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# BALANCING BURDENS FOR ACCUSED INFRINGERS: HOW *IN RE SEAGATE* GOT IT RIGHT

## INTRODUCTION

Imagine an inventor trying to design a cheaper, faster, smaller, and more reliable microprocessor. If successful, he could revolutionize the computing industry. But to be successful, he must build upon current technology that is protected by thousands of patents. In order to avoid willful infringement, he needs to know the scope and validity of each of those prior patents. Acquiring an opinion on every prior patent would be prohibitively costly.<sup>1</sup> Faced with these costs, it is likely that the inventor would simply steer clear of the whole mess and thereby deprive the public of the potential benefit of his ideas. For years inventors had to seek out patents that might be infringed by their actions and obtain non-infringement opinions before taking any steps that might possibly infringe. The Federal Circuit mitigated this burden in *In re Seagate Technologies LLC*, which, among other things, eliminated the affirmative duty of potential infringers to obtain opinions of counsel in order to avoid willful infringement.<sup>2</sup>

Before *Seagate*, courts applied three general rules related to awards of enhanced damages in patent infringement cases. First, the infringer must have acted willfully. Second, accused infringers have an affirmative duty of due care, including a duty to obtain advice of competent counsel such as a non-infringement opinion letter, upon actual notice of a patentee's rights. Third, when presenting the opinion letter as a defense to willful infringement, defendants waive the attorney-client privilege for all communications and work product relating to the subject matter of the opinion.<sup>3</sup> In the past few decades courts have read the willfulness, affirmative duty, and broad waiver rules into the damages statute<sup>4</sup> and more consistently referred to these rules when awarding enhanced damages.<sup>5</sup> Yet, it is unclear whether such judi-

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1. See Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore Up the Foundations of Patent Law That the Underwater Line Eroded*, 20 HASTINGS COMM. & ENT. L.J. 721, 740 (1998) ("A reliable patent opinion costs at least \$10,000 if the patent has any real complexity.").

2. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

3. Because the subject matter of the opinion is typically infringement and the core issue in the case is infringement, the waiver would usually include everything in the case from the infringement opinion to trial strategies.

4. 35 U.S.C. § 284 (2000).

5. See *infra* notes 18–91 and accompanying text.

cially introduced rules are consistent with the letter and intent of patent legislation. The Federal Circuit's recent *Seagate* decision and currently proposed legislation show that these judicially created rules are quickly eroding.

Part II of this Note presents the history of these judicially crafted requirements. It presents both a legislative<sup>6</sup> and judicial<sup>7</sup> history of the willfulness requirement, introduces the affirmative duty of due care as set forth in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*,<sup>8</sup> and discusses the broad subject matter waiver found in *In re EchoStar Communications Corp.*<sup>9</sup> Part III discusses the *Seagate* decision and presents the new standards outlined by the court.<sup>10</sup> Part IV analyzes the judicially created requirements for enhanced damages, both individually and as an interconnected whole.<sup>11</sup> Part V analyzes the impact that the *Seagate* decision will have on patent law and practice.<sup>12</sup> Part VI concludes by reaffirming the value of *Seagate's* corrective changes to patent law. Specifically, Part VI contends that eliminating the affirmative duty, narrowing the scope of the attorney-client waiver, and maintaining the requirement of willfulness for enhanced damages will strengthen the patent system, benefit consumers, and maintain efficiency within the judicial system.

## II. BACKGROUND

Courts are allowed to award damages against a party up to three times the actual amount of damages assessed.<sup>13</sup> Section A of this Part discusses the statutory history of enhanced damages and proposed changes to the existing regime.<sup>14</sup> Section B then discusses the judicial history of enhanced damages and describes three countervailing considerations for determining whether enhanced damages are appropriate.<sup>15</sup> First, courts have recognized an affirmative duty requiring potential infringers who become aware of relevant patents to obtain non-infringement opinions before acting in a possibly infringing manner.<sup>16</sup> Second, presenting these opinions during trial to avoid en-

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6. See *infra* notes 18–45 and accompanying text.

7. See *infra* notes 46–91 and accompanying text.

8. 717 F.2d 1380 (Fed. Cir. 1983); see *infra* notes 92–98 and accompanying text.

9. 448 F.3d 1294 (Fed. Cir. 2006); see *infra* notes 99–107 and accompanying text.

10. See *infra* notes 108–144 and accompanying text.

11. See *infra* notes 145–258 and accompanying text.

12. See *infra* notes 259–268 and accompanying text.

13. See 35 U.S.C. § 284 (2006).

14. See *infra* notes 18–45 and accompanying text.

15. See *infra* notes 46–107 and accompanying text.

16. See *infra* notes 92–98 and accompanying text.

hanced damages removes any attorney-client protection of the opinions and all related materials.<sup>17</sup> And finally, failure to obtain or present a favorable opinion as a defense is evidence of the required willfulness that enables courts to treble damages.

### A. *Statutory History of Enhanced Damages*

In 1790, the first Patent Act allowed a patentee to recover damages assessed by a jury.<sup>18</sup> Though there was no provision for enhancing those damages in the first patent act,<sup>19</sup> the Patent Act of February 21, 1793<sup>20</sup> introduced treble damages into American patent law.<sup>21</sup> The Act allowed a patentee to recover “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,”<sup>22</sup> but the Act did not give courts discretion in awarding treble damages.<sup>23</sup> Though the Act of April 17, 1800 changed the damages to “a sum equal to three times the actual damage sustained,” courts still did not have discretion in trebling damages.<sup>24</sup>

The early nineteenth century saw a large increase in patent activity.<sup>25</sup> America emerged as a powerful inventive force, challenging Europe’s status as the center of invention.<sup>26</sup> The patent laws in effect at the turn of the nineteenth century were inadequate to meet the needs of the growing industrial nation.<sup>27</sup> The patent system was weak.<sup>28</sup> Fraudulent patents were frequently granted, and those patents were used to exact improper judgments from innocent individuals.<sup>29</sup> Additionally, meritorious inventors saw their inventions pirated, with ex-

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17. See *infra* notes 99–107 and accompanying text.

18. Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 109, 111.

19. *Id.*

20. Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322.

21. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1377 (Fed. Cir. 2007) (Gajarsa, J., concurring).

22. *Id.* (quoting Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322).

23. *Id.*

24. *Id.* (quoting Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 37, 38)

25. S. Select Comm. on Patents, 24th Cong., Report Accompanying S. 239 (1st Sess. 1836) (Ruggles), reprinted in DONALD S. CHISUM, 9 CHISUM ON PATENTS app. 12, at 1 (2005).

26. *Id.* at 6–10.

27. *Id.* at 5–8.

28. *Id.* at 5.

29. *Id.* One practice is described as

taking out patents for what has been long in public use, and what every one has therefore a right to use. The patentee in such cases being armed with the apparent authority of the Government, having the sanction of its highest officers the seal of state, scours the country, and by threats of prosecution, compels those who are found using the thing patented, to pay the patent price or commutation tribute.

*Id.*

pensive lawsuits as their only option for protection.<sup>30</sup> To rectify these injustices, the Patent Act of 1836 greatly expanded the Patent Office's power to review and reject applications and restored the flexibility of the treble damages remedy.<sup>31</sup>

Finally, the Patent Act of July 4, 1836 gave courts the discretion to award any amount up to three times the amount assessed, "according to the circumstances of the case."<sup>32</sup> Since the Patent Act of 1836, courts have had discretion to award enhanced damages up to three times the amount assessed.<sup>33</sup> Congress passed the current version of the rule in § 284 of the Patent Act of 1952, which states that "the court may increase the damages up to three times the amount found or assessed."<sup>34</sup>

Although the text of § 284 has remained constant, there is growing support for changes to the law that would codify much of the *Seagate* decision.<sup>35</sup> A bill was introduced in Congress in 2007 that would amend § 284 to include a statutory requirement of willfulness to enhance damages under that section.<sup>36</sup> The bill also explicitly states the proposed grounds for a finding of willfulness and limitations thereon,<sup>37</sup> and it advances the idea that "[t]he decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement . . . ."<sup>38</sup>

The proposed statute would allow a finding of willful infringement under three circumstances, if shown by clear and convincing evidence.<sup>39</sup> First, a court could find willful infringement if, after receiving written notice from the patentee alleging specific infringement of particular claims, and after having a reasonable opportunity to investigate, an infringer continues the infringing act.<sup>40</sup> Second, intentional copying with knowledge of the patent would be grounds for willful-

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30. *Id.*

31. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (Gajarsa, J., concurring).

32. *Id.* (quoting Act of July 4, 1836, ch. 357, § 14, 5 Stat 117, 123).

33. 35 U.S.C. § 284 (1954) contained the phrase, "the court may increase the damages up to three times the amount found or assessed." Act of July 19, 1952, Pub. L. No. 82-593, 66 Stat. 792, 813.

34. 35 U.S.C. § 284 (2000).

35. *See infra* notes 105-144 and accompanying text.

36. "A court that has determined that the infringer has willfully infringed a patent . . . may increase the damages . . . ." Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 5(c)(1) (2007).

37. *Id.* § 5(c)(2).

38. *Id.* § 5(c)(3)(C). The inference was judicially eliminated in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004).

39. H.R. 1908, § 5(c)(2).

40. *Id.* § 5(c)(2)(A).

ness.<sup>41</sup> Third, a court could find willful infringement if a court had previously found similar conduct by the same party to be infringing.<sup>42</sup>

Under the proposed statute, when an accused “had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct,” there would be no finding of willfulness.<sup>43</sup> The statute explains:

An informed good faith belief . . . may be established by [1] reasonable reliance on advice of counsel; [2] evidence that the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or [3] other evidence a court may find sufficient to establish such good faith belief.<sup>44</sup>

The proposed legislation, if passed, would incorporate *Seagate*’s interpretation of the standard for enhanced damages into law.<sup>45</sup>

## B. Judicial History of Enhanced Damages

### 1. Requirement of Willfulness

Since the courts were given discretion to enhance damages in 1836, courts have awarded enhanced damages for either a remedial or punitive purpose, or a combination of both.<sup>46</sup> Although the language of the statute has remained essentially unchanged,<sup>47</sup> courts’ interpretations have varied widely through the years.

