sup> Thus in that case it would be difficult to adequately compensate the injured plaintiff and triple damages might be appropriate despite a lack of willfulness. Indeed if the principles above regarding the merger of patent and copyright laws at the point of remedy are to be followed, one would point out that the copyright law has a statutory provision awarding statutory damages at the election of the copyright holder.<sup>165</sup> Thus one might argue that a reading of the Patent Act that would incorporate some element of discretion to the trial court beyond a finding of willfulness in awarding increased damages might be a necessary corollary. In many ways the concerns the *Seagate* concurrence used to support the theory that increased damages can be awarded for circumstances outside of willfulness can be ameliorated without upsetting the holding of *Seagate*. In those cases, one might read something into the patent law—namely that since copyright law recognizes other situations in which these increased damages might be appropriate, patent law might as well.

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163. *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1377 (Fed. Cir. 2007) (Gajarsa, J., concurring) (“I believe we should adhere to the plain meaning of the statute and leave the discretion to enhance damages in the capable hands of the district courts.”).

164. *Id.* at 1378 (Gajarsa, J., concurring) (“For example, assume that a substantial portion of a defendant’s sales data is inadvertently but irretrievably lost prior to discovery.”).

165. 17 U.S.C. § 504(c)(1) (“[T]he copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$750 or more than \$ 30,000 as the court considers just.”).



## B. FUTURE DIRECTION AND RAMIFICATIONS

## 1. What factors will be relevant to courts in assessing whether an infringement was willful?

The *Seagate* court held that to 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.”<sup>166</sup> The court stressed that “[t]he state of mind of the accused infringer is not relevant to this objective inquiry.”<sup>167</sup> The court chose not to provide additional guidance for finding willfulness<sup>168</sup> but did suggest in a footnote that courts might apply “the standards of commerce.”<sup>169</sup> The “standards of commerce” is not a term of art, so this clarification added little other than to perhaps point a court to look at commercial policy implications when determining which factors to consider.

After *Seagate*, litigants can likely still present evidence of an intentional copying by the defendant to prove that the defendant “willfully” copied the patented invention. But, in the absence of such evidence, the plaintiff will likely try to show that the defendant’s actions after learning of the plaintiff’s patent were objectively unreasonable. Where the plaintiff does not possess direct evidence of willfulness, it may nevertheless present sufficient circumstantial evidence of willfulness to cause a court to infer willfulness when the rigorous “objectively unreasonable” standard is applied. The question becomes: What factors should a court examine to determine whether the defendant’s actions were objectively unreasonable?<sup>170</sup>

One way a plaintiff will attack a defendant’s actions is to show that the defendant’s reading of the plaintiff’s patent was objectively unreasonable. There are two related factors, already laid out by the Federal Circuit prior to *Seagate*, used to determine willful infringement that remain relevant: closeness of the case and defendant’s size and financial condition.

If a court believes the infringement violation was a close call, the closeness would tend to show that the actions of the

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

167. *Id.*

168. *Id.* (“We leave it to future cases to further develop the application of this standard.”).

169. *Id.* at 1371 n.5.

170. I.e., What types of evidence will tend to indicate willfulness?

defendant infringer were not objectively reckless. Indeed, the *Seagate* court hinted that this would be an important factor in determining willful infringement.<sup>171</sup> The *Seagate* court stated that to avoid a preliminary injunction a defendant must show “a substantial question as to invalidity,” and thus if the court denies a preliminary injunction, the defendant’s actions would not likely be objectively reckless.<sup>172</sup>

The use of this factor also comports with copyright law’s use of a similar factor, “a substantial defense to infringement,” in determining objective recklessness.<sup>173</sup> Other areas of the law are in accord; for example, the Supreme Court’s interpretation of objective recklessness in *Safeco Ins. Co. of America v. Burr*.<sup>174</sup> In *Safeco*, the Court discussed the Fair Credit Reporting Act’s (FCRA) requirement that if any adverse action is taken against a consumer on the basis of his credit report, the consumer must be notified of the action.<sup>175</sup> Any willful violation results in civil liability.<sup>176</sup> The Court in *Safeco* concluded that a “reckless” disregard of the notice requirement met the “willful” standard.<sup>177</sup> As part of its analysis, the Court found that one of the defendants, Safeco, violated the notice provision but not willfully. It concluded that Safeco’s reading of the statute was a reasonable one and thus not objectively reckless.<sup>178</sup> Note that this factor is entirely objective and does not include any elements of what the defendant actually believed. Thus if the defendant actually believed that he had a good defense, but its defense was objectively unreasonable, then this factor has not been met.

