

**IN RE SEAGATE: FEDERAL CIRCUIT
OVERRULES LONG-STANDING WILLFUL
INFRINGEMENT PRECEDENT**

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I. INTRODUCTION

On August 20, 2007, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) decided to overrule a long-standing precedent for willful infringement.¹ However, in doing so, the Federal Circuit has created new questions. For example, how is this new standard to be applied? Is there still a place for legal advice in cases where willful infringement is raised? How accurately will this new standard be applied? Considering that willful infringement is alleged in nearly 90% of all patent-related cases, the new standard will certainly have an industry-wide impact.² This Note attempts to address these questions and provide a foundation for discussion which may shed light into the dark recesses of the court’s nebulous holding.

Part II of this Note discusses the surrounding facts and the issues raised by the Federal Circuit in the case at hand. Part III briefly discusses the history and evolution of willful infringement. Part IV takes a closer look at the objective recklessness standard and discusses various areas of jurisprudence from which the new standard is based. Part V attempts to analogize the new standard to willful infringement jurisprudence in copyright law, thereby providing some clarification of the new standard. Part VI discusses the relevance of the legal opinion in light of the new standard. Finally, Part VII briefly discusses an application of the new standard and analyzes the validity of its application.

II. *IN RE SEAGATE*

In 2000, Convolv, Inc. and the Massachusetts Institute of Technology sued Seagate Technology,³ alleging infringement and

1. *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
 2. Alison Tucher and Jason A. Crotty, *In re Seagate Technology, LLC: The Federal Circuit Will Address Significant Issues Regarding Willful Infringement En Banc*, January 2007, <http://www.mofo.com/news/updates/files/update02319.html>.
 3. *In re Seagate Tech.*, 497 F.3d at 1366.

willful infringement of several of Convolve's patents.⁴ Prior to the lawsuit, Seagate sought to obtain legal opinions from outside counsel regarding any possible "infringement, invalidity, and enforceability" of each of Convolve's patents.⁵ After notifying Convolve of its reliance on the legal opinions obtained to counter Convolve's claim of willful infringement, Convolve responded by filing a motion to compel discovery of all communication and work product of all Seagate counsel, including trial counsel.⁶

The trial court concluded that Seagate waived its attorney-client privilege for all counsel regarding the legal opinion and ordered Seagate to produce the documents requested by Convolve related to the subject matter of the legal opinions.⁷ Subsequently, Seagate filed a "motion for a stay and certification of an interlocutory appeal," but this was denied.⁸ As a result, Seagate petitioned for a writ of mandamus in the Federal Circuit.⁹

"Recognizing the functional relationship between . . . willfulness jurisprudence and the practical dilemmas faced in the areas of attorney-client privilege and work product protection¹⁰," the Federal Circuit set out and addressed the following questions:

1. Should a party's assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party's trial counsel?
2. What is the effect of any such waiver on work-product immunity?
3. Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?¹¹

4. *Id.* See U.S. Patent No. 4,916,635 (filed Sep. 12, 1988), U.S. Patent No. 5,638,267 (filed Jun. 15, 1994), and U.S. Patent No. 6,314,473 (filed Mar. 4, 1999).

5. *Id.* at 1366-67.

6. *Id.* at 1366.

7. *Id.* at 1366-67.

8. *Id.* at 1367.

9. *Id.*

10. *Id.*

11. *Id.* (citation omitted).

While the court set out the first two questions primarily based on the facts of the current case, the third question was raised *sua sponte* by the court, which may have indicated “some level of concern by the court with the willfulness standard itself.”¹²

With regard to the first two questions, the court held that the waiver of opinion counsel and work product protection does not extend to the waiver of the attorney-client privilege and work product of the trial counsel.¹³ The court generally applied the same rationale when deciding both issues.¹⁴ Specifically, the court reasoned that the functions of opinion counsel and trial counsel are fundamentally different and stated, “opinion counsel serves to provide an objective assessment for making informed business decisions, trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker.”¹⁵ Furthermore, the court reasoned that the integrity of the adversarial trial process would suffer if opponents would be able to explore each other’s thoughts, strategies and plans regarding the case.¹⁶ The court, however, did allow the waiver of attorney-client privilege and work product protection to extend to trial counsel in cases where “a party or counsel engages in chicanery.”¹⁷

The court’s holding should not come as a surprise, considering the confusion caused by the court’s previous holding in *In re Echostar Communications Corp.* concerning the waiver of attorney-client privilege and work product protection.¹⁸

In *In re Echostar*, the court held that attorney-client privilege, with regard to *any* attorney-client communications “including communications with counsel other than in-house counsel,” is waived when relying on counsel’s advice to refute a charge of willful infringement.¹⁹ Furthermore, in a footnote,²⁰

12. Joseph Casino and Michael Kasdan, *In re Seagate Technology: Willfulness and Waiver, a Summary and a Proposal*, 2007 PATENTLY-O PATENT L.J. 1, 8, http://www.patentlyo.com/lawjournal/2007/05/in_re_seagate_t.html.

13. *In re Seagate Tech.*, 497 F.3d at 1375-76.

14. *Id.* at 1375 (“Here, the same rationale generally limiting waiver of the attorney-client privilege with trial counsel applies with even greater force to so limiting work product waiver because of the nature of the work product doctrine.”).

15. *Id.*

16. *Id.* (quoting *Coastal States Gas Corp. v. Dep’t of Energy*, 617 F.2d 854, 864 (D.C. Cir. 1980)).

17. *Id.*

18. Mark P. Kessler and Nader A. Abadir, *Scope of Patent Attorney-Client Privilege Waiver Clarified* (Nov. 14, 2007), <http://www.ipfrontline.com/depts/article.asp?id=16628&deptid=4>; *In re Echostar Commc’ns Corp.*, 448 F.3d 1294, 1299, 1305 (Fed. Cir. 2006).

19. *Id.* at 1299.