For almost 200 years, courts viewed enhanced damages as a compensatory remedy. In 1876, the Supreme Court noted that the power to increase damages was intended to ensure that patentees were fully compensated in situations where formal damage calculations might yield less than sufficient recompense.<sup>48</sup> The Supreme Court reaffirmed this view in *Clark v. Wooster* ten years later.<sup>49</sup> A court in the Northern District of Illinois, in a 1946 opinion discussing the enhanced

41. *Id.* § 5(c)(2)(B).

42. *Id.* § 5(c)(2)(C).

43. *Id.* § 5(c)(3).

44. *Id.*

45. The proposed legislation grounds the willfulness requirement in legislation rather than judicial interpretation and implicitly eliminates the affirmative duty of due care.

46. See *infra* notes 48–91 and accompanying text.

47. Compare Act of July 4, 1836, ch. 357, § 14, 5 Stat. 117, 123 (“power . . . to render judgment for any sum above the amount found by such verdict as the actual damages . . . according to the circumstances of the case”), with 35 U.S.C. § 284 (2000) (“the court may increase the damages up to three times the amount found or assessed.”).

48. *Birdsall v. Coolidge*, 93 U.S. 64, 69–70 (1876).

49. The Supreme Court stated that:

It is a general rule in patent cases, that established license fees are the best measure of damages that can be used. There may be damages beyond this, such as the expense and trouble the plaintiff has been put to by the defendant, and any special inconvenience he has suffered from the wrongful acts of the defendant; but these are more properly the

damages provisions of the law, stated that "the statute is not penal but remedial in character and that the damages contemplated may be awarded whether the wrong was intentional or unwitting."<sup>50</sup> Thus, whether or not the infringement was willful was hardly dispositive. The court further stated, "the weight of authority is that the demand for treble damages in an infringement suit is remedial."<sup>51</sup>

The view of courts regarding the purpose of enhanced damages began to shift in the 1960s and 1970s. In 1961, the Seventh Circuit cited the determination of willfulness as a fundamental principle for treble damages.<sup>52</sup> Then, in 1969, the Second Circuit stated that "[a]wards of increased damages are made sparingly and only when a clear showing of deliberate infringement justifies the exercise of the Court's discretion."<sup>53</sup> In 1979, the Court of Claims stated that "[c]ases granting multiplied damages to victims of private infringers have a punitive ring, punishing those infringements characterized as 'willful and deliberate.'"<sup>54</sup> Thus, while the statutory language remained essentially unchanged,<sup>55</sup> courts' interpretation of the purpose of the availability of enhanced damages had gone from primarily compensatory or remedial in nature with an element of punishment,<sup>56</sup> to strictly punitive, requiring a showing of willfulness.<sup>57</sup>

*Milgo Electronic Corp. v. United Business Communications, Inc.* went one step further in 1980, granting treble damages "because [the] defendant has knowingly, deliberately, willfully and wantonly infringed the patents."<sup>58</sup> Although the court did not require all of the elements to award treble damages, it showed a shift from the reasoning of many courts as to the purpose of enhanced damages.<sup>59</sup> However, while courts tended to require willfulness as a prerequisite to an award of enhanced damages throughout the 1980s, many courts did

subjects of allowance by the court under the authority given to it to increase the damages.

Clark v. Wooster, 119 U.S. 322, 326 (1886).

50. *Activated Sludge, Inc. v. Sanitary Dist. of Chi.*, 64 F. Supp. 25, 35 (N.D. Ill. 1946).

51. *Id.*

52. "Certain fundamental principles control the situations. A determination as to willfulness enters into the fixing of liability upon which a claim for treble damages for infringement is based." *Copease Mfg. Co. v. Am. Photocopy Equip. Co.*, 298 F.2d 772, 783-84 (7th Cir. 1961).

53. *Am. Safety Table Co. v. Schreiber*, 415 F.2d 373, 378 (2d Cir. 1969).

54. *Leesona Corp. v. United States*, 599 F.2d 958, 969 (Ct. Cl. 1979).

55. *See supra* note 47 and accompanying text.

56. *Activated Sludge*, 64 F. Supp. at 35.

57. *Leesona*, 599 F.2d at 969 ("But increased damages are awarded only for a clear showing of willful and deliberate infringement.").

58. *Milgo Elec. Corp. v. United Bus. Comm'n, Inc.*, 623 F.2d 645, 662 (10th Cir. 1980).

59. *See supra* notes 48-57 and accompanying text.

not require willfulness.<sup>60</sup> For example, in 1981, the Third Circuit stated that “[t]he statutory authority to increase the patentee’s damages is often used as a penalty . . . when . . . the defendant has acted in bad faith. It is also clear that the enhancement of damages may serve a remedial purpose.”<sup>61</sup> The court further explained that “[b]ecause 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.”<sup>62</sup>

The Supreme Court weighed in somewhat indirectly on the issue in 1983 in *General Motors Corp. v. Devex Corp.*<sup>63</sup> The Court addressed an award of interest under 35 U.S.C. § 284, which provides that neither awards for interest nor awards of enhanced damages require any special finding—the decision is left to the discretion of the court.<sup>64</sup> The Court in *Devex* reasoned that because § 284 was silent as to restrictions when a court may award interest, whereas § 285 required exceptional circumstances with respect to attorneys’ fees, Congress intended that there be no such restriction on interest awards.<sup>65</sup> In *Devex*, the Court explained that awards of interest should be given “where necessary to afford the plaintiff full compensation for the infringement.”<sup>66</sup> Thus, in 1983, the Supreme Court still recognized a remedial element within § 284.<sup>67</sup> In fact, the Eighth Circuit corrected a lower court which had required “exceptional” circumstances to enhance damages.<sup>68</sup> The court cited *Devex* to explain that the exceptional circumstances standard of § 285 was not incorporated into § 284, and that the jury’s finding of willful or wanton infringement would ordinarily be “sufficient to support an award of increased damages” under § 284.<sup>69</sup>

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60. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1383–84 (Fed. Cir. 2007) (Gajarsa, J., concurring).

61. *Trio Process Corp. v. Goldstein’s Sons, Inc.*, 638 F.2d 661, 662 (3d Cir. 1981).

62. *Id.* at 663.

63. *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983).

64. *See* 35 U.S.C. § 284 (2000).

65. *Devex*, 461 U.S. at 653. The holding in *Devex* in relation to interest awards “applies with equal force to enhanced damages.” *In re Seagate*, 497 F.3d at 1383–84 (Gajarsa, J., concurring).

66. *Devex*, 461 U.S. at 654.

67. *In re Seagate*, 497 F.3d at 1380–81. The distinction between remedial and punitive enhanced damages is important because if the award is punitive in nature, it ought to require an additional element of intent, whereas if the award is remedial or compensatory, mental state is not relevant to the award.

68. *Saturn Mfg. Inc. v. Williams Patent Crusher & Pulverizer*, 713 F.2d 1347, 1358 (8th Cir. 1983).

69. *Id.*



In 1983, the Federal Circuit recognized the dual nature<sup>70</sup> of enhanced damages in two cases.<sup>71</sup> First, in *Stickle v. Heublein, Inc.*, the Federal Circuit explained that the trial court could enhance damages above a reasonable royalty "so that the award is 'adequate to compensate for the infringement.'"<sup>72</sup> The court was concerned that awarding only a reasonable royalty meant that infringers would be in a "heads-I-win, tails-you-lose" position.<sup>73</sup> The court said that this increase could be seen as either "a reasonable royalty for an infringer,"<sup>74</sup> or as "an increase in the reasonable royalty determined by the court."<sup>75</sup> Thus, the Federal Circuit was not concerned with whether this was seen as remedial or punitive as long as there was adequate compensation for the infringement.<sup>76</sup>

Second, the court discussed the dual nature of enhanced damages in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*<sup>77</sup> One of the issues on appeal to the Federal Circuit was whether prejudgment interest should have been awarded on the enhanced portion of the damages.<sup>78</sup> The key to determining whether it was appropriate to award the interest on the enhanced portion was whether the enhanced portion was remedial or punitive.<sup>79</sup> This debate shows that the court recognized the possibility of both remedial and punitive purposes of § 284 enhanced damages. The court explained that because the enhancement was based on a finding of willful infringement, the increase was punitive.<sup>80</sup>

The Federal Circuit continued to allow compensatory enhanced damages until *Beatrice Foods Co. v. New England Printing and Litho-*

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70. Enhanced damages may serve as compensatory or remedial, punitive, or a combination of both.

71. *Stickle v. Heublein, Inc.*, 716 F.2d 1550 (Fed. Cir. 1983); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

72. *Stickle*, 716 F.2d at 1563.

73. *Id.* (quoting *Panduit Corp. v. Stahl Bros. Fibre Works*, 575 F.2d 1152, 1158 (6th Cir. 1978)). The "heads-I-win, tails-you-lose" situation occurs when the patentee is unwilling to license his patent, but the infringer is able to either get a compulsory license through the court, or if no infringement is found, does not need a license. This violates the patentee's right to exclude others from the use of his invention.

74. A reasonable royalty for an infringer would not necessarily be the same as a reasonable royalty negotiated between two parties acting in good faith before any infringing activity.

75. *Stickle*, 716 F.2d at 1563.

76. *Id.* If the court looked at the increase above the reasonable royalty as a royalty for an infringer, this would be more remedial or compensatory. If the court saw it as an increase on the reasonable royalty established by the court, it would be more punitive in nature.

77. 717 F.2d 1380 (Fed. Cir. 1983).

78. *Id.* at 1389.

79. *Id.*

80. *Id.*

graphing Co. in 1991.<sup>81</sup> In *Beatrice Foods*, the Federal Circuit answered the question of whether damages could be trebled “on the theory that the enhanced award was necessary to compensate adequately the patentee for the infringement.”<sup>82</sup> The answer was a resounding no.<sup>83</sup> The court explained, “Damages cannot be enhanced to award the patentee additional compensation to rectify what the district court views as an inadequacy in the actual damages awarded.”<sup>84</sup> The case involved the destruction of important documents by the infringer which made it difficult to determine actual damages.<sup>85</sup> In this situation, courts must resolve any doubts against the infringer.<sup>86</sup> The court explained that the appropriate route for a patentee who feels undercompensated is an appeal, not an enhancement of actual damages.<sup>87</sup> The court cautioned that “enhanced damages may be awarded only as a penalty for . . . willful infringement or bad faith.”<sup>88</sup>

In 1999, *Odetics* reaffirmed the *Beatrice* line of cases by stating that “[t]he law is clear that while willful infringement may allow enhanced damages, such a finding does not compel the district court to grant them.”<sup>89</sup> Finally, in 2004, the Federal Circuit explicitly held that will-

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81. 923 F.2d 1576 (Fed. Cir. 1991). In 1987, the Federal Circuit described infringement as a spectrum ranging “from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee’s legal rights,” and that the totality of the circumstances should be taken into account in determining willfulness. *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125–26 (Fed. Cir. 1987). The court stated that willfulness is a factor, but that equity should determine the award, with multiplied damages as an option. *Id.*

82. *Beatrice Foods*, 923 F.2d at 1577.