Additionally, we might expect more sophisticated parties such as a large corporation or an inventor with particular

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171. *In re Seagate Tech., L.L.C.*, 497 F.3d at 1374 (Plaintiffs unable to meet probability of success factor in preliminary injunction standard unlikely to win willfulness argument). If the case is a close one, probability of success should be lower and thus it should be less likely that willfulness will be shown.

172. *Id.* (“Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.”).

173. *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112 (2nd Cir. 2001).

174. *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2208–10 (2007).

175. *See id. passim*; 15 U.S.C. § 1681m(a) (2006).

176. 15 U.S.C. § 1681n(a) (2006).

177. *Safeco*, 127 S. Ct. at 2209.

178. *Id.* at 2216 n.20 (“Where, as here, the statutory text and relevant court and agency guidance allow for more than one reasonable interpretation, it would defy history and current thinking to treat a defendant who merely adopts one such interpretation as a knowing or reckless violator.”).

knowledge of the patent system to be more diligent in avoiding infringement. This factor would support the second part of the court's new test: whether the infringing party knew or should have known of the objectively high risk that it was infringing.<sup>179</sup> Thus, a small start-up company perhaps cannot reasonably be required to spend up to \$100,000 for an infringement opinion. However, larger companies with more resources and internal patent law departments perhaps might be reasonably expected to expend larger amounts on avoidance of infringement. Several copyright cases also support this principle.<sup>180</sup>

Another broader set of factors that might be applicable to a patent infringement action could be loosely categorized as "remedial factors." These factors would establish that the defendant attempted to remedy the infringement once it learned of the plaintiff's patents. One important consideration from a policy perspective in this category would be a serious attempt at designing around a patent. Some copyright cases hold that a serious attempt at differentiation of the accused product and the copyrighted work can support a finding that there exists no willful infringement.<sup>181</sup> This factor clearly is supported by the overall goals of the patent system.<sup>182</sup> A primary purpose of the patent system is to disseminate

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179. *See In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

180. *Compare Hickory Grove Music v. Andrews*, 749 F. Supp. 1031 (D. Mont. 1990) (finding no willfulness when an unsophisticated restaurant owner went to the library and researched a home use exemption to copyright law but was ultimately wrong in his conclusion), *with Castle Rock Entm't v. Carol Publ'g Group*, 955 F. Supp. 260 (S.D.N.Y. 1997), *aff'd*, 150 F.3d 132 (2d Cir. 1998) (holding that a copyright infringement in which the book's author was an attorney and the publisher was familiar with copyright law supported willfulness finding).

181. *Lyons P'ship v. Morris Costumes, Inc.*, 243 F.3d 789, 800 (4th Cir. 2001) (finding that an attempt to differentiate a product from a copyrighted product was evidence that the infringement was not willful).

182. "According to the Federal Circuit, the ability to design around an existing patent is a benefit of a patent system that ensures a 'steady flow of innovations to the marketplace.'" Joshua Stowell, Comment, *Willful Infringement and the Evidentiary Value of Opinion Letters after Knorr-Bremse v. Dana*, 2005 DUKE L. & TECH. REV. 15 (2005) available at <http://www.law.duke.edu/journals/dltr/articles/pdf/2005dltr0005.pdf> (citing and quoting William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Infringement*, 41 HOUS. L. REV. 393, 419 (citing *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268 (Fed. Cir. 1985))).

knowledge of new inventions and to facilitate the invention of derivative works, as well as to spur the marketplace to find a new and better way of accomplishing the same task. This includes finding ways around the patent's limits and protections. Patent law should encourage inventors to make a good faith effort to design around a patent because it promotes more inventive behavior by allowing competition. What constitutes a sufficient design around, however, is uncertain prior to a court ruling.<sup>183</sup> Thus, any good faith effort at design around should be allowed as a defense to willful infringement. There might be other, unlisted considerations that would fall under this broad "remedial" category as well. For example, where the defendant halted all infringing activities upon learning of the patent. Indeed many of these factors find support in pre-*Seagate* decisions.<sup>184</sup>

When faced with accusations of infringement, a potential defendant must make a choice as to whether to continue the infringing activity, stop the infringement activity, modify its conduct so as not to infringe, or take other actions to deal with the situation. *Seagate* and the factors identified above that would be relevant to the determination of willfulness suggest that courts should simply look at how this process of decision making was carried out in order to determine willfulness instead of focusing so much on the patent opinion. Courts could look to corporate law and adopt a simpler framework that requires two factors: sufficient gathering of information given the circumstances and sufficient evidence of adequate deliberation. A valid patent opinion would become simply one means for satisfying the information requirement. These requirements would be flexible based on the circumstances such as the size and financial condition of the company, the time in which the decision must be made, and other factors that would normally be expected to affect an informed decision.