“the Federal Circuit also held that waiver of the attorney-client privilege extends to advice given *after* litigation begins.”²¹ Unfortunately, this holding was given varying interpretations by different district courts.²²

The third question raised by the court, however, caused a stir in the legal world. Upon raising the question, twenty-one amicus briefs, from a variety of different bar associations, corporations and industry groups were filed.²³ The majority of the briefs addressing the third question asked the court to reconsider the duty of care standard for willful infringement.²⁴

III. THE EVOLUTION OF WILLFUL PATENT INFRINGEMENT

A. *The Original Standard*

The original standard applied by courts for nearly twenty-four years was handed down in *Underwater Devices v. Morrison-Knudsen Co.*²⁵ *Underwater Devices* involved several patents owned by Underwater Devices, Inc. (“UDI”) relating to underwater piping.²⁶ Upon issuance of the patents, UDI licensed the patents to various companies who were involved in construction of ocean pipelines.²⁷ In fact, it was common practice for UDI to inform potential contractors bidding for projects involving underwater construction of ocean pipelines that UDI was the owner of the these patents and that UDI would grant licenses under them.²⁸ Accordingly, when Morrison-Knudsen (“M-K”) began bidding on an underwater sewer project for

20. *Id.* at 1302 n.4.

21. Tucher and Crotty, *supra* note 2.

22. *In re Seagate Tech.*, 497 F.3d at 1372-73. Generally, district courts have taken one of three approaches. The first approach is to extend the waiver to trial counsel. *See, e.g.*, *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 454 F.Supp.2d 957 (N.D. Cal. 2006). The second approach is to decline the waiver to trial counsel. *See, e.g.*, *Collaboration Props., Inc. v. Polycom, Inc.*, 224 F.R.D. 473, 476 (N.D.Cal. 2004). The third approach is to extend “the waiver to trial counsel only for communications contradicting or casting doubt on the opinions asserted.” *See, e.g.*, *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46, 52 (D.D.C. 2006).

23. *Casino and Kasdan*, *supra* note 12.

24. *Id.* at 9.

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

26. *See* *Underwater Pipe Laying Apparatus*, U.S. Patent No. 3,204,417 (filed Sept. 7, 1965) and reissued patent *Method of Submarine Pipe Laying*, U.S. Patent Re. 29,364 (filed Aug. 23, 1977). The original patent from which the reissued patent stems is U.S. Patent 3,267,682. U.S. Patent No. 3,267,682 (filed Dec. 21, 1964).

27. *Underwater Devices, Inc.*, 717 F.2d at 1384. The licenses would typically also include royalties, which were to be paid to UDI under certain circumstances.

28. *Id.*

Hawaii, UDI wrote a letter to M-K informing them of the patents.²⁹

The project was eventually awarded to M-K, after which UDI repeated its offer of \$200,000 for the license fee.³⁰ Instead of seeking a license, M-K started to look into other methods that would allow it to go around the patents.³¹ Subsequently, after a search for prior art in the United States Patent and Trademark Office, an in-house attorney for M-K wrote a one-sentence memorandum to the company in December of 1973 concluding that royalties would not be owed if the system used in the project was not described in any of the patents.³² The memo did not discuss the validity or possible infringement of the UDI patents.³³

It was not until a few months later that the in-house counsel began researching the validity and possible infringement issues.³⁴ However, by then M-K had begun using their constructed device.³⁵ In November 1974, UDI brought suit against M-K alleging infringement.³⁶

The district court found that M-K willfully infringed UDI's patents and awarded UDI \$200,000, the price for the royalties, as damages.³⁷ Moreover, because the court found that M-K willfully infringed, the district court trebled the damages to \$600,000 in light of 35 U.S.C. § 284.³⁸

On appeal, M-K argued the district court's finding of willful infringement was erroneous.³⁹ In response, the Court held:

Where . . . a potential infringer has actual notice of another's patent rights, he has an affirmative duty

29. *Id.* All potential bidders for the Hawaii project were offered the same terms. The letter sent to all the bidders stated, in part: "To accomplish this project in conformance with the above reference, Underwater Devices is prepared to grant a license for the use of our patented method and apparatus to the contractor selected for the construction of the Sand Island Ocean Outfall. The complete license fee for this project has been established as \$200,000."

30. *Id.* at 1384-85.

31. *Id.* at 1385.

32. *Id.*

33. *Id.*

34. *Id.* Based on letters dated May 15 and July 10, 1974, the in-house counsel finally began investigating the validity of the patents. *Id.* Additionally, on September 5, 1974, the in-house counsel also ordered file histories of the patents. *Id.*

35. *Id.* M-K used their constructed device from August 15, 1974 to May 1, 1975. *Id.*

36. *Id.*

37. *Id.* at 1386.

38. *Id.* "[T]he court may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284 (2000).

39. *Underwater Devices Inc.*, 717 F.2d at 1389.

to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.⁴⁰

The court reasoned that M-K willfully infringed UDI's patents because "M-K obtained its counsel's advice *after* it commenced its infringing activities."⁴¹ The court found that the December 1973 memorandum was insufficient legal advice because it did not evaluate "the validity or infringement of the . . . patents."⁴² The opinion states the following: "What these memoranda clearly demonstrated was M-K's willful disregard for the . . . patents. The appellant clearly failed to exercise its affirmative duty."⁴³ Thus, the affirmative duty to exercise due care standard was born.

B. *The "Totality of the Circumstances" Inquiry*

While the precedent has evolved over the years, the "duty of due care" and an emphasis on obtaining a legal opinion of noninfringement or invalidity has remained.⁴⁴ For example, to determine the level of enhancement of damages after a finding of willful infringement, the courts developed a "totality of the circumstances" inquiry.⁴⁵

Courts analyzed the totality of the circumstances by looking at nine factors⁴⁶ which, when applied collectively, highlighted the importance of obtaining a legal opinion from counsel.⁴⁷

40. *Id.* at 1389-90 (citation omitted).