83. *Id.* at 1578 (citing cases dating back to the Federal Circuit’s inception in 1982 and stating that “it is well-settled that enhancement of damages must be premised on willful infringement or bad faith”).

84. *Id.* at 1579.

85. *Id.* at 1577.

86. *Id.* at 1579.

87. *Id.*

88. *Beatrice Foods*, 923 F.2d at 1579–80. In 1992, the Federal Circuit affirmed *Beatrice Foods*’s view and listed nine considerations to take into account when determining whether infringement was willful. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992). To help determine willfulness using the totality of the circumstances, the court gave a number of factors to consider:

- (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) [d]efendant’s size and financial condition . . .
- (5) [c]loseness of the case . . .
- (6) [d]uration of defendant’s misconduct . . .
- (7) [r]emedial action by the defendant . . .
- (8) [d]efendant’s motivation for harm . . .
- (9) [w]hether defendant attempted to conceal its misconduct.

*Id.*

89. *Odetics Inc. v. Storage Tech Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999).

fulness was now required for enhanced damages.<sup>90</sup> Thus, since *Beatrice Foods*, courts have consistently followed the rule that enhanced damages are punitive in nature and require a showing of willfulness.<sup>91</sup>

## 2. Underwater Devices and the Affirmative Duty of Due Care

The affirmative duty of due care issue presented in *Underwater Devices* arose from a claim that the district court erroneously found willful infringement.<sup>92</sup> The patent at issue was a method and apparatus for laying underwater pipe.<sup>93</sup> Plaintiff offered the defendant a license for a project for \$200,000, but the defendant refused the offer and used the infringing method and apparatus anyway.<sup>94</sup> The defendant's in-house counsel and a regional manager decided to negotiate a license only if sued, and then only for the cost of litigation, not a reasonable royalty.<sup>95</sup> Their primary reasoning was their general observation that most patents are invalidated, and thus the risk was minimal.<sup>96</sup> This determination by the defendant was not based on an evaluation of the pertinent patents; in fact, the file history for the patents was not ordered until after infringement began, and a non-infringement opinion was not received until after suit had been brought.<sup>97</sup> Citing the lax attitude of the defendant in determining whether or not their activities constituted infringement, the court set forth the affirmative duty standard:

Where, as here, a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. . . . Such an affirmative duty

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90. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge Gmbh v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004) (discussing the Supreme Court's view that willfulness is a conduit for enhanced damages, used to show the Court's disfavor of the intentional disregard of legal rights).

91. Despite the fairly clear and unambiguous language in *Beatrice Foods*, there has been the occasional outlier. For example, in *King Instruments Corp. v. Perego*, the Federal Circuit recognized that there may still be situations in which enhanced damages are compensatory or remedial in nature:

The problem of inadequate compensation when damages are based on a reasonable royalty has been expressly recognized in several cases. . . . The solutions suggested include awards of treble damages, attorney fees and prejudgment interest . . . and discretionary awards of greater than a reasonable royalty[.] . . . Such discretionary increases may be appropriate where plaintiffs cannot prove direct and foreseeable damages in the form of lost profits.

*King Instruments Corp. v. Perego*, 65 F.3d 941, 951 (Fed. Cir. 1995).

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

93. *Id.* at 1382.

94. *Id.* at 1384-85.

95. *Id.*

96. *Id.*

97. *Id.*

includes, *inter alia*, the duty to seek and obtain competent legal advice before the initiation of any possible infringing activity.<sup>98</sup>

The court thereby introduced the affirmative duty to obtain advice of counsel upon notice of another's patent rights before proceeding with any potentially infringing acts.

### 3. *EchoStar and Broad Subject Matter Waiver*

The Federal Circuit affirmed the broad subject matter waiver principle in *In re EchoStar Communications Corp.*<sup>99</sup> Defendant EchoStar chose to rely on the advice of in-house counsel as a defense to willful infringement.<sup>100</sup> After being sued, EchoStar obtained additional advice from an outside law firm, but chose not to rely on it.<sup>101</sup> The issue was the interpretation of the lower court's discovery order based on the waiver of attorney-client privilege.<sup>102</sup> It was not contested that the in-house counsel's privilege was waived; the key issues were whether the work product of the outside counsel that was not relied upon had to be produced and whether outside counsel's work product that was never presented to EchoStar was discoverable.<sup>103</sup>

The court explained the scope of the waiver, stating that “[o]nce a party announces that it will rely on advice of counsel . . . the attorney-client privilege is waived.”<sup>104</sup> Further, “the waiver applies to all other communications relating to the same subject matter.”<sup>105</sup> The court affirmed that EchoStar's reliance on in-house counsel waived the attorney-client privilege for any and all communications relating to the subject matter of infringement, but that the work product that was not communicated to EchoStar was not a “communication” and thus not subject to discovery.<sup>106</sup> Thus, the scope of the attorney-client waiver was determined not by the type of attorney making the communication, but by the subject matter of the opinion presented. Thus, when an opinion letter is presented as a defense, all communications relating to infringement, validity, enforceability, claim construction, and other topics that are the subject of the opinion letter become discoverable.

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98. *Underwater Devices*, 717 F.2d. at 1389–90.

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

100. *Id.* at 1296–97.

101. *Id.*

102. *Id.*

103. *Id.*

104. *Id.* at 1299.

105. *In re EchoStar Commc'n*, 448 F.3d at 1299 (citing *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005)).

106. *Id.*

The combination of the affirmative duty with broad subject matter waiver of the attorney-client privilege was a heavy burden for accused infringers. Potential infringers were first required to obtain costly non-infringement opinions. Then, in order to avoid willfulness, accused infringers were required to present their non-infringement opinions as a defense, which waived their attorney-client privilege with respect to the subject matter of the opinion. Because non-infringement opinions deal with the core issues of the case, that waiver often extends to trial counsel, which severely impairs counsel's effectiveness. The Federal Circuit eased these burdens when it abandoned the affirmative duty and narrowed the scope of the attorney-client waiver in *Seagate*.<sup>107</sup>

### III. SUBJECT OPINION: *IN RE SEAGATE TECHNOLOGIES, LLC*

In *Seagate*, the Federal Circuit, sitting *en banc*, reaffirmed the willfulness requirement to increase damages, refined the definition of willfulness, and abandoned the affirmative duty of due care.<sup>108</sup> In *Seagate* the Federal Circuit resolved a dispute over the scope of a Special Master's discovery production order<sup>109</sup> that required defendants to produce "all opinions communicated to it."<sup>110</sup> The defendants urged that "opinions" should be construed to mean only formal opinions given in response to a request for an opinion.<sup>111</sup> The plaintiffs, however, sought discovery of any internal communications relating to the same subject as the opinions, including materials on which counsel's opinion was based.<sup>112</sup> The Federal Circuit determined the appro-

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107. See *infra* notes 131–144 and accompanying text.

108. *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007). The issue of willfulness was not specifically before the court, but the court felt that the issue was antecedent to the dispute concerning the proper scope of discovery which was before the court. *Id.* at 1371–72. The court thus stated that "addressing willfulness is neither hypothetical nor advisory." *Id.* At trial, *Seagate* used an opinion of counsel as a defense to the claim of willful patent infringement and enhanced damages. *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 103 (S.D.N.Y. 2004). The law at the time considered the production of an opinion letter a waiver of the attorney-client privilege. *Id.* *Seagate* challenged the extent of the waiver beyond just the opinion to trial counsel communications. *Id.* Thus, willfulness is before the Federal Circuit because the attorney-client privilege waiver was caused by producing the opinion letter which sought to defend against a finding of willful infringement. *In re Seagate*, 497 F.3d at 1371–72.

109. *Convolve*, 224 F.R.D. at 99–102.

110. *Id.* at 101.

111. *Id.*

112. *Id.*

prate scope of waiver, while also taking the opportunity to revisit the willfulness doctrine.<sup>113</sup>

This Part addresses several aspects of the court's decision. Section A discusses the court's reaffirmation of the principle that "an award of enhanced damages requires a showing of willful infringement."<sup>114</sup> Section B introduces the Federal Circuit's two part definition of willfulness, based on the "objectively high likelihood" and "known or should have known" test, which requires at least objective recklessness for a finding of willfulness.<sup>115</sup> Section C analyzes the court's decision to abandon the affirmative duty of due care, including the duty to obtain the opinion of counsel.<sup>116</sup> Finally, Section D explains how the court narrowed the scope of the attorney-client waiver.<sup>117</sup>

### A. Reaffirmation of the Requirement of Willfulness

Because § 284 provides no guidelines for when enhanced damages are appropriate, the court accepted and reaffirmed the requirement that to increase damages, there must be a finding of willful infringement.<sup>118</sup> The court, however, cautioned that a finding of willfulness does not require that damages be increased.<sup>119</sup> Trial courts retain discretion in awarding enhanced damages, and a finding of willfulness makes that option available.<sup>120</sup> The new test for willfulness in infringement is the objective recklessness test.<sup>121</sup>

### B. Definition of Willful Patent Infringement

The duty of care stated in *Underwater Devices* was more like negligence than willfulness.<sup>122</sup> In order to return the definition of willfulness to the generally understood meaning of willful in the broad, civil context, the Federal Circuit in *Seagate* overruled *Underwater Devices* in this respect.<sup>123</sup> However, the Federal Circuit recognized that the

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113. *In re Seagate*, 497 F.3d at 1371–72 (“The ultimate dispute in this case is the proper scope of discovery. . . . [I]t is indisputable that the proper legal standard for willful infringement informs the relevance of evidence relating to that issue and . . . the proper scope of discovery.”).

114. *In re Seagate*, 497 F.3d at 1368; see *infra* notes 118–121 and accompanying text.

115. *In re Seagate*, 497 F.3d at 1371; see *infra* notes 122–130 and accompanying text.