This approach is likely to comport with the court's endorsement of factors of commercial fairness that it suggested would be relevant.<sup>185</sup> This test would use the recklessness

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183. See *infra* note 191 for discussion of a case in which infringement of the patent hinged upon the meaning of one word.

184. See Stowell, *supra* note 182 (collecting cases that refused to find willfulness upon a showing that the defendant, in good faith, attempted to design around the patent or abandoned the infringing activity upon getting notice of the existence of the patent).

185. *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1371 n.5 (Fed. Cir. 2007).

standard. Consideration of the two factors provided above would reflect a true understanding of the nature of the business and patent world as many of the litigants are companies and entrepreneurs who are not skilled patent attorneys. They are making decisions in real time, often with inadequate information, that have potentially grave consequences for their companies.<sup>186</sup> The approach reflects the fiduciary duty of care that directors are held to with regard to corporate transactions. Directors can be held personally liable for decisions that lack any rational basis<sup>187</sup> or are otherwise unreasonable.<sup>188</sup> These directors are further insulated by the business judgment rule, which presumes that corporate activities are proper.<sup>189</sup> Indeed, this corporate doctrine comports with the partnership statutes in many states that hold partners liable only for gross negligence.<sup>190</sup>

The idea behind both the business judgment rule and the process framework is that courts need to recognize that being successful in business and the progress of technology entails taking risks often based on inadequate information.<sup>191</sup>

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186. *See supra* note 8.

187. *See* *Litwin v. Allen*, 25 N.Y.S.2d 667 (Sup. Ct. 1940) (holding that a business decision that lacks a rational basis can give rise to personal liability on the part of the directors).

188. *See* *Smith v. Van Gorkom*, 488 A.2d 858 (Del. 1985) (holding that a failure of adequate process can result in personal liability of a director); *see also* MINN. STAT. §302A.251(1) (2008).

189. *Van Gorkom*, 488 A.2d at 872.

190. *See e.g.*, MINN. STAT. §323A.0404(c) (2008) (“A partner’s duty of care to the partnership and the other partners in the conduct and winding up of the partnership business is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of the law.”).

191. *See* *Shlensky v. Wrigley*, 237 N.E.2d 776, 778–79 (Ill. App. Ct. 1968); *see also* MINN. STAT. ANN. § 302A.251 general cmt. (West 2007) (“Retention of [the business judgment rule] is essential as an incentive to directors to take corporate risks that may lead to corporate profits . . .”). In the patent world, a business simply cannot predict how a court is likely to rule regarding the scope of their claims or their competitor’s claims until litigation. Despite this high uncertainty, decisions in this field can have tremendous consequences for companies. This would not be unusual for litigation in general; however for patents the issue is more profound as patent cases turn on the interpretation often of one word. For example, “the interpretation of the word ‘reference’ in the phrase ‘reference means’ was a \$51 million issue in a recent case.” MERGES & DUFFY, *supra* note 12, at 804 (citing *Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersysteme GmbH*, 417 F. Supp. 2d 1188 (D. Colo. 2006), *aff’d* 222 F. App’x 952 (Fed. Cir. 2007)).

Allowing firms some room for error increases the likelihood that firms will want to explore new technological areas and take innovative risks.

While not an exhaustive list of the factors likely relevant in a court's willfulness determination, these factors would likely be important to any such determination. To summarize, based on current copyright law and other sources of law, courts likely will consider the following factors (among other possible factors) in making a finding of willfulness based on objectively reckless behavior: 1) the closeness of the case and the defendant's good faith belief of non-infringement; 2) the defendant's level of sophistication, including size and financial condition; 3) the defendant's serious attempts at designing around a patent or mitigating infringing conduct; and courts might consider 4) the defendant's internal processes when confronted with infringement claims. One interesting point to note is that all of these factors are somewhat interrelated. For example, closeness of the case, reasonable defense, and process factors might be applied slightly differently depending on the sophistication of the parties and so forth.