41. *Id.* at 1390.

42. *Id.*

43. *Id.*

44. *See* *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992) (stating that the affirmative duty of due care "normally requires the potential infringer to obtain competent legal advice before infringing or continuing to infringe").

45. *Electro Med. Sys. S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994) (stating "[w]illfulness is shown when, upon consideration of the totality of the circumstances, clear and convincing evidence establishes that the infringer acted in disregard of the patent, that the infringer had no reasonable basis for believing it had a right to engage in the infringing acts.").

46. *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1377-78 (Fed. Cir. 2002) (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992)). The nine "Read factors" are: (1) intentional copying; (2) the infringer's investigation into and good faith belief of invalidity or noninfringement of the patent; (3) the infringer's conduct during litigation; (4) the size and financial status of the infringer; (5) the closeness of the questions in the case; (6) the duration of the infringement; (7) the existence of remedial action taken by the infringer; (8) the infringer's motivation for its misconduct; and (9) the infringer's attempts to conceal its misconduct. *Read*, 970 F.2d at 827.

It was not until a recent case when the significance of obtaining a legal opinion to combat a claim of willful infringement began to diminish.⁴⁸ For example, courts no longer instruct juries that they may assume an unfavorable reason for a failure of the “accused infringer to come forward with an opinion of counsel.”⁴⁹ *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.*⁵⁰ had overruled this previous practice when it held that “no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled.”⁵¹

This now brings us to the *In re Seagate* decision. In light of the functional relationship between willfulness and the attorney-client privilege and work product protection in recent cases,⁵² the Court found it an opportune time to readdress the standard for willful infringement.⁵³ Consequently, the court overruled the affirmative duty of due care standard and replaced it with an objective recklessness standard.⁵⁴ Furthermore, because the court abandoned the affirmative duty of due care standard, it re-emphasized that “there is no affirmative obligation to obtain opinion of counsel.”⁵⁵ But how exactly did the Court formulate the new standard? And how should this new standard be applied?

47. *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418, 420 (M.D.N.C. 2003) (“One of the more important factors of the totality of the circumstances test is whether the alleged infringer obtained a competent opinion from counsel.”).

48. *In re Seagate Tech.*, 497 F.3d 1360, 1369 (Fed. Cir. 2007).

49. Robert C. Bertin et al., *In re Seagate: The Federal Circuit Overturns the “Due Care” Standard for Avoiding Willful Infringement and Strengthens Protection for Attorney-Client Communications and Work Product*, August 24, 2007, <http://www.bingham.com/Media.aspx?MediaID=5588> (last visited Feb. 9, 2008).

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

51. *See id.* at 1341. While the court seemingly lowered the significance of a legal opinion, the court’s decision to do so was primarily out of respect for an accused infringer’s right of protecting his attorney-client privilege, which is normally lost when a legal opinion is used in defense of willful infringement. *Id.* at 1347.

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

53. *Id.*

54. *Id.* at 1371.

55. *Id.*

IV. OBJECTIVE RECKLESSNESS: AN UNDEFINED STANDARD?

A. *Guidance Left by the Court*

In *Seagate*, the court held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”⁵⁶ But what exactly is the objective recklessness standard? The court has sidestepped defining the new standard.⁵⁷ However, the court did provide a small amount of guidance on the origin of the standard by providing some authority that has either applied or defined an objective recklessness standard.⁵⁸

1. The First Area of Guidance: The Supreme Court

The court first looked to the Supreme Court, which had dealt with the meaning of willfulness in *Safeco Ins. Co of America v. Burr*,⁵⁹ a case involving the Fair Credit Reporting Act.⁶⁰ Here, the Supreme Court held that “the standard civil” usage of willfulness includes “reckless . . . violations.”⁶¹ Furthermore, the Supreme Court in *Safeco* stated that this definition of willfulness is in accord with the common law “which treated actions in ‘reckless disregard’ of the law as ‘willful’ violations.”⁶² Thus, the court concluded that willfulness involves recklessness.

Subsequently, the court examined the definition of reckless.⁶³ Again, the court relied on the Supreme Court for guidance.⁶⁴ In *Farmer v. Brennan*,⁶⁵ a case involving “deliberate

56. *Id.*

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

58. *Id.*

59. *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2207-10 (2007).

60. *Id.* at 2205.

61. *Id.* at 2209. While *Safeco Ins. Co.* did not involve claims related to intellectual property law, it does involve a civil action. See *In re Seagate Tech.*, 497 F.3d 1360, 1370 (Fed. Cir. 2007). The Federal Circuit looked to this case to find the civil definition of “willful.” See *id.* at 1371 (citing *Safeco Ins. Co.*, 127 S. Ct. at 2215). Furthermore, not only does *Safeco Ins. Co.* provide the Federal Circuit with a civil definition of “willful,” but it also provides analysis of the difference between the civil and criminal definition of “willful” in footnote 9 of the case. *Safeco Ins. Co.*, 127 S. Ct. at 2209 n.9. For example, in the criminal definition, the term “willful” is read to mean that a person has acted with a specific intent to violate a known legal duty, whereas in the civil definition, the term is read to mean a reckless violation. *Id.*

62. *Safeco Ins. Co.*, 127 S. Ct. at 2208.

63. *Id.* at 2209.

64. *Id.* at 2215 (citing *Farmer v. Brennan*, 511 U.S. 825, 836 (1994)).