116. *In re Seagate*, 497 F.3d at 1371; see *infra* notes 131–137 and accompanying text.

117. *In re Seagate*, 497 F.3d at 1372–76; see *infra* notes 138–144 and accompanying text.

118. *In re Seagate*, 497 F.3d at 1368.

119. *Id.*

120. *Id.* (“[A] finding of willfulness does not require an award of enhanced damages; it merely permits it.”).

121. *Id.* at 1371.

122. *Id.*

123. *Id.* at 1371 (citing *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (2007)).

term reckless was not self-defining.<sup>124</sup> The court looked to copyright law and a recent Supreme Court decision, *Safeco Insurance Co. of America v. Burr*, to determine the proper meaning of willful.<sup>125</sup> Analogizing patent law to copyright law, the court concluded that trial courts' decisions to enhance damages should be based on a finding of willful infringement.<sup>126</sup> Because "willful" was not defined in the damages statute, the court followed consistent precedent and found that the term "willful" includes reckless behavior.<sup>127</sup> The court in *Seagate* accepted the general civil law definition of recklessness that the Supreme Court used in *Safeco*.<sup>128</sup>

Specifically, the *Seagate* court set out a two part test for willfulness:

[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. . . . [T]he patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.<sup>129</sup>

Following *Seagate*, in order to prove willfulness, a patentee must demonstrate first that the accused infringer acted in the face of a great risk, and second, that the risk was or should have been known. The court's ultimate conclusion with respect to enhanced damages was that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness."<sup>130</sup> This new standard was a significant change from the old standard that allowed patentees to escape the burden of proving willfulness by simply pointing to the fact that the accused infringer had notice of the patentee's rights, which then forced accused infringers to show a lack of willfulness. Now, patentees bear the burden of persuasion that is properly theirs as plaintiffs.

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

125. *Id.* at 1370-71.

126. *Id.* ("Under the Copyright Act . . . trial courts have discretion to enhance the damages . . . for willful infringement"); see also 17 U.S.C. § 504(c) (2006).

127. *In re Seagate*, 497 F.3d at 1370-71. The Supreme Court in *Safeco* confirmed that "[t]he standard civil usage thus counsels reading [willful] . . . as reaching reckless." *Safeco*, 127 S. Ct. at 2209. Note that civil and criminal definitions of "willful" are different, the former including reckless, the latter requiring "knowing." *Id.* at 2209 n.9.

128. *In re Seagate*, 497 F.3d at 1370-71.

129. *Id.* at 1371.

130. *Id.*

### C. *Abandonment of Affirmative Duty of Due Care*

The Federal Circuit also decided to abandon the affirmative duty of due care established in *Underwater Devices*.<sup>131</sup> One of the reasons for the change in the court's opinion was the change in attitude towards infringers in general.<sup>132</sup> The *Underwater Devices* affirmative duty of due care for possible infringers was announced "at a time 'when widespread disregard of patent rights was undermining the national innovation incentive.'"<sup>133</sup> Most recently, the affirmative duty created a dilemma for accused infringers: they could offer an opinion letter but lose the attorney-client privilege, or they could withhold the invalidity opinion but create a negative inference that either no opinion was obtained or that the opinion obtained was unfavorable.<sup>134</sup> In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge Gmbh v. Dana Corp.*, the Federal Circuit precluded courts from drawing negative inferences from failure to offer an opinion letter.<sup>135</sup> Then, in *Seagate*, the court reaffirmed that reliance on favorable advice of counsel or failure to proffer favorable advice "is not dispositive of the willfulness inquiry" and cannot be used to draw negative inferences.<sup>136</sup> Thus, the Federal Circuit entirely abandoned the affirmative duty of due care requirement by neutralizing the dispositive nature of opinion letters of counsel and precluding courts from drawing negative inferences.<sup>137</sup>

### D. *Narrowing of the Attorney-Client Privilege Waiver*

*Seagate* also considered whether presenting pretrial advice of counsel as a defense waived the attorney-client privilege with separate trial counsel as well.<sup>138</sup> Recognizing the purpose of the privilege, to encourage full and frank communication between attorneys and their clients, and the "significantly different functions of trial counsel and opinion counsel," the court was reluctant to allow the broad extension of waiver to trial counsel communications.<sup>139</sup> The court also made an

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131. *Id.* ("Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.").

132. *Id.* at 1369.

133. *Id.* (quoting *Knorr-Bremse Systeme Fuer Nutzfahrzeuge Gmbh v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004)); see also *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1385 (Fed. Cir. 1983) (explaining that part of the attorney's advice regarding non-infringement was that in eighty percent of cases the patent is found invalid, so the risk of an infringement action was minimal).

134. *In re Seagate*, 497 F.3d at 1369-70.

135. *Knorr-Bremse*, 383 F.3d at 1441.

136. *In re Seagate*, 497 F.3d at 1369-70.

137. *Id.* at 1371.

138. *Id.* at 1372-76.

139. *Id.* at 1373.



important distinction between pre-complaint and post-complaint filing activities of the accused infringer, stating that “a willfulness claim . . . must necessarily be grounded exclusively in the accused infringer’s pre-filing conduct,” because “when a complaint is filed, a patentee must have a good faith basis for alleging willful infringement.”<sup>140</sup> In order for a plaintiff to receive treble damages for post-filing conduct, she must request a preliminary injunction.<sup>141</sup> If a court denies that injunction, it is unlikely to find the conduct sufficiently willful to deserve enhanced damages.<sup>142</sup> The court explained that because trial counsel’s advice does not typically form a basis for the defendant’s pre-filing activities, it is not per se part of the waived subject matter when defendants rely on an opinion as a defense to willful infringement.<sup>143</sup> The court did not, however, expressly limit the waiver to opinion counsel. Rather it eliminated the automatic waiver of the trial counsel privilege but reserved the determination of the ultimate scope of the waiver for the trial courts.<sup>144</sup>

#### IV. ANALYSIS

The Federal Circuit’s extensive overhaul of the willfulness doctrine in *Seagate* is precisely in line with the long-felt need for sweeping changes by many practitioners and patent holders.<sup>145</sup> The amicus briefs for the *Knorr-Bremse* decision “demonstrate collectively that the willfulness doctrine has evolved into a force that operates arbitrarily and without uniformity and that imposes unnecessary expenses upon both litigants.”<sup>146</sup> *Seagate* resolved a number of the outstanding issues with the willfulness doctrine. This Part analyzes each of the

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140. *Id.* at 1374.

141. *Id.*

142. *In re Seagate*, 497 F.3d at 1374 (explaining that the substantial question about invalidity or infringement that would preclude a preliminary injunction would also form a basis for denying enhanced damages).

143. *Id.* at 1373.

144. The court made it clear that the scope of waiver determination remained in the hands of trial court judges:

In sum, we hold, as a general proposition, that asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel. We do not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances.

*Id.* at 1374–75.

145. See *infra* notes 151–258 and accompanying text.

146. Robert P. Taylor, *Willfulness After Knorr-Bremse—The Major Problems Persist*, 6036 PLI 371, 375 (2005). Specifically, “critics complained that imposing an affirmative duty to obtain such legal opinions . . . subjects potential defendants to costs far out of proportion with any benefit to the patent owner or the objectives of the patent system.” *Id.*

four main holdings in *Seagate*. Section A analyzes the narrowed scope of the attorney-client privilege waiver when presenting an opinion of counsel, focusing on the principle's disadvantages prior to *Seagate*.<sup>147</sup> Section B discusses the abandonment of the affirmative duty of due care for potential infringers upon actual notice of an existing patent.<sup>148</sup> Section C reviews the court's clarification of willfulness and the essential elements for a willfulness determination.<sup>149</sup> Finally, Section D examines the reaffirmation of the willfulness requirement for enhanced damage awards.<sup>150</sup>

### A. *Narrowing the Attorney-Client Privilege Waiver*

The Federal Circuit's decision in *Seagate* appropriately narrowed the scope of the attorney-client privilege waiver when presenting an opinion-of-counsel as a defense. The law prior to *Seagate* forced accused infringers to make a choice when faced with allegations of willfulness.<sup>151</sup> Defendants could either present an opinion of counsel as a defense to willful infringement (which required them to waive the attorney client privilege), or they could withhold the opinion of counsel and preserve the attorney client privilege (which caused them to lose the defensive power of the favorable opinion). Although *Knorr-Bremse* eliminated the adverse inference from a failure to present an opinion of counsel, the dilemma faced by defendants was unresolved.<sup>152</sup> This Section analyzes the failures of the broad waiver principle. The first Subsection discusses how the broad waiver principle frustrated the public policy benefits afforded by an honest opinion of counsel.<sup>153</sup> The second Subsection reviews how the broad waiver

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147. See *infra* notes 151–172 and accompanying text; see also *In re Seagate*, 497 F.3d at 1374–75 (“[A]s a general proposition, . . . asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel.”).

148. See *infra* notes 173–228 and accompanying text; see also *In re Seagate*, 497 F.3d at 1370–72 (“Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”).

149. See *infra* notes 229–245 and accompanying text; see also *In re Seagate*, 497 F.3d at 1370–72 (“[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”).

150. See *infra* notes 246–258 and accompanying text; see also *In re Seagate*, 497 F.3d at 1368 (“Absent a statutory guide, we have held that an award of enhanced damages requires a showing of willful infringement.”).

151. If there is no allegation of willful infringement, whether or not there is reliance on an opinion of counsel is moot because patent infringement is a strict liability offense.

152. Brief of Amicus Curiae on Behalf of Federation Internationale Des Conseils En Propriete Industrielle, in Support of Neither Party, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of Federation Internationale].

