

IN RE SEAGATE TECHNOLOGY LLC: A CLEAN SLATE FOR WILLFULNESS

By Danny Prati

Several recent Supreme Court decisions make it more difficult for patentees to enforce their patent rights.¹ In *In re Seagate*, the Federal Circuit followed this trend in addressing two principal issues.² First, the court drastically altered the willfulness standard in patent infringement cases, from a standard akin to negligence to one of recklessness.³ Second, the court narrowed the scope of the waiver of attorney-client privilege and work product protection created by the “advice of counsel” defense in patent infringement suits.⁴ Although both changes putatively favor alleged infringers, the Federal Circuit left future courts with wide latitude to define the contours of patent law’s new willfulness doctrine.

A patentee whose patent rights are infringed is entitled to adequate compensation.⁵ Additionally, § 284 of the Patent Act allows the court to treble damages depending on the infringer’s conduct.⁶ Although the statute does not enumerate circumstances that trigger enhanced damages, a finding of willful infringement is a *de facto* requirement for enhanced dam-

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1. *See, e.g., KSR Int’l Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007) (relaxing the obviousness standard in some cases); *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007) (precluding infringement for foreign reproduction of U.S. patented software); *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) (relaxing jurisdictional requirements for declaratory judgment actions); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (making it more difficult to obtain an injunction); *See also* Justin Lee, Note, *How KSR Broadens (Without Lowering) the Evidentiary Standard of Nonobviousness*, 23 *BERKELEY TECH. L.J.* 15 (2008) (noting that some patents will be harder to enforce); Sean Fernandes, Note, *Microsoft Corp. v. AT&T: A Welcome Return to Patent Law’s Tradition of Territoriality*, 23 *BERKELEY TECH. L.J.* 75 (2008); Jennifer R. Saionz, Note, *Declaratory Judgment Actions in Patent Cases: The Federal Circuit’s Response to MedImmune v. Genentech*, 23 *BERKELEY TECH. L.J.* 161 (2008) (arguing that *MedImmune* creates an incentive for infringers to file suit first and ask for a settlement license later). Reasons or motivations for the trend are outside the scope of this Note.

2. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1365 (Fed. Cir. 2007) (en banc), *cert. denied*, 2008 U.S. LEXIS 2153 (Feb. 25, 2008).

3. *Id.* at 1371 (referring to the affirmative duty established in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983)).

4. *Id.* at 1374-76.

5. *See* 35 U.S.C. § 284 (2000).

6. *Id.*

ages under Federal Circuit precedent.⁷ In developing the willfulness doctrine, the Federal Circuit imposed an affirmative duty of “due care” on a potential infringer to determine whether it infringes after learning of another’s patent.⁸ Breach of that duty could result in a finding of willfulness. Although the willfulness doctrine has evolved through Federal Circuit jurisprudence, the affirmative duty has remained relatively unchanged for over twenty years.⁹

Prior to *Seagate*, as part of the affirmative duty, parties would retain competent legal advice to evaluate potential infringement.¹⁰ Favorable legal advice provided a defense to willfulness, commonly known as the advice of counsel defense.¹¹ Under this defense, an infringer who reasonably relies on competent legal advice does not “willfully” infringe if the legal advice concludes that the patent is invalid, unenforceable or not infringed. However, when a party asserts the advice of counsel defense, it waives attorney-client privilege and work product immunity.¹² The scope of these waivers varies from case to case. Prior to *Seagate*, some courts extended the waivers to trial counsel while others only extended the waivers to opinion counsel.¹³

In *Seagate*, the Federal Circuit, sitting *en banc*, held that a patentee must show at least “objective recklessness” to prove willfulness.¹⁴ As a result of this new willfulness standard, the court explicitly abandoned the affirmative duty on potential infringers.¹⁵ The court also held that, in general, the waiver of attorney-client privilege and work product protection resulting from the advice of counsel defense does not extend to trial counsel.¹⁶

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

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

9. *See* Knorr-Bremse Sys. Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.2d 1337, 1344 (Fed. Cir. 2004) (*en banc*).

10. *Underwater Devices*, 717 F.2d at 1390.

11. *See, e.g., In re Seagate Tech., LLC (Seagate)*, 497 F.3d 1360, 1365 (Fed. Cir. 2007).

12. 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03[4][b][v][J] (2007).

13. *Seagate*, 497 F.3d at 1373; *see, e.g.,* Intex Recreation Corp. v. Team Worldwide Corp., 439 F. Supp. 2d 46, 52-53 (D.D.C. 2006) (extending waiver to trial counsel with limitations); *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 454 F. Supp. 2d 957, 959 (N.D. Cal. 2006) (extending waiver to trial counsel); *Collaboration Props., Inc. v. Polycom, Inc.*, 224 F.R.D. 473, 476-77 (N.D. Cal. 2004) (declining to extend waiver to trial counsel).

14. *Seagate*, 497 F.3d at 1371.

15. *Id.*

16. *Id.* at 1374-76.

Part I of this Note introduces the willfulness doctrine and the waiver associated with the advice of counsel defense. Part II describes the *Seagate* decision and Part III discusses its probable implications. Finally, Part IV presents issues that remain post-*Seagate* and offers suggestions for resolving those issues in the future.

I. INTRODUCTION

A. Enhanced Damages in Patent Law

A patentee who has prevailed at patent litigation is entitled to compensatory damages in the form of lost profits or reasonable royalties.¹⁷ The Patent Act also allows courts to treble these damages but does not specify conditions that trigger enhanced damages.¹⁸ Most significantly, the statute does not explicitly mention willful infringement. In the absence of statutory guidance, courts have formulated the willfulness doctrine to determine when enhanced damages should be awarded.

1. Purposes of Enhanced Damages

The Federal Circuit primarily uses enhanced damages to serve punitive goals such as punishing and deterring flagrant infringement.¹⁹ For this reason, the Federal Circuit views the egregiousness of the defendant's conduct as the paramount consideration.²⁰ Without enhanced damages, a knowing infringer would be more likely to risk infringement and less likely to negotiate a license.

Enhanced damages may also serve a compensatory purpose, but the Federal Circuit has not generally accepted that purpose.²¹ In cases where actual damages are difficult or impossible to prove, a court might increase

17. See 35 U.S.C. § 284 (2000).

18. See *id.* The statute does, however, prohibit enhanced damages for provisional rights.

19. *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1580 (Fed. Cir. 1991); See also *CHISUM*, *supra* note 12, § 20.03[4][b][v] (“The Federal Circuit’s decisions have reenforced the notion that multiple damages is primarily a punitive provision to deter willful infringement of patents.”).

20. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (“The paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant’s conduct based on all the facts and circumstances.”).