65. *Farmer v. Brennan*, 511 U.S. 825 (1994). Here, the Court examined the “reckless” element of “deliberate indifference” by looking at civil and criminal definitions

indifference” to a prison inmate,⁶⁶ the definition of recklessness was examined. Here, the Supreme Court stated that the “term recklessness is not self-defining.”⁶⁷ However, using tort law,⁶⁸ the Supreme Court stated that a person is generally called reckless if she acts (or fails to act if she has a duty to act) “in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known.”⁶⁹

2. The Second Source of Guidance: Tort Law

The definitions of willful and recklessness, as determined by the Federal Circuit, were taken directly out of tort law.⁷⁰ For example, the analysis used to determine that willful and reckless have essentially the same meaning comes from the torts hornbook, *Prosser and Keeton on the Law of Torts*.⁷¹ Specifically, the Supreme Court in *Safeco* used the analysis in section 34 on degrees of care.⁷² Here, Prosser and Keeton state that efforts to distinguish willfulness and recklessness have often been ignored, and the “terms have been treated as meaning the same.”⁷³

of reckless. *Id.* at 836-37. The fact that the Court referenced a case having nothing to do with intellectual property law may be a sign that the Federal Circuit is trying to harmonize patent law with the rules governing intellectual property. *See Clayton, infra* note 170.

66. *Farmer*, 511 U.S. at 829.

67. *Id.* at 836.

68. RESTATEMENT (SECOND) OF TORTS § 500 (1965). The court did not veer too far from the Restatement: “The civil law generally calls a person reckless who acts or (if the person has a duty to act) fails to act in the face of unjustifiably high risk of harm that is either known or so obvious that it should have been known. *Farmer*, 511 U.S. at 836 (citing RESTATEMENT (SECOND) OF TORTS § 500 (1965)).

69. *Farmer*, 511 U.S. at 836.

70. *See Farmer*, 511 U.S. at 836; *Safeco Ins. Co.*, 127 S. Ct. at 2215; *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

71. W. PAGE KEETON, DAN B. DOBBS, ROBERT F. KEETON, DAVID G. OWEN, PROSSER AND KEETON ON TORTS 212 (W. Page Keeton ed., West Publishing 5th ed. 1984) (1941) [hereinafter *Prosser and Keeton*].

⁷² *Safeco Ins. Co.*, 127 S. Ct. at 2215.

⁷³ *Id.* (citing *Prosser and Keeton, supra* note 71, at 212). When referring to willfulness and recklessness, *Prosser and Keeton* also associates the word wanton as having the same meaning. *Prosser and Keeton, supra* note 71 at 212-15. Furthermore, *Prosser and Keeton* repeatedly groups the three words together whenever it analyzes their definition. *See id.* This was most likely done to reiterate the equivalence of the three words. To demonstrate just a few examples: “To this area the words ‘willful,’ ‘wanton,’ or ‘reckless,’ are customarily applied[.]” *Id.* at 212. “The usual meaning assigned to ‘willful,’ ‘wanton,’ or ‘reckless,’ according to taste as to the word used.” *Id.* at 213. “The result is that ‘willful,’ ‘wanton,’ or ‘reckless’ conduct tends to take the aspect of highly unreasonable conduct, involving an extreme departure from ordinary care . . .” *Id.* at 214.

Additionally, this same hornbook was used, along with the Restatement of Torts,⁷⁴ to analyze the definition of “reckless” in *Farmer v. Brennan*.⁷⁵ Again, section 34 of *Prosser and Keeton* was cited.⁷⁶ Here, the Supreme Court in *Farmer* merely paraphrased the hornbook to define the term “recklessness.”⁷⁷

3. The Third Area of Guidance: Copyright Law

The court looked to other areas of law for additional guidance on the definition of willful.⁷⁸ For example, the court examined the Copyright Act, which allows a copyright owner to receive statutory damages for willful infringement.⁷⁹ While the section does not explicitly define the word “willful,” it has “consistently been defined as including reckless behavior.”⁸⁰ For example, in one case involving copyright infringement, *Yurman Design, Inc. v. PAJ, Inc.*,⁸¹ the Court of Appeals for the Second Circuit defined willfulness as “recklessly disregard[ing] the

74. *Farmer v. Brennan*, 511 U.S. 825, 836 (1994) (citing *Prosser and Keeton*, *supra* note 71, at 213-14; RESTATEMENT (SECOND) OF TORTS § 500 (1965)).

75. *Farmer*, 511 U.S. at 836.

76. *Prosser and Keeton*, *supra* note 71, at 208.

77. *Farmer*, 511 U.S. 836-37 (defining “reckless”). Specifically, the Supreme Court in *Farmer* used the analysis done in § 34: Degrees of care: Aggravated Negligence of *Prosser and Keeton*. See *Farmer*, 511 U.S. at 836-37; *Prosser and Keeton*, *supra* note 71, at 213-14. The relevant portion of *Prosser and Keeton* states, “The usual meaning assigned to ‘willful,’ ‘wanton,’ or ‘reckless’ according to taste as to the word used, is that the actor has intentionally done an act to of an unreasonable character in disregard of a known or obvious risk that was so great as to make it highly probably that harm would follow. . . .” *Prosser and Keeton*, *supra* note 71, at 213-14. The “willful” requirement, therefore, breaks down and receives at best lip service, where it is clear from the facts that the defendant, whatever his state of mind, has proceeded in disregard of a high and excessive degree of danger, either known to him or apparent to a reasonable person in his position. *Prosser and Keeton*, *supra* note 71, at 214.

78. *In re Seagate Tech.*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (“The term willful is not unique to patent law, and it has a well-established meaning in the civil context. For instance, our sister circuits have employed a recklessness standard for enhancing statutory damages for copyright infringement.”).

79. *Id.* 17 U.S.C. § 504(c)(2) provides:

In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$200.

17 U.S.C. § 504(c)(2) (2000).

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

81. 262 F.3d 101, 112 (2d Cir. 2001).

possibility that [the alleged infringer's] conduct represented infringement."⁸²

B. *The New Standard for Willful Infringement*

After briefly examining the above-mentioned areas of jurisprudence, the court provided a slightly more specific definition and provided a new test for objective recklessness.⁸³ Specifically, the court stated that "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."⁸⁴ Additionally, the court asserted that "the state of mind of the accused infringer is not relevant to this objective inquiry."⁸⁵ If the preceding element is satisfied, then "the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer."⁸⁶

Unfortunately, the court did not explain how the new objective recklessness standard should be applied. Accordingly, the court decided to "leave it to future cases to further develop the application of this standard."⁸⁷ However, it may not be necessary for future cases to resolve the vagueness of the new standard. For example, by examining the authority given by the court and perhaps additional cases that are in line with those authorities, we may be able to predict the court's application of the new standard in future cases.