153. See *infra* notes 156–161 and accompanying text.

principle inhibited the “efficient, fair and expedient adjudication of patent cases.”<sup>154</sup> The final Subsection describes alternative, less intrusive means of obtaining the same relevant information that would be obtained through the broad waiver.<sup>155</sup>

### 1. Frustrating Public Policy

A broad waiver principle harms the public policies of promoting innovation by awarding patents and providing notice to potential infringers. When a patent is granted, one of the benefits the public receives is a disclosure describing how the invention works. This allows the public to effectively design around and improve the invention during the patent term and fully utilize the invention when the patent expires. A broad attorney-client waiver doctrine, however, discourages “full and frank communication between attorneys and their clients.”<sup>156</sup> If an attorney provides honest consideration of factors tending towards both non-infringement and infringement, the opinion letter would be damning, rather than defensive, at trial.<sup>157</sup> But an honest, balanced opinion is beneficial to clients, especially corporations, who need to know the real risks before deciding on a course of action relating to a product.<sup>158</sup> An opinion letter is much more than a defense to willful infringement. It aids clients in designing around patents by informing an inventor about the legal limits of the prior invention, thus allowing them to ensure that a new product does not infringe and know the available scope of patent protection for the

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154. En Banc Brief of Amici Curiae Avery Dennison Corp. et al. in Support of Seagate Tech., LLC, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of Avery Dennison]. See also Brief of Federation Internationale, *supra* note 152, at 4 (stating that international clients and parties to litigation in the United States need “certainty and predictability of the judicial process, including discovery procedures.”); *infra* notes 162–164 and accompanying text.

155. See *infra* notes 165–172 and accompanying text.

156. The “full and frank disclosure” language is found in *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981). The discouraging effect of the dilemma is described in Brief of Avery Dennison, *supra* note 154, at 3; Brief of the American Bar Ass’n as Amicus Curiae in Support of Petitioner at 3–4, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of ABA]; Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law’s Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1085 (2003); see also Brief of Amicus Curiae Pharmaceutical Research and Mfrs. of America in Support of Petitioner at 19–20, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of Pharmaceutical Research] (explaining that a combination of broad attorney-client waiver and the affirmative duty led to poorly written opinions based on less than all the facts).

157. Brief of Avery Denison, *supra* note 154, at 3.

158. Brief of Amicus Curiae, Biotechnology Industry Organization, In Support of Petitioner at 5, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of Biotechnology Industry] (“Corporate decision makers expect such opinions to provide information needed for immediate business decisions, such as whether to seek a license, to make changes to their activities, or to confidently declare to potential partners or investors their belief they have freedom-to-operate.”).

product.<sup>159</sup> A broad waiver principle that discourages forthright opinions from counsel would be contrary to patent law's core premise that that the public benefits from legitimate attempts to design around patents.<sup>160</sup> It would also cripple an attorney's ability to provide accurate information to a defendant during a trial.<sup>161</sup>

## 2. *Limiting Efficiency and Fairness*

Broad waiver leads to increased litigation and litigation expenses.<sup>162</sup> Often, opinions are obtained with a focus on litigation which requires minimizing potentially detrimental, discoverable communications. These slanted opinions do not allow clients to make fully informed decisions. "Less informed decisions mean increased mistakes. It may be accidental infringement because the decision is based on erroneous beliefs of invalidity, unenforceability, or narrow claim scope. This causes unnecessary litigation and litigation costs, wasted design efforts and resources, and advances neither innovation nor competition."<sup>163</sup> Attorneys may be forced to choose between an accurate and useful opinion for a client, hoping to avoid litigation, or a litigation-proof opinion that provides no real insight. Essentially, opinions written with an eye towards future litigation are useless for research and development purposes because they are focused on the legal, rather than inventive, aspects of the patent. As a result, inventors may end up wasting significant efforts aimlessly designing around prior art which was already in the public domain.<sup>164</sup>

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159. Brief of Avery Denison, *supra* note 154, at 4–5.

160. *Id.* It is possible that an attorney, fearing ramifications at trial, might give a client an opinion unrealistically biased in favor of the client. This could discourage a client from designing around the patent because he incorrectly believes he does not need to do so. In this manner, a broad waiver could lead to increased, unintentional infringement, as well as less effective design-arounds or none at all. *Id.* at 11.

161. Brief of ABA, *supra* note 156, at 6–8. Throughout the litigation process, an attorney must advise his client of the changing value of various defenses based on additional information that comes to light. *Id.* A broad waiver makes it dangerous to discuss such changing trial strategies and risks, because such statements would be discovered through the waiver and may be seen as a concession or admission. *Id.* This may "encourage clients to adopt a 'don't ask, don't tell' approach with trial counsel." *Id.* at 8. This would create an undesirable chilling effect on honesty in attorney-client communications. *Id.*

162. Brief of Amicus Curiae Federal Circuit Bar Ass'n in Support of Neither Party, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of FCBA]. The duty to update would be especially troublesome in a situation where the court determined that the privilege was waived. Such would require trial counsel to continually update opposing counsel as to his trial strategy as it changed throughout the trial. This would severely hinder trial counsel's ability to serve his client effectively.

163. Brief of Avery Dennison, *supra* note 154, at 11.

164. *Id.*

### 3. *Less Intrusive Means*

The attorney-client waiver does provide important information to the opposing party that is necessary for an equitable trial, but a broad waiver is not essential because that information is available through other means.<sup>165</sup> Opposing counsel has a right to know the circumstances surrounding the opinion, the research upon which the opinion is based, and the qualifications of the individual giving the opinion.<sup>166</sup> However, allowing the waiver might result in opinion counsel being called as an adverse witness.<sup>167</sup> Opposing counsel can obtain information regarding the assumptions upon which counsel based his opinion and any relevant changes in the law or facts of the case through an effective cross-examination of the opinion counsel.<sup>168</sup> Opinion counsel's qualifications can be determined through deposition or discovery.<sup>169</sup> The accuracy of the opinion can be determined by reviewing the document itself.<sup>170</sup> Experts could be called to testify as to the accuracy, honesty, and reliability of the opinion. Because the evidence is available through less intrusive means, "the probative value of the evidence to be obtained from trial counsel [through waiver] is far outweighed by the factors that support the privilege."<sup>171</sup> A broad attorney-client privilege waiver is neither the best nor the least intrusive means of discovering the pertinent information.

The court's narrowing of the scope of waiver in *Seagate* should alleviate the aforementioned burdens on the judicial system and the public. Broad waiver was intended to increase the information available to ascertain the truth, but led to the opposite. By limiting the scope of the waiver, attorneys will be able to communicate more fully and frankly with their clients. In rare circumstances when a court believes that the communications should be *discoverable*,<sup>172</sup> the information disclosed will be more indicative of the truth, rather than a well-formulated imitation of it by a litigation-minded attorney. More forthcoming opinions will allow potential infringers to more effectively

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165. *Id.* at 3.

166. *Id.* at 16-17.

167. *Id.* at 2-3; *see also* Brief of Amici Curiae Echostar Communications Corp. et al., *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of Echostar Comm'ns Corp. et al.]. In a number of jurisdictions, if counsel is required to give testimony relating to an essential fact or that would be adverse to his client, he could be disqualified. *See* Brief of Avery Dennison, *supra* note 154, at 14-15.

168. Brief of Avery Dennison, *supra* note 154, at 2.

169. *Id.* at 16.

170. *Id.*

171. Brief of Pharmaceutical Research, *supra* note 156, at 6; *see also* FED. R. EVID. 403.

172. *See In re Seagate*, 497 F.3d at 1374-75 ("We do not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances.").

avoid infringement, which will decrease infringement suits. Thus, a narrower scope of waiver will encourage honest, useful communications, avoid duplicative research efforts, and reduce the judicial caseload.

### B. *Abandoning the Affirmative Duty*

The Federal Circuit was correct in expanding the *Knorr-Bremse* decision by abandoning the affirmative duty altogether. After *Underwater Devices*, the affirmative duty effectively became a requirement for a defendant to obtain an opinion of counsel.<sup>173</sup> Although reasonable arguments exist for both maintaining and eliminating the duty, the burden in willful infringement cases became far too unbalanced to defendants' detriment to retain the affirmative duty.<sup>174</sup> This Section analyzes the opposing views held on this subject. The first Subsection explores two views in favor of maintaining the affirmative duty; the affirmative duty struck a proper balance between predictability and flexibility,<sup>175</sup> and the affirmative duty was a means of protecting our nation's valuable intellectual property regime.<sup>176</sup> The final Subsection analyzes arguments for eliminating the affirmative duty and concludes that the Federal Circuit was correct in abandoning the duty at this time.<sup>177</sup>

#### 1. *Arguments for Maintaining the Affirmative Duty*

There are two main views regarding the justification for retaining the affirmative duty. According to the first, the affirmative duty provides a stable and predictable system that properly deters infringers while maintaining enough flexibility to balance equitable concerns.<sup>178</sup> Because "settlement can often be forced by the mere possibility of a finding that the infringement was willful," potential infringers will more likely consider licensing or at least think twice about the harsh ramifications if they are caught, and thus infringement is deterred.<sup>179</sup> If this possibility were removed and potential infringers only faced the

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173. Brief of FCBA, *supra* note 162, at 12.

174. Brief of Biotechnology Industry, *supra* note 158, at 15.

175. See *infra* notes 178–183 and accompanying text.

176. See *infra* notes 184–192 and accompanying text.

177. See *infra* notes 193–228 and accompanying text.

178. Jon E. Wright, Comment, *Willful Patent Infringement and Enhanced Damages—Evolution and Analysis*, 10 GEO. MASON L. REV. 97 (2001). This argument, however, was made six years prior to *Seagate* and the author's position is not that the affirmative duty should never be abolished, but that doing so would be inappropriate at that time. The duty was created at the peak of anti-patent sentiment in the United States.

179. *Id.* at 97.

cost of a reasonable royalty (and their own attorneys' fees), there would be "little incentive to seek a license," and the deterrence of infringement would deteriorate.<sup>180</sup> Without a strong affirmative duty, courts would award enhanced damages less frequently, which would weaken the incentive for potential infringers to be cautious, thus weakening patent protection, discouraging innovation, and ultimately harming the public.<sup>181</sup> One scholar has argued that uncertainty leads to litigation, which leads to clarification by the courts, which then leads to certainty.<sup>182</sup> Hence, uncertainty is not permanent and may be an essential stage in the process of achieving certainty.<sup>183</sup> In sum, this view holds that the affirmative duty requirement successfully and equitably deters infringement and that the chilling effect on corporations' innovation is only temporary.

The second view contends that the affirmative duty reflects a fundamental premise "that intellectual property is worth protecting."<sup>184</sup> The duty of care strengthened the U.S. patent system and the U.S. economy by mandating respect for patent rights.<sup>185</sup> The duty of care encourages potential infringers to obtain competent advice of counsel,<sup>186</sup> which is a positive force in avoiding infringement.<sup>187</sup> It also helps corporations and inventors design around existing patents. Both avoiding infringement and designing around patents are decidedly beneficial to the public.<sup>188</sup> This view is critical of *Seagate's* retraction of the affirmative duty because removing the affirmative duty "may actually lead to more deplorable conduct."<sup>189</sup>

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180. *Id.* at 100.