21. *Seagate*, 497 F.3d at 1378-79 (Gajarsa, J., concurring) (“We have recognized a remedial aspect of such damages in at least three precedential opinions.”); *id.* at 1384 (“To be sure, the majority rule has been that an award of enhanced damages pursuant to section 284 requires a finding of willfulness.”).

damages to help properly compensate the patentee.²² Also, a court might compensate a patentee with enhanced money damages rather than granting a permanent injunction.²³ Such increased monetary relief may be appropriate when the court determines a permanent injunction is not necessary to avoid manifest injustice or a multiplicity of suits. However, courts are reluctant to refuse to grant an injunction because it directly impinges on a patentee's statutory right to exclude.²⁴

2. *Willfulness in Patent Law*

Patent infringement is a strict liability offense requiring no proof of intent, culpability, or motivation.²⁵ However, the Federal Circuit requires demonstrated culpability, typically in the form of willful infringement, to merit an award of enhanced damages.²⁶ The standard for willfulness before *Seagate* required a court to “find by clear and convincing evidence in view of the totality of the circumstances that [the infringer] acted in disregard of the [patentee's] patent and lacked a reasonable basis for believing it had a right to do what it did.”²⁷

A finding of willfulness allows, but does not require, a court to award enhanced damages.²⁸ Once willfulness is established, courts have broad discretion in deciding by how much to increase damages, if at all.²⁹ In

22. *Trio Process Corp. v. L. Goldstein's Sons, Inc.*, 638 F.2d 661, 663 (3d Cir. 1981) (“Because it is often difficult in patent litigation to measure with mathematical precision a patentee's damages, the enhancement provision of the statute is designed to permit, inter alia, adequate compensation for an infringement where strict legal rules would not afford it.”).

23. *Seagate*, 497 F.3d at 1378 (Gajarsa, J., concurring) (“[I]n order to avoid manifest injustice, a multiplicity of suits, etc., the district court might reasonably determine that monetary relief in the form of enhanced damages is more appropriate than an injunction.”); see also *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

24. See generally *eBay*, 547 U.S. 388; see also 35 U.S.C. § 271 (2000).

25. *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 n.2 (Fed. Cir. 1996) (“Infringement itself . . . is a strict liability offense, . . . and a court must award ‘damages adequate to compensate for the infringement,’ 35 U.S.C. § 284, regardless of the intent, culpability or motivation of the infringer.”).

26. *Beatrice Foods Co. v. New Eng. Printing & Lithographing Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991) (“Under our cases, enhanced damages may be awarded only as a penalty for an infringer's increased culpability, namely willful infringement or bad faith.”).

27. *Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 181 (Fed. Cir. 1994).

28. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (“[A] finding of willful infringement does not mandate that damages be enhanced, much less mandate treble damages.”).

29. *Id.*

Read Corp. v. Portec, Inc., the Federal Circuit offered nine factors courts can use to evaluate an infringer's culpability and determine whether to enhance damages.³⁰ However, not all of the *Read* factors apply on the facts of every case and there exists no consistent or predictable method that courts use to enhance damages.³¹

Willfulness as a prerequisite to enhanced damages is not unique to patent law. Under the Copyright Act, a copyright owner who elects to receive statutory damages can also receive enhanced damages for willful infringement.³² Similarly, a defendant in violation of the Fair Credit Reporting Act (FCRA) may be civilly liable for punitive damages if the failure to comply is willful.³³ Unlike the Patent Act, however, both the Copyright Act and the FCRA contain the term "willful" in the statute.

Prior to *Seagate*, the Federal Circuit's standard for willfulness in patent law was inconsistent with the general understanding of willfulness in the other contexts.³⁴ The typical minimum standard for punitive damages in other areas of civil law is recklessness.³⁵ In the FCRA context, for example, the Supreme Court stated that the recklessness standard for willfulness comports to the common law usage "which treated actions in 'reckless disregard' of the law as 'willful' violations."³⁶ Likewise, *Black's Law Dictionary* defines recklessness as "[c]onduct whereby the actor does not desire harmful consequence but nonetheless foresees the possibility and consciously takes the risk."³⁷

In contrast, prior to *Seagate*, an accused infringer had an affirmative duty of due care, and breach of that duty could result in a finding of will-

30. *Id.* at 827-28. The factors include: (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) the defendant's size and financial condition; (5) the closeness of the case; (6) the duration of defendant's misconduct; (7) the remedial action by the defendant; (8) the defendant's motivation for harm; and (9) whether defendant attempted to conceal its misconduct. *Id.*

31. *See, e.g., Datascope Corp. v. SMEC, Inc.*, 14 U.S.P.Q.2d 1071, 1074 (D.N.J. 1990) (finding that willful, but not blatant infringement justified a 50% increase in damages); *see also Chisum v. Brewco Sales & Mfg.*, 726 F. Supp. 1499, 1514 (W.D. Ky. 1989) (holding that lost profits should be doubled rather than trebled because the infringement was not egregious enough).

32. 17 U.S.C. § 504(c)(2) (2000).

33. 15 U.S.C. § 1681n(a) (2000).

34. *Seagate*, 497 F.3d at 1371.

35. *Id.* at 1371.

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

37. BLACK'S LAW DICTIONARY 1298 (8th ed. 2004).

fulness, which is more akin to negligence. In his part concurring, part dissenting opinion, Judge Dyk of the Federal Circuit, in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, expressed his view that enhanced damages for failing to satisfy the duty of due care was inconsistent with Supreme Court precedent and possibly raised a Constitutional issue.³⁸ Against this backdrop, in *Seagate*, the Federal Circuit modified the willfulness doctrine—perhaps preemptively to avoid this Constitutional issue—to be more consistent with other areas of the law.

Although the Federal Circuit used the pre-*Seagate* willfulness standard for over twenty years, many criticized the use of the standard. For example, in a concurring opinion to *Seagate*, Judge Gajarsa expressed his opinion that the court should have taken the opportunity to reevaluate the enhanced damages clause of the Patent Act and eliminate the *de facto* willfulness requirement.³⁹ In Judge Gajarsa's opinion, willfulness may be sufficient for awarding enhanced damages but it should not be necessary.⁴⁰ Instead, Judge Gajarsa believes that district court judges should award enhanced damages at their discretion rather than only for exceptional circumstances.⁴¹

In spite of such criticism, the willfulness doctrine plays a significant role in patent law. Then-Professor Kimberly Moore (now a Federal Circuit Judge) conducted an empirical study on willful infringement and found that plaintiffs plead willfulness 92.3% of the time.⁴² Of the cases where the issue of willfulness was actually decided, slightly more than half resulted in a willfulness finding.⁴³ When a jury found willfulness, judges

38. *Knorr-Bremse Sys. Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1348 (Fed. Cir. 2004) (Dyk, J., dissenting) (“There is a substantial question as to whether the due care requirement is consistent with the Supreme Court cases holding that punitive damages can only be awarded in situations where the conduct is reprehensible. . . . [T]he majority properly refrains from addressing this constitutional issue . . .”).

39. *Seagate*, 497 F.3d at 1376-77.

40. *Id.* at 1381.

41. *Id.* at 1377.

42. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 232 (2004). The empirical study began by collecting all patent infringement cases that terminated during litigation from 1999-2000—totaling 4254 cases. From that dataset, the researchers selected 2100 cases, which was then reduced to 1721 after declaratory judgment actions and appeals from the USPTO were eliminated. *Id.* at 230-31.

43. *Id.* at 236. Of the 4,254 cases in the two year study, the issue of willfulness was determined by the fact-finder in only 143 cases. In bench trials, judges found the infringer willful in 60.4% of the cases compared to juries finding the infringer willful in 56% of the cases. *Id.*

enhanced the damages 36.8% of the time.⁴⁴ Not surprisingly, judges enhanced damages much more often (87%) when willfulness was found during a bench trial.⁴⁵ Few enhanced damage awards approached the statutory maximum of treble damages,⁴⁶ but few willfulness findings were reversed on appeal.⁴⁷ Therefore, although willfulness is not an issue in every patent infringement suit, the substantial possibility of enhanced damages makes willfulness a significant aspect of patent litigation.