## 2. Effect of Seagate

One of the biggest complaints with the "due care" standard was that the Federal Circuit often over scrutinized the opinions of counsel.<sup>192</sup> If the opinion was not technically correct in the slightest of details, the Federal Circuit figured that it was unreasonable to rely on that opinion and would find willfulness despite a contrary interpretation by the opinion counsel.<sup>193</sup> The Federal Circuit essentially treated business leaders as patent experts as a result of its dissection of counsel's opinions being very thorough. This, coupled with the charge of opinion shopping if companies obtained multiple opinions, put business leaders in a precarious situation. They essentially had one shot to find a very good patent attorney. This focus on the opinion also led courts to approve attorney-client privilege waivers for opinions relied upon. Often courts extended these waivers to trial counsel as well.

With the advent of the new "objective recklessness" standard, the Federal Circuit and courts likely will back away from their opinion nitpicking, for the new standard is not only

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192. See, e.g., *YBarbo*, *supra* note 62, at 67.

193. *Id.*

an objective standard but a more stringent “reckless” standard instead of simple negligence. An opinion rendered by a trained patent professional that clears the defendant of infringing would likely allow a potential infringer to escape triple damages. However, there might be some cases in which the patent opinion is so egregious and the company sophisticated enough in patent law such that the company should have known not to rely on that particular patent opinion. This would all be analyzed under the factors regarding the business decision making process as well as the sophistication of the parties.

Furthermore, as this standard is more difficult for plaintiffs to meet, it would be expected that the amount of summary judgment rulings early in the patent litigation process would increase to dispose of the willful infringement counts.<sup>194</sup>

Finally with the ruling on attorney-client privilege waiver not extending to trial counsel, the whole thrust of Seagate’s motivation to seek the mandamus in the first place, this Comment would expect that companies would continue to seek independent trial and opinion counsel to make sure they can maintain trial counsel attorney-client privilege.<sup>195</sup>

#### IV. CONCLUSION

In conclusion, *Seagate* overturned a previous decision in *Underwater Devices* that had established an affirmative duty of care for potential infringers to avoid a finding of willfulness and triple damages.<sup>196</sup> The court used interpretations of what the word “willful” means in copyright and other statutes to conclude that to establish a willful violation of the statute requires a showing of objective recklessness.<sup>197</sup> This means that “to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions

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194. See Boyd, *supra* note 9.

195. See WILLIAM M. ATKINSON, ALSTON & BIRD, L.L.P., INTELLECTUAL PROPERTY ADVISORY: WILLFULNESS REDEFINED: IN RE SEAGATE (Aug. 30, 2007), <http://www.alston.com> (follow “Resources: Advisories” hyperlink; then follow article title hyperlink).

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

197. See *id.*

constituted infringement . . . .”<sup>198</sup>

In doing so, the court did not address what factors, if any, would be important to courts in determining whether a defendant had acted in an objectively reckless manner.<sup>199</sup> Despite this, there are two good sources for finding guideposts for future decisions. First, look at which factors were used in the past that are still consistent with the new objective recklessness standard. Second, look at some of the factors of willfulness that copyright and other analogous areas of law have developed.

Applying this process, this Comment has shown several factors likely to be important. They include: 1) closeness of the case, 2) defendant’s size and financial condition, 3) failures of the potential infringer to follow objectively reasonable processes in evaluating claims of patentees, and 4) remedial efforts upon learning of the patent at issue, such as a product redesign. While these factors are not the only factors a court is likely to consider, they are a start at attempting to articulate a court’s methodology. The benefit of having these as a starting point is to allow companies and other interested parties to have some idea of how to structure their conduct. These factors and the court’s hint at commercial standards could suggest a framework shift that focuses on adequacy in the defendant’s decision making process and not the final decision itself.

Finally, *Seagate* is likely to help companies faced with patent litigation suits maintain their attorney client privilege with their trial counsel.<sup>200</sup> To take advantage of this ruling, companies will likely rely even more heavily on separate opinion and trial counsel. Also, while an opinion will still be very important, as it is the best way for a defendant to show lack of objective recklessness, the opinion a defendant obtains will be less likely to be picked apart by the court in the willfulness phase and more likely to be a bullet-proof shield that the company may use to defend against a willfulness finding.

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198. *Id.*

199. *Id.*

200. *Id.* at 1373.