181. *Id.* at 121.

182. *Id.* at 118–21 (citing RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 587–88 (5th ed. 1998)).

183. *Id.*

184. Brief for Amicus Curiae Bar Ass'n of the District of Columbia, in Support of Neither Party at 2, *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (No. 06-830) [hereinafter Brief of BADC].

185. Brief Amicus Curiae of the Philadelphia Intellectual Property Law Ass'n, *In re Seagate*, 497 F.3d 1360 (No. 06-830) [hereinafter Brief of Philadelphia IP Law Ass'n] ("Inventions continue to be developed here, in part because inventors and investors know that U.S. patents have teeth and can be enforced with greater predictability than elsewhere.").

186. Whether or not the counsel that is obtained through this requirement was competent or crafted specifically for the client's purposes is questioned in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1351 (Fed Cir. 2004) (Dyk, J., dissenting) ("[T]he due care requirement has fostered . . . a cottage industry of window-dressing legal opinions.").

187. See Brief of BADC, *supra* note 184, at 4.

188. See Brief of Avery Dennison, *supra* note 154, at 4–6.

189. Brief of Philadelphia IP Law Ass'n, *supra* note 185, at 3–4. The brief asserts that the duty of due care decreases the frequency of unlawful trespass on patent rights, so conversely, eliminating the duty would increase the frequency of unlawful trespass on patent rights. *Id.*

In *eBay, Inc. v. MercExchange, L.L.C.* the Supreme Court held that injunctions are no longer mandatory upon a finding of infringement.<sup>190</sup> Injunctions had previously been a strong factor in deterring infringement and forcing settlement when infringement was found.<sup>191</sup> Without the threat of a mandatory injunction, removing the affirmative duty would leave infringers free to do as they please with little fear of recourse because all that would likely be assessed for damages would be a reasonable royalty.<sup>192</sup> In this manner, potential infringers could force patentees to judicially license their patents against their will. This would fly directly in the face of the exclusive right granted to patentees. In sum, this second view focuses on the benefits to the intellectual property regime afforded by the effective deterrence of infringement through the affirmative duty.

## 2. *The Federal Circuit Correctly Abandoned the Affirmative Duty*

Even if the affirmative duty provided predictability and stability, deterred infringement, and strengthened the intellectual property regime, it was dangerously unbalanced in favor of patentees to the ultimate detriment of the public.<sup>193</sup> The affirmative duty was “the primary source of the ongoing problems with [the] willful infringement doctrine.”<sup>194</sup> This Subsection analyzes the imperfections of the affirmative duty. First, the affirmative duty of due care, with its attendant duty to obtain the opinion of counsel, was contrary to Supreme Court precedent.<sup>195</sup> Second, it improperly shifted the burden of proof and encouraged meritless claims.<sup>196</sup> Third, it created a dangerous dilemma for defendants and undermined some of the basic purposes of the patent system, forcing unnecessary expenditures with

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190. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006).

191. Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 101 (2001). While discussing the theory that treble damages do little to increase the deterrence already provided through a threat of injunction, the author states that “[t]he possibility of an injunction provides a powerful source of coercion for the patentee.” *Id.*

192. Brief of Philadelphia IP Law Ass’n, *supra* note 185, at 3–4.

193. Andrew M. Newton, *Encouraging Willful Infringement? Knorr-Bremse Leaves Due Care in Patent Litigation in a State of Flux*, 15 TEX. INTELL. PROP. L.J. 91, 114 (2006) (“The public is rewarded with great innovation when a proper balance is struck between protecting established inventors rights and encouraging new inventors to make substantial strides to existing inventions.”).

194. William F. Lee, Michael J. Summersgill & Jordan L. Hirsch, *The Doctrine of Willful Patent Infringement After Knorr-Bremse: Practical Problems & Recommendations*, 7 SEDONA CONF. J. 169, 179 (2006).

195. *See infra* notes 199–202 and accompanying text.

196. *See infra* notes 203–207 and accompanying text.



no attendant benefits and rewarding unjust behavior.<sup>197</sup> Finally, the affirmative duty created uncertainty, improperly extended the patent monopoly, and was no longer necessary to achieve its original policy purposes.<sup>198</sup>

#### a. Supreme Court Precedent

The affirmative duty allowed treble damages on a finding of mere negligence, contrary to Supreme Court precedent in *BMW of North America, Inc. v. Gore*,<sup>199</sup> which requires that “the punitive damages imposed on a defendant be based on reprehensible conduct, not negligence.”<sup>200</sup> Thus, *reprehensible* conduct—not simply negligent conduct—is required for punitive enhanced damages.<sup>201</sup> Under pre-*Seagate* case law, mere negligent failure to comply with the affirmative duty was grounds for a finding of willfulness, which allowed a punitive enhancement of damages. Because the affirmative duty “enable[d] a patentee to recover enhanced or punitive damages based on a showing of simple negligence,” the Federal Circuit was correct to follow Supreme Court precedent and abandon the affirmative duty of due care.<sup>202</sup>

#### b. Improper Burden Shifting

The affirmative duty improperly shifted the burden to the defendant to show a lack of willfulness, rather than requiring the plaintiff to demonstrate willfulness.<sup>203</sup> Thus, some argued that this burden shift ought to be mitigated through the elimination of the due care requirement.<sup>204</sup> If, however the burden is shifted, it may result in reduced findings of willfulness which would then encourage infringers to “infringe at will.”<sup>205</sup> But willfulness is alleged in almost all patent in-

197. See *infra* notes 208–220 and accompanying text.

198. See *infra* notes 221–228 and accompanying text.

199. Brief of Pharmaceutical Research, *supra* note 156, at 12; see also *Atmel Corp v. Silicon Storage Tech.*, 202 F. Supp. 2d 1096, 1102–03, 1107–08 (Fed. Cir. 2002) (finding willful infringement because there was not an adequate opinion, although there was no deliberate copying, no poor litigation practices, and no motivation to injuriously infringe).

200. Brief of Pharmaceutical Research, *supra* note 156, at 12 (citing *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 574–79 (1996)).

201. *State Farm Mutual Auto Ins. Co. v. Campbell*, 538 U.S. 408, 419 (2003) (“[P]unitive damages should only be awarded if the defendant’s culpability, after having paid compensatory damages, is so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence.”).

202. Brief of Pharmaceutical Research, *supra* note 156, at 12.

203. Brief of ABA, *supra* note 156, at 15 (“The result is that the accused infringer effectively bears the burden and cost to disprove willfulness—before it is ever shown to have infringed.”).

204. Brief of Federation Internationale, *supra* note 152, at 4.

205. Newton, *supra* note 193, at 115.

fringement cases, often with little or no basis, which puts the accused at a disadvantage simply from the nature of the allegations.<sup>206</sup> The ease with which an allegation of willfulness can be added to an infringement claim encourages meritless claims of willfulness.<sup>207</sup> If treble damages are rarely awarded, a patentee who believes another is infringing may forego enforcing his rights if the case is doubtful because the unenhanced damages are not worth the time and money required, especially if there is a good chance of failure. However, the ready availability of treble damages will shift the balance so that it may be worth a patentee's time to bring a questionable case in hopes of receiving treble damages. In this manner, the affirmative duty's contribution to frequent treble damage awards encouraged meritless claims.

### c. Undermining Basic Patent Principles

There were also a number of policy concerns that arose from the affirmative duty. In its amicus brief, the Washington State Patent Law Association asserted that the affirmative duty

in theory and in fact has resulted in parties being unwilling to identify and read issued U.S. patents. As a result, the *Underwater Devices* obligation to obtain advice of counsel upon notice of another's patent rights undermines one of the fundamental purposes of the patent system, to encourage the effective dissemination of advances in the useful arts.<sup>208</sup>

Further, it rewards willful ignorance.<sup>209</sup> It denies inventors the benefit of the latest advances in technology for fear of being charged with the duty to obtain advice of counsel for being "aware" of the patents;<sup>210</sup> this advice can cost from \$10,000 to \$100,000 for a single patent.<sup>211</sup> The Washington State Patent Law Association argued that this fear of becoming aware of patents leads to increased infringement because

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206. Wright, *supra* note 178, at 97.

207. Brief of Federation Internationale, *supra* note 152, at 7.

208. Brief for Wash. State Patent Law Ass'n Supporting Petitioner Seagate Tech. LLC, in Part, and Taking No Position On Affirmance or Reversal at 3, *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (No. 06-830) [hereinafter Brief of Wash. State Patent Law Ass'n].

209. The affirmative duty encouraged willful ignorance because

[s]o long as an opinion is objectively valid on its face, the defendant relying upon it but taking no other action is in a better position to defend against a willfulness claim than a defendant that did not obtain an opinion but made good faith attempts to avoid infringement by designing around, etc.

Brief of Federation Internationale, *supra* note 152, at 6-7.

210. Brief of Wash. State Patent Law Ass'n, *supra* note 208, at 6. The actual wording in *Underwater Devices* is "actual notice," but it developed to include simply being "aware" of a patent. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983).

211. Newton, *supra* note 193, at 108.

“[p]arties that do not know of patents are more likely to infringe the unknown patent.”<sup>212</sup> The fear of the duty also dampens the incentive to design-around existing patents.<sup>213</sup> Similarly, the fear of becoming aware of patents reduces both public dissemination of knowledge and design-around efforts.<sup>214</sup>

Not every corporation meets the affirmative duty challenge by avoiding prior art altogether; some bite the bullet and spend money on counsel’s advice.<sup>215</sup> Unfortunately, the cost of the advice is not the only cost to the corporation.<sup>216</sup> Employees have to work with the attorney, decide what the opinion means for the business, and often this leads to production delays.<sup>217</sup> Further, there are generally no social or economic benefits to obtaining an opinion.<sup>218</sup> As stated by the Biotechnology Industry Organization, the money spent on opinions is “money that biotechnology businesses would much rather invest in their products than in their lawyers.”<sup>219</sup> Finally, for those that obtain an opinion from counsel, “there are no guarantees that the duty of due care has been discharged successfully.”<sup>220</sup>

#### d. Uncertain and Unnecessary

Before *Seagate*, there was a level of uncertainty surrounding what would satisfy the affirmative duty of due care.<sup>221</sup> This uncertainty arguably led corporations to inefficiently overprotect themselves in an effort to avoid treble damages.<sup>222</sup> And consumers ultimately bear this cost in the form of increased prices.<sup>223</sup> Corporations may avoid an entire commercial area relating to a patent in order to avoid treble damages liability, thus effectively broadening the scope of the issued patent and impairing the corporation’s global competitiveness.<sup>224</sup>

The court made the correctly decided to abandon the affirmative duty because the policy reasons underlying the duty were no longer

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212. Brief of Wash. State Patent Law Ass’n, *supra* note 208, at 6–7.