B. Advice of Counsel as a Defense to Willfulness

Congress created the Federal Circuit in 1982 to exercise exclusive appellate jurisdiction over cases arising under the patent laws.⁴⁸ At the time, “widespread disregard for patent rights was undermining the national innovation incentive.”⁴⁹ In 1983, the Federal Circuit’s *Underwater Devices* decision established that as part of a party’s affirmative duty upon receiving actual notice of another’s patent rights, the party must retain competent legal advice before taking part in potentially infringing activity.⁵⁰ Potential infringers commonly seek this advice in the form of opinion letters.⁵¹ Opinion letters typically conclude that the patent is invalid, unenforceable, and/or not infringed⁵² and therefore may serve as a defense to a charge of willfulness. Although willfulness is determined using a totality of the circumstances test, the advice of counsel defense is central in determining willful infringement.⁵³

In 1986, in *Kloster Speedsteel AB v. Crucible Inc.*, the Federal Circuit held that courts could infer bad faith if an accused infringer did not obtain a legal opinion.⁵⁴ This so-called “adverse inference” allowed courts to presume that the accused infringer 1) knew that it was infringing and intentionally chose not to obtain an opinion, or 2) was acting with willful igno-

44. *Id.* at 237.

45. *Id.*

46. *Id.* (“Judges only trebled damages in 8.7% of the cases where they found willfulness.”).

47. *Id.* at 236-38.

48. CHISUM, *supra* note 12, § 20.03[4][b][v].

49. *Knorr-Bremse Sys. Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.2d 1337, 1343 (Fed. Cir. 2004).

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

51. *Seagate*, 497 F.3d at 1369.

52. *Id.* In other words, typically, only favorable opinions are committed to paper.

53. *Id.*; *see also* Carol Johns, Note, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.: A Step in the Right Direction for Willful Infringement*, 20 BERKELEY TECH. L.J. 69, 74 (2005).

54. 793 F.2d 1565, 1580 (Fed. Cir. 1986).

rance.⁵⁵ If an accused infringer had obtained an opinion but refused to produce it at trial, the court could conclude that the opinion was incriminating.⁵⁶

The Federal Circuit recently eliminated the adverse inference from the willfulness inquiry in *Knorr-Bremse*,⁵⁷ but did not overrule the affirmative duty set out in *Underwater Devices*.⁵⁸ Taken together, an accused infringer remained under an affirmative duty of due care, but no adverse inference could be drawn from failure to obtain legal advice or refusal to produce legal advice at trial.⁵⁹ Despite the overruling of the adverse inference in *Knorr-Bremse*, accused infringers continued to seek the advice of counsel to thwart enhanced damages.⁶⁰

The remaining *Underwater Devices* affirmative duty created two undesirable results. First, potential infringers incurred large costs by obtaining the advice of counsel.⁶¹ Because the duty under *Underwater Devices* did not begin until the potential infringer had “actual notice” of another’s patent rights, patentees would often send “charge letters” to potential infringers.⁶² The letters were motivated by a desire to trigger the duty, which could lead to enhanced damages if a court later found infringement. After receiving such a letter, potential infringers might spend \$20,000-\$100,000 on a legal opinion to, in part, secure the advice of counsel defense.⁶³ Some

55. *Id.*; see also Johns, *supra* note 53, at 76.

56. *Kloster*, 793 F.2d at 1580.

57. *Knorr-Bremse Sys. Fuer Nutzfahrzeuge Gmbh v. Dana Corp.*, 383 F.2d 1337, 1341 (Fed. Cir. 2004).

58. *Id.* at 1345-46 (“Although there continues to be ‘an affirmative duty of due care to avoid infringement of the known patent rights of others,’ *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993), the 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.”); *Underwater Devices*, 717 F.2d at 1389-90.

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

60. *Seagate*, 497 F.3d at 1369.

61. *Knorr-Bremse*, 383 F.3d at 1351 (Dyk, J., dissenting) (The duty resulted in “substantial legal costs on companies seeking to introduce innovative products . . .”).

62. See Susan M. Gerber & John C. Evans, *In re Seagate: The Federal Circuit Scuttles Underwater Devices and Narrows Privilege/Immunity Waiver*, Jones Day Commentaries, Sept. 5, 2007, http://www.jonesday.com/pubs/pubs_detail.aspx?pubID=S4554 (last visited Mar. 23, 2008).

63. Mathew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 102 (2001). In addition to the advice of counsel defense, legal opinions may serve to aid a potential infringer in making informed business decisions. *Id.*

large companies receive hundreds of charge letters a year.⁶⁴ Second, the *Underwater Devices* duty created a disincentive for potential infringers to search for patents because actual notice triggered the duty.⁶⁵ Such deliberate ignorance is counterproductive in a system that is intended to promote the progress of science. Initially, the affirmative duty was implemented to strengthen protection for patent rights, but over time, it resulted in a system that partially encourages potential infringers to ignore patent rights.⁶⁶

Although the advice of counsel defense is widely viewed as central to the willfulness inquiry,⁶⁷ empirical data shows that the importance of opinion letters varies greatly between bench and jury trials. During bench trials, infringers who present favorable legal opinions are found willful 44.8% of the time, compared to 84.2% for those without opinions.⁶⁸ In jury trials, 55.8% of infringers who present legal opinions are found willful compared to 56.1% for those without opinions.⁶⁹ Thus, opinions appear to make a significant difference in the eyes of a judge but almost no difference in front of a jury.

C. Waivers Resulting from the Advice of Counsel Defense

The attorney-client privilege is intended “to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice.”⁷⁰ In patent litigation, assertion of the advice of counsel defense automatically waives this privilege.⁷¹ The waiver helps ensure fairness because an accused infringer cannot disclose favorable communications while asserting the privilege for unfavorable ones.⁷² Similarly, work prod-

64. Matthew Leary, *Adverse to What?: The Increasing value of Patent Opinions After Knorr-Bremse*, 25 CARDOZO ARTS & ENT. L.J. 271, 273 (2007).

65. *Knorr-Bremse*, 383 F.3d at 1351 (Dyk, J., dissenting) (“[T]he due care requirement has fostered a reluctance to review patents for fear that the mere knowledge of a patent will lead to a finding of lack of due care . . .”).

66. *See id.*

67. Moore, *supra* note 42, at 228 (“Most patent practitioners and scholars believe that willful infringement determinations turn on the attorney opinion letter.”).

68. *Id.* at 239.

69. *Id.*

70. *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981). A client may of course waive the privilege.

71. *In re Echostar Commc’ns Corp. (Echostar)*, 448 F.3d 1294, 1299 (Fed. Cir. 2006).