V. COPYRIGHT LAW REVISITED

A. *Yurman Design, Inc. v. PAJ, Inc. – An Application of an Objective Standard*

Yurman Design involved a copyright infringement claim against the defendant, PAJ.⁸⁸ In 1998, soon after PAJ entered

82. *Id.*

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

84. *Id.*

85. *Id.* Again, this element of the rule is almost directly taken from Prosser and Keeton: "Since, however, it is almost never admitted, and can be proved only by the conduct and the circumstances, an objective standard must of necessity in practice be applied." *Prosser and Keeton*, *supra* note 71, at 213.

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

87. *Id.*

88. *See Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 107 (Fed. Cir. 2001).

the cable jewelry business,⁸⁹ Yurman Design accused PAJ in a letter of making and selling costume jewelry that copied designs owned by Yurman Design.⁹⁰ The letter demanded that PAJ cease and desist the making and selling of its cable jewelry.⁹¹ After PAJ failed to act upon the letter, Yurman Design filed a copyright infringement suit.⁹²

At trial, the jury returned a verdict in favor of Yurman Design.⁹³ The jury found that PAJ had infringed four of the five copyrights owned by Yurman Design.⁹⁴ Furthermore, the jury found that PAJ had done so willfully.⁹⁵ Yurman Design was allowed to elect between actual damages suffered or statutory damages.⁹⁶

PAJ appealed, and one of the grounds for appeal was that PAJ did not willfully infringe Yurman Design's copyrights.⁹⁷ The appeals court determined the definition for willfulness was "recklessly disregard[ing] the possibility that [the accused infringer's] conduct represented infringement."⁹⁸ Furthermore, the court stated, "[a] plaintiff is not required to show that the defendant had knowledge that its actions constitute[d] an infringement."⁹⁹

To determine if the jury's finding of willful infringement was correct, the court viewed the evidence in the light most favorable to Yurman Designs.¹⁰⁰ For example, the court examined a

89. *Id.* While PAJ has been in the jewelry business since 1978, it did not enter the cable jewelry business until 1998.

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*

94. *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 107 (Fed. Cir. 2001).

95. *Id.*

96. *See id.* The court applied 17 U.S.C. § 504(c) to allow Yurman Design to elect between damages.

97. *Id.* PAJ also appealed on the following grounds: 1) Yurman Design's copyrights were not valid. *Id.* at 109. 2) PAJ did not infringe (non-willfully) Yurman Design's copyrights. *Id.* 3) When applying the merger doctrine (the idea that if there is just one way to express an idea, the idea and expression are said to merge, and the expression is not protectable. *Hart v. Dan Chase Taxidermy Supply Co.*, 86 F.3d 320, 322 (2d Cir. 1006)), Yurman Design's designs are not protectable. *Yurman Design*, 262 F.3d at 112. The appeals court affirmed the trial court's decision on any of the above-mentioned grounds for appeal. *Id.* at 108-12.

98. *Yurman Design, Inc.*, 262 F.3d at 112 (citing *Hamil America, Inc. v. GFI*, 193 F.3d 92, 97 (2d Cir. 1999)).

99. *Yurman Design, Inc.*, 262 F.3d at 112 (citing *Knitwaves, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996, 1010 (2d Cir. 1995)).

100. *Yurman Design, Inc.*, 262 F.3d at 112. The court applied the deferential standard of review of Federal Rule of Civil Procedure Rule 50 to review the jury's findings of willfulness. *Id.* The relevant portion of Rule 50 reads, "A motion for judgment

meeting that took place between PAJ's chief executive officer, Felix Chen, and a buyer for Zales Corporation.¹⁰¹ The meeting concerned the possibility of PAJ making jewelry for Zales.¹⁰² The Zales buyer gave PAJ some cable jewelry samples and asked PAJ if they could manufacture similar jewelry.¹⁰³ The buyer informed PAJ that the sample jewelry was obtained from an Italian manufacturer named Menagatti.¹⁰⁴ Menagatti's designs were in fact based on Yurman Designs' designs.¹⁰⁵ While the buyer did not mention the nature of the samples, there was some type of mention of David Yurman during the conversation.¹⁰⁶ Nonetheless, PAJ did not take any further action regarding the origin of the samples.¹⁰⁷ For example, PAJ did not request in writing any information regarding the origin of the samples or inquire into Menagatti's background.¹⁰⁸ In fact, no investigation of any kind was found to have been made.¹⁰⁹

Afterwards, PAJ produced jewelry based on the samples for Zales.¹¹⁰ Zales was no longer interested in the jewelry, explaining that "Zales would only be buying from Yurman, and that the PAJ designs were similar."¹¹¹

Based on this evidence, the court found that the "jury could infer from the return of the goods, and the explanation for it, that PAJ was warned of the potential similarity of the goods and should have taken appropriate steps to check for copyright infringement."¹¹² However, instead of performing an investigation, PAJ decided to set forth on a large advertising

notwithstanding the verdict may not be granted unless the evidence is such that, without weighing the credibility of the witnesses or otherwise considering the weight of the evidence, there can be but one conclusion as to the verdict that reasonable persons could have reached. FED. R. CIV. P. 50(a)(2).

101. *Yurman Design, Inc.*, 262 F.3d at 112.

102. *Id.*

103. *Id.*

104. *Id.*

105. *See id.*

106. *See id.*

107. *See Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d at 112-13 (2nd Cir. 2001).