213. *Id.*

214. *Id.*

215. Brief of Avery Dennison, *supra* note 154, at 8–9.

216. *Id.*

217. *Id.*

218. *Id.*; see also Lee et al., *supra* note 194, at 179 (“[E]liminating the affirmative duty would permit defendants to focus on legitimate efforts to avoid infringement rather than on simply obtaining opinions.”).

219. Brief of Biotechnology Industry, *supra* note 158, at 12.

220. *Id.*

221. Newton, *supra* note 193, at 108.

222. *Id.* at 112.

223. *Id.*

224. *Id.*

valid.<sup>225</sup> The affirmative duty was introduced “at a time when widespread disregard of patent rights was undermining the national innovation incentive.”<sup>226</sup> Based on federal judicial caseload statistics, the disregard for patents has significantly diminished since the introduction of the affirmative duty.<sup>227</sup>

The Federal Circuit was also correct to abandon the affirmative duty of due care for potential infringers.<sup>228</sup> The affirmative duty to seek an infringement opinion, combined with the broad scope of attorney-client privilege waiver, was excessively burdensome on accused infringers and the public at large. This combination forced inventors to invest in opinions which, when used as a defense, would broadly waive the attorney-client privilege. The benefits accrued to patent holders through the affirmative duty requirement were far outweighed by the harms done to innovators, consumers, and the public in general.

### C. *Defining Willfulness and its Elements*

The Federal Circuit in *Seagate* ended serious debate on the willfulness issue and set forth an objective standard for determining willfulness.<sup>229</sup> *Seagate*'s clear definition of the term “willful” in the enhanced damages context for patents should increase judicial efficiency, give potential infringers a better idea of the risks they are undertaking, and allow for safer and more effective design-arounds. There are elements of strict liability, negligence, and intentional tort within patent infringement.<sup>230</sup> While initially willful infringement closely resembled an intentional tort requiring a clear showing of actual intent, the Federal Circuit recently defined willful infringement in a way that resembled mere negligence.<sup>231</sup> This unnatural mixture of intentional torts with negligence “resulted in confusion and unpredictability for potential litigants.”<sup>232</sup> Further, “a negligence standard for

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225. Brief of EchoStar Com'ns Corp. et al., *supra* note 167, at 10.

226. Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1343 (Fed. Cir. 2004) (By creating the affirmative duty, the court helped to strengthen patent holder's rights and counter the anti-patent sentiment in the nation).

227. Brief of EchoStar Commnc'ns Corp. et al., *supra* note 167, at 10 (citing Federal Judicial Caseload Statistics.)

228. See *supra* notes 193–227 and accompanying text.

229. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

230. Stephanie Pall, Note, *Willful Patent Infringement: Theoretically Sound? A Proposal to Restore Willful Infringement to its Proper Place Within Patent Law*, 2006 U. ILL. L. REV. 659, 659.

231. *Id.* (“[T]he Federal Circuit sometimes defines willful infringement subjectively, and other times in terms of a ‘duty of care’ and ‘reasonableness,’ concepts mainly associated with negligence law.”).

232. *Id.*

willful patent infringement is theoretically and constitutionally inconsistent with the availability of punitive damages.”<sup>233</sup>

One suggested test for willfulness would establish a rebuttable presumption of willfulness when a patent holder shows, by clear and convincing evidence, “that an accused infringer had knowledge of the patent . . . and no basis for disputing [infringement].”<sup>234</sup> Of course, this presumption could be overcome by the accused producing a credible explanation for its belief that its conduct was not infringement.<sup>235</sup> This would properly shift the burden back onto the plaintiff to show that infringement was willful, as well as raising the intent required to show willfulness. Another proposed solution would require literal infringement in order to be considered willful infringement.<sup>236</sup> However, enhanced damages are not a bad thing—courts have just allowed them too readily in the past. Requiring literal infringement would go toward the other extreme and make enhanced damages far too difficult to obtain.<sup>237</sup>

Other supporters favor the objective test for willfulness over the Federal Circuit’s subjective test (prior to *Seagate*) because of the evidentiary difficulties in proving the accused infringer’s state of mind.<sup>238</sup> Inventors would be better able to rely on an objective test because the factors involved are concrete and factual. It is possible that the adoption of an objective test would eliminate the requirement to obtain advice of counsel because actual state of mind would not be dispositive.<sup>239</sup> This would have the benefit of eliminating excess costs related

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233. *Id.* at 680; see also Brief of EchoStar Commc’ns Corp. et al., *supra* note 167, at 4 (citing *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 129 (1988)) (describing how the Supreme Court, reviewing a Fifth Circuit decision “that required no more than an employer being aware of the possible application of” the relevant law in order to award punitive damages, rejected such a broad view of willfulness). The Court said that such a standard “virtually obliterates any distinction between willful and nonwillful violations.” *Id.*

234. Brief of EchoStar Commc’ns Corp. et al., *supra* note 167, at 6–7.

235. *Id.*

236. See Taylor & Von Tersch, *supra* note 1.

237. Literal infringement requires that each and every element in the claims of a patent be found on the infringing device. Literal infringement can thus be avoided by the addition of the simplest, most trivial element that takes the infringing device outside the literal reading of the claims.

238. William F. Lee & Lawrence P. Cogswell III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Patent Infringement*, 41 HOUS. L. REV. 393, 430–31 (2004) (“It will generally be more difficult to prove that the defendant deliberately infringed (if the district court applies the subjective standard) than that he unreasonably infringed (under the objective standard), because there may be no direct evidence of the defendant’s actual state of mind.”)

239. Lerney & Tangri, *supra* note 156, at 1085.

to opinions, as well as getting rid of the market for excessively biased and litigation-driven opinions.<sup>240</sup>

The objective requirements for willfulness set forth in *Seagate* follow the Supreme Court's precedent and should help in limiting punitive damage awards to cases that are "reprehensible."<sup>241</sup> Under the new two step test, willfulness will be much harder to prove.<sup>242</sup> First, an infringer must have acted in the face of an "objectively high likelihood that its actions constituted infringement."<sup>243</sup> Second, the risk must have been one that a reasonable person would recognize as objectively high.<sup>244</sup> The burden is on the patentee to show these elements.<sup>245</sup> Although the court does not elaborate on the standard,<sup>246</sup> the court clearly changes from the subjective test to an objective test which will increase judicial efficiency, give potential infringers a better idea of the risks they are undertaking, and allow for more safe and effective design-arounds. The new standard will be beneficial to patentees, corporations, inventors, and the public.

#### D. Reaffirming the Requirement of Willfulness

Although there is a divergence of views on the requirements for enhanced damage awards, most support maintaining the strength of the patent system. Narrowing the scope of the attorney-client waiver, abandoning the affirmative duty to obtain non-infringement opinions, and redefining willfulness in terms of objective recklessness were clearly correct decisions based on the evolution of patent law, equitable concerns, and balancing respective burdens of proof. The decision to retain the requirement of willfulness is also correct for procedural reasons.

In his dissent in *Seagate*, Circuit Judge Gajarsa asserted a literalist view of the requirement of willfulness in awarding enhanced dam-

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240. *Id.*

241. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1370–71 (Fed. Cir. 2007).

242. The new test is as follows:

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. . . . If this threshold objective standard is satisfied, the patentee *must also demonstrate* that this . . . risk . . . was either known or *so obvious that it should have been known* to the accused infringer."

*Id.* at 1371 (emphasis added).

243. *Id.*

244. *Id.*

245. *Id.* The court's use of language such as, "a patentee must show," and "the patentee must also demonstrate," make it clear that the burden is on the plaintiff.

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

ages.<sup>247</sup> He faulted the court with grafting willfulness into a statute which is devoid of any such standard and expressed the view that district courts should be given discretion to interpret the statute where it has intentionally been left flexible.<sup>248</sup> Following enhanced damages in patent law from its early history, he argued that the phrase “according to the circumstances of the case” from the Patent Act of 1836 was the key to awarding enhanced damages.<sup>249</sup> The Act was intended to restore flexibility to patent infringement damage awards to allow more equitable decisions, especially in circumstances where compensatory damages were not truly compensatory.<sup>250</sup> Judge Gajarsa analogized the Supreme Court’s interpretation of 35 U.S.C. § 284’s interest portion with § 284’s enhanced damages portion, explaining that “[w]hen Congress wished to limit an element of recovery in a patent infringement actions, it said so explicitly.”<sup>251</sup> Because Congress has not explicitly required willfulness, neither should the courts.<sup>252</sup> Although district courts need clear guidelines by which they can assess the propriety of awarding enhanced damages, they must be given discretion to act in accordance with principles of equity. In a recent case, the Supreme Court warned the Federal Circuit of the dangers of applying bright line tests systematically without regard for equitable and common-sense concerns.<sup>253</sup> Those opposed to the willfulness requirement see it as a restriction to a full examination of the totality of the circumstances in the case.

Another problem with requiring willfulness to enhance damage awards is that the issue of willfulness can often dominate the trial, overshadowing the issue of infringement.<sup>254</sup> Additionally, willfulness is charged in almost all patent infringement cases with no apparent

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247. *In re Seagate*, 497 F.3d at 1376–84 (Gajarsa, J., concurring).

248. *Id.* at 1377 (“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.”).

249. *Id.*

250. *Id.* at 1377–78 (“[A]ctual damages provable at law—though not “inadequate” in the equitable sense—could nevertheless be less than sufficient to compensate the patentee. In such a case, a discretionary enhancement of damages would be appropriate for entirely remedial reasons, irrespective of the defendant’s state of mind.” Further, “by reading a willfulness requirement into the statute, we are unnecessarily confining enhanced damages to a subset of cases where punitive awards are appropriate, and thereby restricting district courts from exercising legitimate, remedial options”).