72. *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005) (“The waiver extends beyond the document initially produced out of concern for fairness, so that a party is prevented from disclosing communications that support its position while simultaneously concealing communications that do not.”).

uct immunity is also waived when the advice of counsel defense is used.⁷³ The scope of these waivers, however, has been a source of intense dispute in patent litigation.⁷⁴

The scope of the waiver of attorney-client privilege that results from the advice of counsel defense typically extends to “all other communications relating to the same subject matter.”⁷⁵ Opinion letters, which are communications with the client, typically advise the client on issues of infringement, validity, and enforceability. As a result, some patentees argue that the waiver should extend to communications with trial counsel on these issues.⁷⁶ However, courts have discretion in defining the scope of the waiver, and no bright-line rules exist.⁷⁷ Courts “weigh the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties of permitting or prohibiting further disclosures.”⁷⁸ To prevent “sword and shield” tactics wherein an accused infringer waives the privilege with respect to favorable sections of an opinion while asserting the privilege for unfavorable sections, courts typically apply a broad waiver.⁷⁹

The work product doctrine is related to, but distinct from, the attorney-client privilege.⁸⁰ Work product protection prevents the discovery of documents and tangible things prepared in anticipation of litigation that are both non-privileged and relevant.⁸¹ Such protection balances the needs of an adversarial process.⁸² It allows an attorney to prepare for litigation without sharing information with the opposing side,⁸³ but also facilitates the discovery of material facts necessary to resolve the dispute.⁸⁴ Unlike the attorney-client privilege, work product protection may be overcome by

73. *Seagate*, 497 F.3d at 1375; *see also Echostar*, 448 F.3d at 1303 (“The overarching goal of waiver in such a case is to prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice. . . . To the extent the work-product immunity could have such an effect, it is waived.”).

74. *See generally* Jared Goff, *The Unpredictable Scope of the Waiver Resulting from the Advice-of-Counsel Defense to Willful Patent Infringement*, 1998 BYU L. REV. 213 (1998).

75. *Fort James*, 412 F.3d at 1349.

76. *See Seagate*, 497 F.3d at 1367.

77. *Fort James*, 412 F.3d at 1349-50.

78. *Id.*

79. *In re Echostar Commc’ns Corp.*, 448 F.3d 1294, 1301 (Fed. Cir. 2006).

80. *Id.* at 1300.

81. *Id.*; FED. R. CIV. P. 26(b)(3).

82. *Seagate*, 497 F.3d at 1375 (quoting *In re Martin Marietta Corp.*, 856 F.2d 619 (4th Cir. 1988)).

83. *Id.*

84. *Id.*

substantial need for the information together with undue hardship in obtaining the information elsewhere.⁸⁵ Also unlike the attorney-client privilege, work product immunity provides varying levels of protection for different types of work product; mental impressions enjoy stronger protection than factual information.⁸⁶

Like waiver of the attorney-client privilege, work product immunity is waived when the advice of counsel is asserted. This avoids “sword and shield” tactics.⁸⁷ But unlike waiver of the attorney-client privilege, which extends broadly to all communications relating to the same subject matter, waiver of the work product immunity only extends to “factual” or “non-opinion” work product relating to common subject matter.⁸⁸ The line between factual and opinion work product may not be easily discernable, especially when the legal opinion contains the factual basis for the advice of counsel defense.⁸⁹ As a result, courts use discretion to define the extent of the waiver by balancing prevention of sword-and-shield litigation tactics against undermining the purposes of the work product doctrine.⁹⁰

Pre-*Seagate*, defendants considering the advice of counsel defense often faced the “defense’s dilemma.”⁹¹ The dilemma refers to a defendant’s difficult choice between 1) asserting the attorney-client privilege or work product doctrine to defend against *liability*, or 2) waiving these protections by producing advice of counsel in defense against *willfulness*.⁹² As mentioned supra, the attorney-client privilege and work product doctrine are important aspects of the adversarial process and facilitate the effective formation of litigation strategy.⁹³ But the advice of counsel defense may

85. FED. R. CIV. P. 26(b)(3); see also *Echostar*, 448 F.3d at 1302 (“This rule, however, only allows discovery of ‘factual’ or ‘non-opinion’ work product and requires a court to ‘protect against the disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative.’”).

86. See FED. R. CIV. P. 26(b)(3).

87. *Echostar*, 448 F.3d at 1302.

88. *Id.*

89. *Id.*

90. *Id.*

91. *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-44 (Fed. Cir. 1991). The defense’s dilemma is sometimes called the “Quantum Dilemma,” which refers to the *Quantum* case, or a “Hobson’s choice,” which was the term used by Seagate’s counsel. Brief of Petitioner at 17, *In re Seagate*, No. 06-830 (Fed. Cir. Sep. 29, 2007). See also Leary, *supra* note 64, at 275-76.

92. *Quantum*, 940 F.2d at 643-44; see also Brief of the Petitioner, *supra* note 91, at 16-17 (“The Court’s Orders force Seagate to choose between reliance on advice of opinion counsel as a defense to willfulness and assistance of its trial counsel. This is an unacceptable choice . . .”).

93. See *supra* notes 70, 80-84 and accompanying text.

be crucial to defending against willfulness and enhanced damages.⁹⁴ Therefore, disclosing advice of counsel that helps defend against willfulness may hurt a defense against infringement. Conversely, opting to not disclose the advice of counsel may help defend against infringement (by maintaining the attorney-client privilege and work product immunity intact) but hurt the defense to willfulness. To relieve such concerns, the Federal Circuit has advised courts to use in camera review or bifurcated trials.⁹⁵ Unfortunately, these methods can be costly and onerous to courts and parties.⁹⁶

In *In re Echostar*, the accused infringer petitioned for a writ of mandamus after the district court held that the advice of counsel defense waived the attorney-client privilege and work product immunity with regard to advice of *any* counsel relating to infringement.⁹⁷ The Federal Circuit held that the district court abused its discretion by defining such a broad scope and limited the waiver to exclude work product that was not communicated to the accused infringer (or reflected such a communication).⁹⁸ Even though the Federal Circuit limited the district court's scope of waiver, language in *Echostar* nevertheless provided support for extremely broad waivers, which in some cases extended to trial counsel.⁹⁹

Waivers that extend to trial counsel are detrimental to the adversarial system.¹⁰⁰ In order to best serve the client's interests, a lawyer must be able to prepare for trial without concern of the peering eye of his or her adversary.¹⁰¹ Although a waiver is sometimes justified as being necessary to ascertain the truth, "[i]n most cases, the demands of our adversarial system of justice will far outweigh any benefits of extending waiver to trial counsel."¹⁰²

94. See *supra* text accompanying note 60.

95. *Seagate*, 497 F.3d at 1369.

96. *Id.*

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

98. *Id.* at 1305.

99. *Id.* at 1304 ("[W]hen an alleged infringer asserts its advice-of-counsel defense regarding willful infringement of a particular patent, it waives its immunity for any document or opinion that embodies or discusses a communication to or from it concerning whether that patent is valid, enforceable, and infringed by the accused."); *Seagate*, 497 F.3d at 1372-73.

100. See *Hickman v. Taylor*, 329 U.S. 495, 510 (1947) ("[I]t is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel.").

101. *Id.* at 511.

102. *Seagate*, 497 F.3d at 1373.