108. *See id.*

109. *See id.* at 112-13.

110. *See id.* at 113.

111. *Id.* The following information was disclosed during Chen's testimony:

Q: [The Zales buyer] also mentioned to you that she was returning the merchandise to you because it was similar; don't you recall you said that?

A: Yes. It means cable jewelry.

Q: She said it was similar, didn't she?

A: She probably said that.

Id.

112. *Id.*

campaign to market the designs as its own.¹¹³ Thus the court concluded that “PAJ’s receipt of the copyrighted designs, its knowledge of Yurman’s product line, and its failure to investigate the possibility of intellectual property violations after Zales returned the jewelry . . . provided a sufficient basis for an inference by the jury that the infringements were willful.”¹¹⁴

Considering the reasoning in *Yurman Designs*, it seems that simply failing to do an investigation to find out if a design is copyrighted, while being in a position to know if a design is copyrighted, is an adequate basis for a finding of willful infringement.¹¹⁵

This line of reasoning seems to be in concert with the new objective standard brought down in *In re Seagate*. Specifically, *In re Seagate* held that “the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.”¹¹⁶

Accordingly, the mere fact that PAJ was found to have willfully infringed because it *should have known* that the design was copyrighted means that it is not necessary to show that they did know.¹¹⁷ In other words, a finding that an accused infringer actually knew it was infringing is not necessary to determine if it willfully infringed. Therefore, the willful infringement standard applied in *Yurman Designs* appears to have been an objective standard.

Consequently, it may be possible to use the reasoning from *Yurman Designs* in future litigation involving patent infringement.

B. Lauratex Textile Corp. v. Allton Knitting Mills Inc. – *How Does State of Mind Come into Play?*

As stated earlier, the court has ruled that the “state of mind” of the accused infringer is no longer relevant to the objective prong of the inquiry.¹¹⁸ At first glance, disregarding the “state of

113. See *Yurman Design, Inc.*, 262 F.3d at 113 (2nd Cir. 2001).

114. *Id.*

115. See *id.* at 112. “PAJ’s Chen, the man who had had the final decision-making authority over PAJ’s conduct in this case, has been in the jewelry business for 23 years, and has had intellectual property counsel for over twelve years. He attends many of the major jewelry industry trade shows, and knew about Yurman’s cable jewelry designs at all relevant times.” *Id.*

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

117. See *Yurman Design, Inc.*, 262 F.3d at 113 (2nd Cir. 2001).

118. See *supra* Part III.B; *In re Seagate Tech.*, 497 F.3d at 1371.

mind”¹¹⁹ of an accused infringer almost seems paradoxical when determining the willfulness of an accused infringer.

However, as discussed earlier, the word willful is synonymous with the word reckless.¹²⁰ While the courts dealing with patent infringement cases have yet to apply this reasoning, the courts, when handling copyright infringement cases, have already tackled this objective.¹²¹

One such case is *Lauratex Textile Corp. v. Allton Knitting Mills Inc.*¹²² In *Lauratex*, the defendant, Allton Knitting Mills, was accused of willfully infringing on fabric design copyrights owned by Lauratex.¹²³ Lauratex accused Allton, and its president Martin Levine,¹²⁴ of duplicating¹²⁵ a copyrighted fabric design created by Lauratex.¹²⁶ The design had been a success on the market.¹²⁷ To further undermine Lauratex, Levine had allegedly sold the copied designs to Lauratex’s clients at a lower price.¹²⁸ In response, Lauratex filed suit.¹²⁹ Less than a month later, Levine agreed to cease further production of the design as a result of a preliminary injunction.¹³⁰ However, a trial was later held because the parties could not agree on an appropriate amount of damages.¹³¹

The design produced by Levine was essentially the same design as the one created by Lauratex.¹³² There were two minor differences.¹³³ The first was that the copied design’s background color was a slightly different shade.¹³⁴ The other was an “absence, in the defendant’s fabric pattern, of black lines around the bow-like figures which appear in both patterns.”¹³⁵ While

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

120. *See supra* Part IV.A.1-2; *see also In re Seagate Tech.*, 497 F. 3d at 1370.

121. *See, e.g., Lauratex Textile Corp. v. Allton Knitting Mills Inc.*, 519 F. Supp. 730 (S.D.N.Y. 1981).

122. *Id.*

123. *Id.* at 731.

124. Martin Levine was also the sole employee of the company. *Id.*

125. *Lauratex Textile*, 519 F.Supp. at 730.

126. *Id.*

127. *Id.* at 733.

128. *Id.*

129. *Id.* at 731. The court found that this was not simply a case about a design that was “similar but not identical.” *Id.* Levine had in fact produced fabric that was “virtually identical to that produced by the plaintiff.” *Id.*

130. *Lauratex Textile*, 519 F.Supp. at 731.

131. *Id.*

132. *Id.* “The lines, shapes and colors of the fabric designs on both parties’ products are the same.” *Id.*

133. *See Lauratex Textile*, 519 F.Supp. at 731.

134. *Id.*

135. *Id.*

these distinctions seemingly appear to result in similar design, and not a “virtually identical” design,¹³⁶ the court was able to lessen the significance of the distinctions.¹³⁷

First, the court found that the differences in shade were the result of different manufacturing processes used by the two parties.¹³⁸ Second, the court found that “[t]he absence of black lines around the figures in the defendant’s patterns” was an insignificant distinction between Lauratex’s and Levine’s designs.¹³⁹

During testimony, a stylist for Lauratex, Mr. Jerry Sander, testified that the fabric design was purchased from “an English design studio in August, 1979.”¹⁴⁰ As further proof, the invoice for the sale was introduced during trial.¹⁴¹ After purchase of the design, Lauratex Textile initiated production of the fabric using the design approximately five months later.¹⁴² Subsequently, Lauratex Textile obtained the copyright for the design in April, 1980.¹⁴³ As a rebuttal, Levine testified that he found the same design “at a fashion show in Milan, Italy in November, 1979.”¹⁴⁴ Furthermore, Levine testified that he purchased that piece of fabric at the fashion show and began producing “about 3,100 yards of the fabric in September, 1980.”¹⁴⁵