251. *Id.* at 1380 (quoting *Gen. Motors v. Devex*, 461 U.S. 648, 653 (1983)). The Supreme Court continues, “[w]ith respect to attorneys’ fees, Congress expressly provided that a court could award such fees to a prevailing party only ‘in exceptional cases.’” *Id.*

252. *Id.*

253. See *KSR Int’l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1741–43 (2007).

254. Wright, *supra* note 178, at 115–16.

adverse consequences for pleading it without merit.<sup>255</sup> This puts an unnecessary and unfair burden on the defendant from the very beginning of the suit. One suggested alternative to eliminating the requirement of willfulness is to award attorneys' fees upon a finding that the willfulness pleading was completely without merit.<sup>256</sup> One commentator has proposed mandatory trebling of damages, similar to antitrust cases, to solve the problem of undercompensation.<sup>257</sup> However, both of these solutions would fundamentally alter the patent system and should not be undertaken without further careful consideration.

Although Judge Gajarsa's arguments are sound in principle, the majority's reaffirmation of the requirement of willfulness is superior for reasons of judicial efficiency. Because willfulness is raised in almost all cases, a clearer definition of willfulness would allow for pleading willfulness more effectively and would also allow courts to reject a claim of willfulness if, after discovery, no evidence to support a prima facie case was made. Using a more equitable test with multiple factors to determine whether to award enhanced damages in a particular case may amount to having to redefine willfulness in every case. Such a test would burden the court system. To solve the problem of inequitable awards for compensation when damages are hard to prove, defendants can always appeal the award amount, rather than require the district court to enhance damages.<sup>258</sup> Thus, the benefits of eliminating the requirement of willfulness are negligible compared to the burden it would impose on the judicial system.

## V. IMPACT

*Seagate* significantly shifts the burden at trial back towards plaintiffs. Section A of this Part explains the impact of the narrowed scope of waiver.<sup>259</sup> This narrowed scope should help refocus litigation on the key issue of infringement and balance the burden between plaintiffs and defendants. Section B focuses on the impact of abandoning the affirmative duty requirement and how *Seagate* was a victory for individual inventors and small businesses.<sup>260</sup> Section C discusses the impact that the continued requirement of willfulness and *Seagate's* new definition will have on patent litigation.<sup>261</sup>

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255. *Id.*

256. Newton, *supra* note 193, at 116–17.

257. *Id.* at 115.

258. *Beatrice Foods Co. v. New Eng. Printing & Lithographing Co.*, 923 F.2d 1576, 1577 (Fed. Cir. 1991).

259. *See infra* notes 262–264 and accompanying text.

260. *See infra* notes 265–267 and accompanying text.

261. *See infra* note 268 and accompanying text.



### A. *Narrowing the Attorney-Client Privilege Waiver*

The decision of the Federal Circuit in *Seagate* that the waiver of the attorney-client privilege should not be automatic demonstrates the importance of the waiver principle. The underlying concern of attorneys with the scope of the attorney-client waiver is the extent and content of the possibly discoverable material. Although *Seagate* makes it much less likely that privileged material will be discovered, it doesn't eliminate the possibility.<sup>262</sup> The prior law encouraged careful dialogue because of the increased likelihood that communications would be discovered. However, counsel still runs the risk that his communications will be discovered, which would carry severe consequences. Thus, *Seagate* will likely have little impact on the way attorneys counsel their clients because whether the risk of discovery is great or small, discovery of trial counsel's privileged materials is not a risk worth taking. Because the decision dealt with separate trial and opinion counsel, it is possible that the decision will encourage more potential infringers to use separate trial and opinion counsel to avoid broad waiver.

Determining scope of discovery and related issues is often among the most complicated and time consuming parts of a trial. Because *Seagate* makes it more difficult for plaintiffs to break the attorney-client barrier and articulates the general scope of waiver, the decision will reduce the amount of time spent on these issues. Courts will be able to deny requests for discovery of privileged information unless they meet *Seagate*'s unique circumstances test.<sup>263</sup> Further, the decision will discourage the practice of using waiver to obtain trial counsel's work product at trial and will help focus the trial back on the core issues of infringement and willfulness, rather than the sub-issues of infringement opinions and scope of waiver.

Narrowing the scope of waiver helps balance the burdens of plaintiffs and defendants. The automatic, broad scope of waiver put an extra burden on the defendant, forcing him to choose between defending willfulness with an opinion or protecting trial counsel's communications.<sup>264</sup> Although the shift disadvantages patent owners, it is only a slight hindrance; chances were slim that discovery of trial counsel's privileged information would significantly help them. The most important impact that the *Seagate* decision will have is that it makes

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262. Although the court noted that in general, relying on an opinion did not waive trial counsel communications, it allowed courts to retain discretion for unique circumstances. *In re Seagate Tech. LLC*, 497 F.3d 1360, 1374–75 (Fed. Cir. 2007).

263. *Id.*

264. See *supra* notes 99–107 and accompanying text.

reliance on an opinion of counsel as a defense a viable option by eliminating the lose-lose situation accused willful infringers previously faced.

### B. *Abandoning the Affirmative Duty*

By abandoning the affirmative duty, the court enabled accused infringers to avoid a finding of willfulness through means other than an opinion of counsel. Now those unable to afford a formal non-infringement opinion from counsel will be able to rely on other, more economical means such as advice from designers, engineers, and business personnel as a defense to willful infringement. Relinquishing the requirement of a formal opinion to adequately defend against willful infringement will have the greatest impact on individual and small business defendants. Large corporations that can afford formal opinions will most likely still obtain them.<sup>265</sup> Although formal opinions are no longer required, attorneys will have to advise smaller clients carefully of the risk in foregoing a formal opinion.<sup>266</sup> The *Seagate* court did not hold that failure to get an opinion is irrelevant; it only noted that it is not dispositive.<sup>267</sup> The clarification in *Seagate* that opinions are only one factor, not the sole factor, in determining willfulness will help attorneys better counsel their clients.

In cases where accused infringers did obtain advice of counsel, *Seagate* makes it practical not to disclose the advice as a defense and entirely preserve the attorney-client privilege. Although *Knorr-Bremse* formally eliminated the adverse inference, courts' emphasis on the opinion factor created an adverse inference in effect. Without the affirmative duty, much less weight will be placed on whether or not an opinion was obtained.

Finally, abandoning the affirmative duty shifts the burden from defendants back to plaintiffs. Even before litigation commenced, defendants had been under a duty to seek out patents in the area they

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265. See Correy E. Stephenson, *Courts Step in on Patent Reform*, LAWYERS USA, Sept. 10, 2007, at 32 ("Although the court specifically held that opinion letters are no longer required, lawyers predicted that most companies will continue to get them. . . . [O]pinion letters remain 'a really good insurance policy against willfulness claims.'").

266. Doug Elliot & Henry Pogorzelski, *Opinion Letters and Risk Management for Businesses With Patented Technology*, EXECUTIVE LEGAL ADVISER, Sept./Oct. 2007, available at [http://www.pattersonsheridan.com/files\\_pdf\\_article\\_elliotpogorzelski\\_septoct2007.pdf](http://www.pattersonsheridan.com/files_pdf_article_elliotpogorzelski_septoct2007.pdf).

267. In response to a pretrial conference regarding the type of evidence the jury could consider regarding willfulness, specifically the fact that no opinion was obtained, a district court in the District of Delaware stated that "nothing in *Seagate* forbids a jury to consider whether a defendant obtained advice of counsel as part of the totality of the circumstances in determining willfulness." *Energy Transp. Group, Inc. v. William Demant Holding A/S*, No. 05-422, 2008 WL 114861 (D. Del. Jan. 7, 2008).

were working and get costly non-infringement opinions just to safely continue their work. Once litigation commenced, the burden had been on defendants to disprove willfulness. Now, as long as defendants act reasonably, the burden is on plaintiffs to inform defendants of possible infringement. At trial, a plaintiff now bears the burden of demonstrating that the defendant's behavior was willful. *Seagate* has properly shifted the burden so that plaintiff bears the initial burden of showing willfulness. This decision will facilitate more just and fair trials for defendants.

### C. *Reaffirming and Redefining the Requirement of Willfulness*

The court's new explanation of what constitutes willfulness will affect future cases. The clearer definition of the requirements for willfulness in *Seagate*'s two-step objective test will allow attorneys to more effectively counsel their clients. Defendants will be more aware of the risk that their actions will be found willful, and plaintiffs will be able to determine whether a claim of willfulness is justified under the new, objective standard. This knowledge will encourage settlement.

The new definition of willfulness shifts the burden balance towards plaintiffs, who now face a higher standard to show willfulness. Cases that previously may have merited enhanced damages because of willfulness might no longer meet the willfulness threshold. In one case decided two months after *Seagate*, a court that had previously enhanced damages declined to do so in light of *Seagate*.<sup>268</sup> Although the burden is shifted for willfulness, the underlying infringement determination will not be affected by *Seagate*. The *Seagate* decision will translate into fewer enhanced damage awards and consequently lower awards on average.

## VI. CONCLUSION

The Federal Circuit's *Seagate* decision solved and clarified a number of longstanding issues in patent infringement suits. By narrowing the scope of the attorney-client waiver and eliminating the affirmative duty, the decision provides inventors and the public the benefit of prior art without fear of retributive enhanced damages. No longer will defendants be in the lose-lose situation of being required to obtain costly opinions but then being unable to use them as a defense for

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268. "Considering the totality of the circumstances in light of *Seagate*, which significantly raised the bar for a finding of willfulness, the Court now declines to award any enhancement in this case." *Informatica Corp. v. Bus. Objects Data Integration*, 527 F. Supp. 2d 1076, 1083 (N.D. Cal. 2007).

fear of forfeiting the attorney-client privilege. Without the affirmative duty, inventors can spend time inventing instead of avoiding infringement. Defining willfulness in terms of objective recklessness instead of negligence will ensure that only those with the requisite culpability will be assessed additional punitive damages. Retaining the requirement of willfulness for an award of enhanced damages will facilitate the enhanced damages determination by acting as a gatekeeper to such an award, rather than requiring a new determination based on the unique circumstances in each case. Finally, *Seagate* effectively eases the excessive burden previously borne by defendants by returning the burden of persuasion for proving willfulness to plaintiffs. *Seagate* will strengthen respect for the patent system, increase innovation, and benefit the public.

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