II. SEAGATE CASE SUMMARY

A. Background

Convolve, Inc. and the Massachusetts Institute of Technology (collectively “Convolve”) sued Seagate Technology LLC (“Seagate”) for patent infringement on three patents relating to optimizing dynamics in hard drives.¹⁰³ Prior to the lawsuit, Seagate retained counsel to produce a written opinion concerning Convolve’s patents.¹⁰⁴ Seagate’s opinion counsel ultimately produced three written opinions and Seagate received all three opinions after the suit was filed.¹⁰⁵ For trial, Seagate retained separate trial counsel which at all times operated separately and independently of its opinion counsel.¹⁰⁶

During discovery, Seagate notified Convolve of its intention to use the opinion as a defense to willfulness.¹⁰⁷ Convolve in turn moved to compel discovery of any communications and work product concerning the subject matter of the opinion, including infringement, validity and enforceability.¹⁰⁸ Furthermore, Convolve sought this information from all counsel, including trial counsel.¹⁰⁹ The district court granted the motion and held that the waiver lasted from the time Seagate first learned of the patents until the time the alleged infringement ceased.¹¹⁰ After unsuccessful motions for a stay and certification of an interlocutory appeal, Seagate petitioned the Federal Circuit for a writ of mandamus.¹¹¹

Although Seagate’s petition dealt solely with the district court’s discovery orders, the Federal Circuit “recognize[ed] the functional relationship between [its] willfulness jurisprudence and the practical dilemmas faced in the areas of attorney-client privilege and work product protection[.]”¹¹² Therefore, the court *sua sponte* ordered *en banc* review of the petition and presented three issues: (1) whether a party’s assertion of the advice of counsel defense to willful infringement should extend waiver of the attorney-client privilege to communications with that party’s trial counsel; (2) the effect of any such waiver on work-product immunity; and

103. *Id.* at 1366. The patents at issue were U.S. Patents 4,916,635; 5,638,267; and 6,314,473. *Id.*

104. *Id.*

105. *Id.*

106. *Id.*

107. *Id.*

108. *Id.*

109. *Id.*

110. *Id.* at 1367.

111. *Id.*

112. *Id.*

(3) whether the court should reconsider the decision in *Underwater Devices* and the duty of care standard itself.¹¹³

B. The *En Banc* Decision

1. *New Willfulness Standard: Objective Recklessness*

In *Seagate*, the Federal Circuit sitting *en banc* held that proof of willful infringement, which permits the granting of enhanced damages, requires at least a finding of objective recklessness.¹¹⁴ The court also overruled *Underwater Devices* and explicitly abolished the affirmative duty of due care for potential infringers upon actual notice of another's patent rights.¹¹⁵ The Federal Circuit promulgated its new willfulness standard because the previous standard "fail[ed] to comport with the general understanding of willfulness in the civil context . . . and allow[ed] for punitive damages in a manner inconsistent with Supreme Court precedent[.]"¹¹⁶ Without explaining why the new standard is better suited to achieving the goals of enhanced damages for patent infringement, the court simply noted that the new standard is more consistent with other areas of the law.¹¹⁷

A patentee must establish two elements to prove willful infringement under the new objective recklessness standard. First, the "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."¹¹⁸ Because the standard is objective, "[t]he state of mind of the accused infringer is not relevant to . . . [the] inquiry."¹¹⁹ Second, the patentee must show that the infringer knew or should have been aware of the risk of infringement.¹²⁰

The Federal Circuit acknowledged that the term reckless is not self-defining and left it to future courts to develop the standard.¹²¹ Although the court did not specify factors for determining whether a defendant was reckless, it noted that the "standards of commerce" might be relevant.¹²²

113. *See id.*

114. *Id.* at 1371.

115. *Id.* ("[W]e overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.").

116. *Id.*

117. *Id.*

118. *Id.*

119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.* at 1371 n.5. It is unclear if the factors listed in *Read* are overruled. The *Read* factors informed an inquiry under the old willfulness standard and its duty of due care,

The court did not apply the new willfulness standard to Seagate's conduct because the district court had not yet found on infringement, much less willfulness.¹²³

2. *Waiver Generally Does Not Extend to Trial Counsel*

The *Seagate* court also ruled that the scope of a waiver of the attorney-client privilege associated with the advice of counsel defense generally does not extend to trial counsel.¹²⁴ The court gave three reasons for this: (1) opinion counsel and trial counsel serve two separate roles; (2) the demands of the adversarial system outweigh the benefit of extending the waiver to trial counsel; and (3) a willfulness inquiry should focus on prelitigation conduct.¹²⁵

First, the Federal Circuit noted that opinion counsel and trial counsel serve separate and distinct roles.¹²⁶ Thus, it is unfair to require a defendant to waive communications with trial counsel because of reliance on advice from opinion counsel.¹²⁷ Second, the *en banc* court explained that the adversarial process would suffer if trial counsel's thoughts could be discovered by the opposing party, stating that "[i]n most cases, the demands of our adversarial system of justice will far outweigh any benefits of extending waiver to trial counsel."¹²⁸

Finally, the Federal Circuit noted that the attorney-client privilege waiver should not extend to trial counsel because trial counsel is usually not involved with a defendant's prelitigation conduct.¹²⁹ Willfulness must be pleaded in good faith in the original complaint, and its determination is ordinarily based solely on the accused infringer's prelitigation conduct.¹³⁰ Although willful conduct can continue after a complaint is filed, the court reasoned that a preliminary injunction generally provides an adequate remedy for post-filing infringement. Thus, a patentee who does not argue for an injunction should not be allowed to accrue enhanced damages.¹³¹ Further, the court posited that if a patentee fails to secure a preliminary

but the court was silent on whether they should serve any purpose under the new standard. *See id.* at 1371-72.

123. *Id.* at 1371.

124. *Id.* at 1374.

125. *Id.* at 1373-74.

126. *Id.* at 1373.

127. *Id.*

128. *Id.*

129. *Id.* at 1374.

130. *Id.* (citing FED. R. CIV. P. 8, 11(b)).

131. *Id.*

injunction, the patentee will probably fail to establish willfulness.¹³² However, if a preliminary injunction is denied for reasons not related to a patentee's likelihood of success on the merits, a court must determine, on a case-by-case basis, whether to sustain a willfulness claim based solely on post-litigation conduct.¹³³

The *Seagate* court also held that waiver of work product immunity does not generally extend to trial counsel, like waiver of the attorney-client privilege.¹³⁴ The court explained that the same rationales apply "with even greater force . . . because of the nature of the work product doctrine."¹³⁵ The work product doctrine promotes an efficient adversarial system.¹³⁶ However, as with the attorney-client privilege waiver, under special circumstances district courts may extend the work product waiver to trial counsel.¹³⁷

III. IMPLICATIONS OF *SEAGATE*

A. The New Willfulness Standard

The elimination of the *Underwater Devices* duty of care is a significant change in patent law—the duty was part of Federal Circuit precedent for over twenty years and was recently re-affirmed.¹³⁸ Although the *Seagate* court promulgated a new objective recklessness standard, future litigation is left to define the contours of the new willfulness standard.

The objective recklessness standard for willful infringement is more consistent with Supreme Court precedent in other civil contexts.¹³⁹ The previous standard resulted in findings of willfulness for acts of infringement inconsistent with the egregious conduct typically associated with punitive damages.¹⁴⁰ Further, because there is no longer a duty of due care,

132. *Id.*

133. *Id.*

134. *Id.* at 1376.

135. *Id.* at 1375.

136. *Id.*

137. *Id.* at 1376 ("Again, we leave open the possibility that situations may arise in which waiver may be extended to trial counsel, such as if a party or his counsel engages in chicanery.").

138. *Knorr-Bremse Sys. Fuer Nutzfahrzeuge Gmbh v. Dana Corp.*, 383 F.2d 1337, 1343-44 (Fed. Cir. 2004).

139. *See, e.g., Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (2007) (defining willfulness in Fair Credit Reporting Act context); *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128 (1988) (defining willfulness in Fair Labor Standards Act context).