The court did not really care where Levine first obtained the pattern.¹⁴⁶ Instead, the court found it obvious that Levine had violated the copyright.¹⁴⁷ The court reasoned that Levine had “a reasonable opportunity to copy that design since January, 1980 when plaintiff first sold it.”¹⁴⁸ As a result, the court found that there was substantial proof that Levine copied Lauratex’s design and consequently infringed the copyright.¹⁴⁹

136. *Id.*

137. *See id.*

138. *Id.* (stating “[t]he plaintiff printed the design on a 100 percent polyester fabric using a screen-printing process. The defendant Martin Levine testified that he also used 100 percent polyester fabric but imprinted the design by way of a heat-transfer method.”).

139. *Lauratex Textile*, 519 F.Supp. at 731.

140. *Id.*

141. *Id.* at 731-32.

142. *Id.* at 732.

143. *Id.*

144. *Id.*

145. *Id.* This is also five months after Lauratex Textile obtained the copyright for their design. Things were clearly not looking good for Levine. *See id.*

146. *Lauratex Textile*, 519 F.Supp. at 732.

147. *Id.*

148. *Id.*

149. *Id.*

When turning to the question of whether or not the infringement was willful, the court further examined the evidence introduced at trial.¹⁵⁰ The court found that although Levine claimed to have purchased the design in November 1979, he did not begin producing it until September 1980, which was “nearly nine months after the plaintiff had already established a successful market in the design and five months after the plaintiff copyrighted it.”¹⁵¹ Therefore, the court alluded to the fact that Levine was trying to get a piece of the pie by copying the designs and subsequently selling them as his own.¹⁵² During this time, Levine did not try to register a copyright of the design he claimed to have bought from Milan.¹⁵³ Instead, Levine attempted to sell his design to Lauratex’s best customers.¹⁵⁴ The court held that “[a]lthough no specific proof has been presented to show that Levine knew of the plaintiff’s copyright, it is clear that, at the very least, he acted with a reckless disregard for the rights the plaintiff had in the design.”¹⁵⁵

This case demonstrates the court’s willingness to find a person guilty of willfully infringing another’s copyright without examining that person’s state of mind.¹⁵⁶ The court explicitly stated that neither party presented any evidence to show Levine *knew* of the plaintiff’s copyright.¹⁵⁷ The court based its holding on Levine’s “reckless disregard” for the plaintiff’s rights.¹⁵⁸ In other words, the court focused on the actions of the defendant to determine his willfulness.¹⁵⁹ For example, Levine selling his product only after the original design was found to be successful along with Levine’s past behavior of alleged design stealing were considered to be acts that recklessly disregarded the rights of Lauratex Textile.¹⁶⁰ Thus, the court needed no proof of actual knowledge by the defendant of copyright infringement.¹⁶¹

150. *See id.* at 733.

151. *Id.*

152. *See id.*

153. *See id.*

154. *See id.*

155. *Id.*

156. *See id.* at 732-33.

157. *Id.* at 733.

158. *Id.*

159. *See id.* The court also examined evidence regarding Levine’s past conduct. In particular, Levine had “six copyright infringement cases brought [against him] within the last three years [of the date of the case].” *Id.* The court reasoned this type of conduct was not “unfamiliar to the defendant.” *Id.*

160. *See id.*

161. *See id.*

It is unclear how the courts will continue to apply the willful element of copyright infringement. However, as discussed above, cases exist where actual knowledge of a copyright is not necessary to a finding of copyright infringement.¹⁶² Therefore, it should not be a difficult task for a court to find an alleged infringer guilty of patent infringement without knowing the alleged infringer's state of mind.

That is not to say that courts should ignore an alleged infringer's state of mind; it simply means it is not the determining factor.¹⁶³ As is the case in copyright law, one would think that admittance of or actual knowledge of a patent surely constitutes willful infringement.¹⁶⁴ Furthermore, since the Federal Circuit has made attempts to harmonize patent law with other areas of law,¹⁶⁵ it should not come as a surprise that the courts apply this line of reasoning. In other words, knowledge increases the likelihood of finding willfulness;¹⁶⁶ therefore, absence of knowledge lessens it. As a result, defendants are likely to continue to get opinions of counsel and plaintiffs are likely to continue to insist on discovering them.

VI. THE ROLE OF THE PATENTEE AND THE ACCUSED INFRINGER UNDER THE NEW STANDARD

A. *Should an accused infringer still get legal advice regarding potential infringement?*

Under the previous standard, an accused infringer had an affirmative duty to "seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity."¹⁶⁷ Consequently, someone accused of willfully infringing or simply put on notice that a "potentially relevant patent exists, often felt compelled to obtain an opinion of counsel regarding the invalidity, unenforceability, and/or

162. See *supra* Part V.

163. See *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1377-78 (Fed. Cir. 2002) (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992)).

164. *Fitzgerald Publ'g Co. v. Baylor Publ'g Co.*, 807 F.2d 1110, 1115 (Fed. Cir. 1986) (stating "Thus, just as the lack of actual or constructive knowledge will establish an innocent intent, so a defendant's actual or constructive knowledge proves willfulness.")

165. Lewis R. Clayton, 'Seagate's' Objective Standard – 'State of Mind' Irrelevant, 238 N.Y.L.J. 47 (2006), available at <http://www.paulweiss.com/files/Publication/1cb7006a-6511-462e-b51c-214ce98b4362/Presentation/PublicationAttachment/6f2e5cbd-750d-4558-aa81-223a92e26210/NYLJ6Sep07.pdf>.