140. *See Seagate*, 497 F.3d at 1371 ("This standard . . . allows for punitive damages in a manner inconsistent with Supreme Court precedent[.]"); *Richland Shoe*, 486 U.S. at

the burden of proof for the willfulness inquiry is no longer effectively put on the infringer.¹⁴¹

The new two-part standard allows courts to punish and deter culpable conduct but maintains fairness for non-willful infringers. The first part of the test requires that the infringer have acted despite an objectively high likelihood of infringement, thus moving the focus from the infringer's state of mind to the infringer's acts alone.¹⁴² As of *Seagate*, an infringer is willful only if his acts were reckless, regardless of his state of mind.¹⁴³

The second prong of the test examines whether the infringer had the required intent to justify enhanced damages.¹⁴⁴ Because enhanced damages are mainly punitive, an infringing party should be punished only if it knew (or should have known) that its actions were reckless.¹⁴⁵ However, the *Seagate* willfulness standard may result in a situation where an infringing party knew it was infringing yet was not willful because its actions were not objectively reckless.¹⁴⁶ For example, such a situation could arise when questions of either validity or infringement present a truly close case.¹⁴⁷ In a close case, the likelihood of enhanced damages decreases and

133 (“The word ‘willful’ . . . is generally understood to refer to conduct that is not merely negligent.”).

141. *See Knorr-Bremse*, 383 F.3d at 1349 (Dyk, J., dissenting) (“But a potential infringer’s mere failure to engage in due care is not itself reprehensible conduct. To hold that it is effectively shifts the burden of proof on the issue of willfulness from the patentee to the infringer, which must show that its infringement is not willful by showing that it exercised due care.”).

142. *See Seagate*, 497 F.3d at 1371 (“The state of mind of the accused infringer is not relevant to this objective inquiry.”).

143. An analogy might help clarify the importance of the independent objective inquiry. If a driver knowingly drives a car at 56 miles per hour in a 55 zone, he is violating the speed limit (infringement), but his actions do not rise to the level of recklessness (no willfulness). However, if the driver was driving at 56 mph but thought he was driving through a 20 mph zone, he may have been subjectively reckless, but his actions were not objectively reckless. Under the old willfulness standard, the driver in the latter situation would probably have been willful because he: 1) violated the speed limit (infringed the patent), and 2) did not have a reasonable basis for thinking that he had a right to do what he did. Under the new standard the driver would fail the first prong and avoid willfulness altogether.

144. *See, e.g., Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1250 (Fed. Cir. 1989) (“Willfulness of behavior is a classical jury question of intent.”).

145. *See supra* text accompanying notes 19 & 20.

146. For example, an infringer who deliberately copied a patent would satisfy the second prong of the test. However, if at trial there are serious doubts as to the validity of the patent and, hence, there was not an *objectively high likelihood* of infringement, the infringer would fail to satisfy the first prong of the test. Therefore, an infringer may knowingly infringe a patent without willfully infringing.

147. *See infra* note 170 and accompanying text.

therefore the risk of infringement decreases. A potential benefit of a decreased risk for close cases is that potential infringers may be more likely to practice questionable patents, which may not deserve patent protection. However, the validity of patents and issues of infringement are often unpredictable before litigation.

The objective standard for willfulness presents a higher bar than the previous negligence-like standard and should result in fewer findings of willfulness. However, the new standard's effect on enhanced damage awards is not so clear. Under the old standard, not all willful infringers were required to pay enhanced damages.¹⁴⁸ Therefore, assuming that egregious infringers would be found willful under both the old and new willful standards, the number of enhanced damage awards may remain substantially unaffected by the new standard.

Because *Seagate's* willfulness inquiry focuses on prelitigation conduct, defendants are less likely to obtain legal opinions for post-filing conduct. Although the cost of an opinion would be dwarfed by the high cost of patent litigation,¹⁴⁹ post-filing opinions would probably be of little use in most patent infringement defenses.¹⁵⁰ However, if a court denies an injunction, a post-filing opinion may be useful.¹⁵¹ In that case, the injunction would not be available to provide an adequate remedy for post-filing willful infringement and a legal opinion could help disprove willful infringement after litigation commences.¹⁵²

Another result of *Seagate's* new willfulness standard is that patentees who fail to move for preliminary injunction may forfeit their right to enhanced damages for post-filing willful infringement.¹⁵³ The Federal Circuit held that a patentee who does not attempt to get a preliminary injunction "should not be allowed to accrue enhanced damages based *solely* on the infringer's post-filing conduct."¹⁵⁴ At first glance, it appears that the court might allow a patentee to accrue enhanced damages post-filing as long as the willful conduct began *before* the complaint was filed. The court reasoned, however, that a preliminary injunction generally provides

148. See *supra* notes 28-29 and accompanying text.

149. See, e.g., Thomas Banks, *A Few Tips to Help Ensure a Win in Patent Litigation*, BOSTON BUS. J., June 2, 2006, available at <http://www.bizjournals.com/boston/stories/2006/06/05/focus2.html>. Cost of litigation through trial can exceed \$5 million when more than \$25 million is at stake. *Id.* See also *supra* note 64 and accompanying text.

150. See *supra* note 131 and accompanying text.

151. For example, a court might deny an injunction to prevent manifest injustice.

152. See *supra* text accompanying note 133.

153. *Seagate*, 497 F.3d at 1374.

154. *Id.* (emphasis added).

adequate remedy for post-filing willful infringement.¹⁵⁵ As a result, there seems little reason to distinguish between cases where the willful infringement began before or after the complaint.¹⁵⁶ Patentees who do not move for a preliminary injunction are likely precluded from receiving enhanced damages for post-filing willful infringement, regardless of when the infringement started.

Finally, *Seagate* may affect the average settlement amount in future cases. Post-*Seagate*, preliminary injunctions are a patentee's main source of remedy for post-filing infringement. However, preliminary injunctions in patent cases are likely more difficult to obtain after the Supreme Court's decision in *eBay*.¹⁵⁷ The combined effect of *Seagate* and *eBay* may be a reduction in the average expected value of patent infringement cases and a concomitant reduction in the average cost of settlement.

B. The Well Defined, Narrower Scope of Waiver

The newly defined scope of waiver resulting from the advice of counsel defense brings certainty to patent litigation because the waiver rarely extends to trial counsel.¹⁵⁸ This rule is clear and easy to apply, thus benefiting future defendants who assert the defense. Trial counsel is also more able to communicate with clients without fear of having to share information with the opposing side. Consequently, the goals of the attorney-client privilege and work product immunity are furthered by this more defined—and narrower—scope of waiver.

Because waivers will not generally extend to trial counsel, defendants no longer face the defense's dilemma.¹⁵⁹ Defendants will not be forced to choose between the advice of counsel defense and the attorney-client privilege—they can have both. Although the new scope of waiver is clearly an advantage to most patent infringement defendants, the full extent of the benefit is yet unclear. Future cases will show whether the defendants are more likely to use the advice of counsel defense because they no longer face the possibility of waiving the attorney-client privilege and work product doctrine with respect to trial counsel. One possible limitation to *Seagate*'s new scope of waiver standard is that the waiver may ex-

155. See *supra* text accompanying note 131.

156. See *Seagate*, 497 F.3d at 1374. An example of willful infringement that begins only after the complaint is filed is a situation where the complaint itself provides the infringer with notice of the patentee's rights.

157. See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

158. See *supra* Section II.B.2.

159. Under exceptional circumstances, such as when a defendant engages in chicanery, a court may extend the waiver to trial counsel and, therefore, the defendant could face the defense's dilemma. *Supra* note 137 and accompanying text.

tend to trial counsel if opinion counsel and trial counsel do not operate separately and independently. However, most defendants already obtain separate opinion counsel and trial counsel and this limitation should have little impact in practice.

In contrast, plaintiffs now have less access to trial defense information related to the advice of counsel defense, which may make it more difficult for patentees to prove liability as well as willfulness.¹⁶⁰ However, any benefit to a patentee's case on infringement liability gleaned from the defendant's trial counsel is probably an unfair advantage. Waiver of the attorney-client privilege and work product immunity is necessary with respect to opinion counsel but not for trial counsel.¹⁶¹ Although *Seagate* unilaterally benefits defendants, it does so by presumably making patent litigation fairer.

IV. UNRESOLVED ISSUES AND SUGGESTIONS

As with any new and undeveloped legal standard, the Federal Circuit's *Seagate* decision leaves many issues unresolved. This Part presents three such issues and provides suggestions on how they might be resolved in the future.

A. What Does "Objectively Reckless" Signify for Patent Law?

In other areas of law, such as in copyright law and the FCRA context, the meaning of recklessness is well established.¹⁶² However, there is no settled meaning for recklessness in patent law. Rather, *Seagate* explicitly "[left] it to future cases to further develop the application of this standard."¹⁶³ Is an infringer who did not obtain an opinion objectively reckless? Can an infringer who obtained a detailed exculpatory opinion from highly regarded IP counsel be held liable for "act[ing] despite an objectively high likelihood that its actions constituted infringement"?¹⁶⁴ Does an unsuccessful attempt to design around a patent automatically satisfy the second prong (knew or should have known)? Does a charge letter always satisfy the second prong? These and many other questions remain.

160. Moore, *supra* note 42, at 232-33 (Patentee's allege willfulness, in part, because "piercing the attorney—client privilege in order to gain access to the opinions the infringer relied upon provides the patentee significant insight into the infringer's substantive defenses early in the litigation process.").

161. *See supra* notes 124 & 134 and accompanying text.

162. *See supra* Section II.B.2.

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

164. *Id.*

Although the *Read* factors were developed under the old willfulness standard, they shed light on both prongs of the new standard—the objectively high likelihood of infringement and the accused infringer’s knowledge of infringement.¹⁶⁵ Thus, courts should look to past application of the *Read* factors for future guidance. Some of these factors apply to the first prong of the *Seagate* willfulness standard while others are more applicable for the second prong. As shown in the chart below, the fact finder might consider a combination of the factors for each prong.

	Prong 1 of <i>Seagate</i> — Objectively high likelihood	Prong 2 of <i>Seagate</i> — Knew or should have known
Factor 1 Deliberate copying	✓	✓
Factor 2 Investigation of scope	✓	✓
Factor 3 Behavior in litigation		
Factor 4 Defendant’s size and resources		✓
Factor 5 Closeness of the case	✓	
Factor 6 Duration of misconduct		✓
Factor 7 Defendant’s remedial action	✓	✓
Factor 8 Defendant’s motivation for harm		
Factor 9 Defendant attempted to conceal		✓

In evaluating willfulness, it is important to keep in mind that the patent is determined valid and infringed before the *Read* factors are applied. These considerations only help determine whether the infringer’s conduct warrants punitive damages.

165. *See supra* note 30.

Factor 1, whether the defendant deliberately copied, serves both prongs. It helps establish the objective prong because deliberate copying generally suggests an objectively high likelihood of infringement. This factor also helps establish the second prong because an infringer that deliberately copied probably knew or should have known of the infringement. Of course, it is possible that an infringer deliberately copied an invention believing it had a right to copy.¹⁶⁶ In such a case, the outcome of Factor 1 may depend on the reasonableness of the infringer's belief.

Factor 2 also applies to both prongs of the standard. A legal opinion may help determine if there is an objectively high likelihood of infringement. It could shed light on possible weaknesses in the patent or provide reasons why the patent may not have been infringed. Of course, most opinions will have similar conclusions and it would be up to the fact finder to determine the reliability of such information.¹⁶⁷ Also, because the first prong is determined from the record developed at trial¹⁶⁸ the finder of fact may have access to more objective sources than an opinion commissioned by the defense. However, if the first prong is established, a legal opinion may also help establish the second prong. An opinion may help convince the finder of fact that the infringing party did not believe it was infringing.

Factor 3, the defendant's behavior in litigation, is mostly irrelevant because the willfulness inquiry should, in most cases, focus on prelitigation conduct.¹⁶⁹ Therefore, the infringer's behavior as part of the litigation should not weigh into the willfulness inquiry.

Factor 4, which considers the size and financial condition of the infringer, can serve to establish the second prong. A court may reasonably presume that a large corporation with a large budget (and perhaps a team of intellectual property lawyers) is more likely to know of its potential infringement than a small company without such resources. A presumption based on size and financial condition also makes sense from a policy perspective to encourage large corporations with legal resources to use those resources to avoid infringement.

Factor 5, the closeness of the case, is important in determining the first prong. It is hard to imagine that a truly close case on infringement, enforceability or validity could result in an objectively high likelihood of infringement. For example, the U.S. District Court for the Eastern District

166. For example, the accused party may have: 1) obtained an opinion that the patent is almost certainly invalid, 2) not known about the patent, or 3) thought it had obtained permission to practice the invention (e.g., a license).

167. *See supra* note 52 and accompanying text.

168. *Seagate*, 497 F.3d at 1371.

169. *See supra* note 130 and accompanying text.

of Texas overturned a jury finding of willfulness because the issue of infringement “was, at best, a very close question.”¹⁷⁰ A close case should fail the first prong because, by definition, there is not an objectively high likelihood of infringement.

Difference in time between the infringer’s conduct and the willfulness inquiry poses a possible difficulty in applying Factor 5. Willfulness generally focuses on the infringer’s conduct at the time of infringement, whereas infringement, enforcement, and validity are determined at trial. It is possible that newly discovered prior art or other evidence may only affect the closeness of a case at trial, long after infringement has occurred. For example, if a court determines *at trial* that the issue of validity presents a close case, an infringer probably fails to satisfy the first prong of the willfulness inquiry, regardless of what the infringer thought about the validity of the patent at the time of infringement. Although using the benefit of hindsight results in a fairer outcome *ex post*, it does little for deterring future infringement (*ex ante*). A potential infringer can only speculate the outcome of an infringement trial and therefore cannot tailor its conduct accordingly.

An interesting aspect of Factor 5 is that, presumably, all patent cases that make it through trial are close cases in some respect (infringement, validity or enforceability). Patent infringement suits can cost several million dollars¹⁷¹ and few, if any, litigants will see a trial through to verdict if there is little chance of success. A district court judge can plausibly always find a close case and therefore such a finding would probably survive an abuse of discretion review. Thus, Factor 5 may have the largest affect on the willfulness doctrine in future cases by giving district courts wide latitude in deciding when *not* to enhance damages.

Factor 6 looks at the duration of a defendant’s misconduct and can help determine the second prong of the willfulness inquiry. If infringement took place over a long period of time, a finder of fact might reasonably infer a higher likelihood that the infringer knew or should have known of the infringement.

170. TGIP, Inc. v. AT&T Corp., No. 2:06-CV-105, 2007 U.S. Dist. LEXIS 79919, at *37 (E.D. Tex. Oct. 29, 2007). It is not clear from the opinion whether the closeness of the case was used to determine the first or the second prong because the two are not discussed separately. The opinion simply states: “[r]easonable 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.” *Id.*

171. See *supra* note 149.

Factor 7, the remedial action of the defendant, might contribute to both prongs of the willfulness inquiry. Remedial actions may weigh on the first prong because an infringing party might attempt to design around a patent. If the defendant determined that the expense of a design around was warranted there was at least a *subjectively* high likely of infringement. A fact finder may then determine whether the subjectively held belief was objectively reasonable. Factor 7 may also help establish the second prong of the inquiry. If an infringer attempted to design around a patent, he or she knew of the risk of infringement. However, even after an unsuccessful design-around effort, it is possible that the infringer reasonably believed the infringement was cured. On the whole, the patent system benefits from design around attempts because they can lead to innovation.¹⁷² Therefore, although a design around effort may shed light on the defendant's knowledge, courts should be careful to not provide disincentives for attempts at designing around others' patents.

Factor 8, the defendant's motivation for harm, may be relevant for determining whether and by what amount to enhance damages, but will probably not aid in the willfulness inquiry. In *American Safety Table Co. v. Schreiber*, the original source of Factor 8 as described in *Read*, the court held that economic pressure to practice the patented invention was a mitigating factor in determining the perniciousness of the defendant's conduct.¹⁷³ Although knowledge may be inferred from motivation, the motivation for harm is best used to determine the culpability once willfulness has been established.

Finally, Factor 9 asks whether the infringer attempted to conceal his misconduct. This query can help establish the second prong of the willfulness inquiry. A court may reasonably infer knowledge of wrongdoing from attempts to conceal infringement.

Although the standard for willfulness has changed, some of the factors that courts have used in the past may continue to be helpful in a willfulness inquiry.¹⁷⁴ These factors have been proven in litigation and could

172. *See, e.g.*, *State Indus. v. A. O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) ("One of the benefits of a patent system is its so-called 'negative incentive' to 'design around' a competitor's products, even when they are patented, thus bringing a steady flow of innovations to the marketplace. It should not be discouraged by punitive damage awards except in cases where conduct is so obnoxious as clearly to call for them.").

173. 415 F.2d 373, 379 (2d Cir. 1969) ("[D]efendants' infringing acts, although deliberate and with knowledge of plaintiff's rights, could not be termed pernicious due to prevailing 'economic pressure in the form of customer dissatisfaction.'").

174. *See supra* note 122.

help avoid unpredictable or undesirable results while still effectuating the goals of the new standard.

B. What Role Will Advice of Counsel Play in Future Litigation?

Under the pre-*Seagate* willfulness standard, an accused infringer's reliance on favorable advice of counsel was crucial to the willfulness analysis.¹⁷⁵ Under the new standard, however, the role opinion of counsel is not clear. A favorable opinion will likely help establish whether the second prong of the willfulness inquiry—whether the infringer knew or should have known of the high likelihood of infringement. Nevertheless, the importance of an opinion letter in analyzing the first prong is less certain.

Courts may ascribe opinions of counsel varying evidentiary weight with regard to the objectively high likelihood of infringement for at least two reasons. First, opinions are most often obtained prior to litigation and thus before a district court has construed the claims at issue. Opinion counsel conclusions about likelihood of infringement may be somewhat suspect. Second, opinions typically conclude that the patent is invalid, unenforceable, and/or not infringed.¹⁷⁶ Thus, in determining the objective likelihood of infringement, courts may decline to consider evidence with such predictable conclusions.

Opinions obtained after litigation commences will be of little use for either prong.¹⁷⁷ The *Seagate* court stated that a willfulness inquiry should generally focus on prelitigation conduct because a preliminary injunction provides adequate remedy for post-filing infringement.¹⁷⁸ A defendant who successfully avoids a preliminary injunction will likely avoid enhanced damages. Nevertheless, defendants may continue to commission post-filing opinions when the relative costs of opinions and litigation are considered.¹⁷⁹

C. How Does a Patentee Establish a Good-Faith Basis for Alleging Willful Infringement?

Seagate established that the attorney-client privilege waiver and work product doctrine waiver do not extend to trial counsel in part because a patentee must have a good-faith basis for alleging willfulness at the time the complaint is filed.¹⁸⁰ Thus, willfulness focuses on prelitigation con-

175. *Seagate*, 497 F.3d at 1369.

176. *Id.*

177. *See supra* note 150 and accompanying text.

178. *See supra* Section III.A.

179. *See supra* note 149 and accompanying text.

180. *See supra* note 130 and accompanying text.

duct.¹⁸¹ The court cited Federal Rule of Civil Procedure 11(b), which requires every allegation in the complaint to be supported by evidence or, if specifically so identified, likely to be supported after reasonable discovery.¹⁸² Currently, over 90% of patentees allege willfulness.¹⁸³ After the *Seagate* court's reminder of Rule 11's good-faith requirement, courts in the future might scrutinize willfulness allegations more closely.¹⁸⁴

However, in a notice pleading system, it is difficult to imagine what type of evidence a court could require a patentee to produce to show a belief of willful infringement held in good faith.¹⁸⁵ One possibility is an offensive opinion letter. A *patentee* could commission independent legal counsel to evaluate the patent at issue and compare it to the allegedly infringing product or activity. Although the offensive opinion letter would have little to no probative value for the issues at trial, a patentee would have evidence of a good faith belief that its patent was willfully infringed. However, this tactic could be technology specific because predicting the likelihood of infringement prior to discovery is easier with certain types of technology than others. For example, an available mechanical system should be easier to examine for infringement than software, where only object code is available for evaluation prior to trial.

V. CONCLUSION

By eliminating the affirmative duty of due care and imposing an objective recklessness standard, *Seagate* creates a clean slate for future litigants and courts to develop a new willfulness doctrine. Given that the Supreme Court has denied *certiorari*,¹⁸⁶ litigants and courts can expect little additional guidance in the near future. Despite many unanswered questions that courts will address in the future, the newly defined scopes of waivers add needed certainty to patent litigation. The narrower scopes of waivers also help protect the attorney-client privilege and the work product doctrine, both of which are essential to our adversarial judicial system.

The *Underwater Devices* affirmative duty tipped the scales in favor of patentees at a time when there was a widespread disregard for patent rights. Since then, however, patent litigation has become more common and the risk of infringement liability has increased substantially. The af-

181. *Id.*

182. FED. R. CIV. P. 11(b).

183. *See supra* note 42 and accompanying text.

184. *See supra* note 130 and accompanying text.

185. *See* FED. R. CIV. P. 8(a)(2) (requiring a "short and plain statement of the claim showing that the pleader is entitled to relief").

186. 2008 U.S. LEXIS 2153 (Feb. 25, 2008).

firmative duty is no longer necessary to ensure that patent rights are properly respected. By eliminating the affirmative duty and making patent law's willfulness doctrine more consistent with Supreme Court precedent, *Seagate* tips the scales back in favor of defendants. Although the exact implications of *Seagate* will be uncertain for several years, *Seagate* is clearly good news for current and future patent infringement defendants.