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

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

noninfringement of the patent.”¹⁶⁸ In fact, not obtaining legal advice, or simply refusing to disclose the advice was “grounds for an adverse inference that the advice would have been or was unfavorable to the accused infringer.”¹⁶⁹

Accordingly, simply notifying an accused infringer about a relevant patent was the perfect way to set the stage for a finding of willful infringement.”¹⁷⁰ The patentee simply had to send a letter with a copy of the potentially-infringed patent (at a mere cost of the price of a stamp).¹⁷¹ Once the recipient received the letter, the recipient was immediately faced with the decision of paying thousands of dollars to pay for legal advice.¹⁷² While the alleged infringer worried about this decision, the patentee simply sat back and waited to sue at a later time.¹⁷³

However, things may have changed since the ruling of *In re Seagate*. When the court overruled the affirmative duty of due care standard, it emphasized that “there is no affirmative obligation to obtain opinion of counsel.”¹⁷⁴ This ruling raises the question of whether accused infringers still must obtain legal advice. On its face, it does not appear that an accused infringer needs to receive such advice because, according to the court, the state of mind of an accused infringer is no longer necessarily determinative.¹⁷⁵ Therefore, it follows that it should not matter if an accused infringer thinks he is not infringing on the basis of an opinion obtained from counsel.¹⁷⁶

On the other hand, it would seem reckless if a person or company failed to get a legal opinion to determine if they are infringing on another company’s patents.¹⁷⁷ Furthermore, it would seem even more reckless to avoid getting a legal opinion after receiving notice from an accuser.¹⁷⁸

For example, in *Yurman Designs*, PAJ’s failure to investigate if they were infringing on Yurman Designs’ copyright was one of the factors the court used to determine that PAJ was

168. George M. Newcombe et al., *In re Seagate: A New Standard for Willful Patent Infringement*, 3 (Oct. 2007), <http://www.simpsonthacher.com/content/publications/pub651.pdf>.

169. Ray Lupo et al., *Willful Infringement: New “Objective Recklessness”* (Aug. 23, 2007), <http://www.ipfrontline.com/printtemplate.asp?id=15829>.

170. *Id.*

171. *Id.*

172. *Id.*

173. *Id.*

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

175. *Id.*

176. *See e.g.*, *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 810 (Fed. Cir. 2007).

177. *See supra* Part IV.B.

178. *Id.*

willfully infringing.¹⁷⁹ While the court in *Yurman Designs* did not explicitly say that a legal opinion was needed, it seems that a legal opinion would be the ideal way to investigate if one was infringing.¹⁸⁰ Additionally, other cases in copyright law have explicitly mentioned the importance of the legal opinion.¹⁸¹

1. What Does Copyright Law Say About Legal Advice?

The following two cases examine how the courts in applying copyright law have continued to hold the legal opinion an important factor in determining willful infringement.

a. *UMG Recordings, Inc. v. MP3.com* – Failure to Rely On Your Legal Advice is Not Helpful for Your Case.

The first case, *UMG Recordings, Inc. v. MP3.com*, involved the “unauthorized copying[,] for commercial purposes[,] of the contents of tens of thousands of copyrighted compact discs containing the contents of hundreds of thousands of copyrighted songs.”¹⁸² The songs were all copied to a database owned by MP3.com.¹⁸³ MP3.com allowed customers of the website to download the music from the database.¹⁸⁴ UMG Recordings subsequently sued MP3.com.¹⁸⁵

During trial, it was discovered that MP3.com did receive legal advice.¹⁸⁶ “[E]veryone from mid-level management up to defendant’s board of directors looked to outside counsel, Cooley Godward, as the sole source of reliable advice,” regarding the “fair use”¹⁸⁷ of the music.¹⁸⁸ However, the content of the counsel’s advice was never presented during trial.¹⁸⁹ MP3.com had asserted their attorney-client privilege, as was its right, and

179. *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112-13 (2d Cir. 2001).

180. *See id.* at 113.

181. *See UMG Recordings, Inc. v. MP3.Com, Inc.*, No. 00-CIV-472(JSR), 2000 WL 1262568 at *4 (S.D.N.Y. Sept. 6, 2000); *In Design v. K-Mart Apparel Corp.*, 13 F.3d 559 (2d Cir. 1994).

182. *UMG Recordings*, No. 00-CIV-472(JSR), 2000 WL 1262568, at *2.

183. *Id.*

184. *Id.*

185. *See id.*

186. *Id.* at *3.

187. *Id.* at *4

188. *Id.* at *4 (“This problem was described in the defendant’s internal documents. . . reflecting defendant’s awareness that its copying would be clearly unlawful unless justified by some ‘fair use’ defense.”).

189. *See id.*

“expressly disclaimed any defense of reliance on counsel.”¹⁹⁰ However, the court stated that “in the absence of any defense of advice of counsel, [the] defendant has proffered no credible evidence [whatsoever] that rebuts plaintiff’s clear and convincing proof¹⁹¹ that defendant knew . . . its copying . . . was presumptively unlawful.”¹⁹² As a result of MP3.com’s decision not to defend on the advice given by outside counsel, the court stated “there is virtually no escape from a finding that defendant willfully infringed plaintiff’s copyrights.”¹⁹³

It is important to note that the court found that the defendants willfully infringed the plaintiffs’ copyrights by simply not asserting a defense of relying on legal advice and by not presenting any credible evidence to rebut the plaintiff’s claim.¹⁹⁴ It was not necessary that MP3.com disclose the advice given to it, as the court upheld MP3.com’s invocation of the attorney-client privilege.¹⁹⁵

Here, it is obvious how the court considered the importance of legal opinions. The court recognized that MP3.com had outside counsel at their disposal, but refused to rely on the advice given during trial.¹⁹⁶ Moreover, the court noted that MP3.com’s lack of reliance constituted “actual knowledge that it was infringing the plaintiffs’ copyrights,”¹⁹⁷ which is certainly harder to prove than a finding that it acted in “reckless disregard of the high probability that it was infringing plaintiffs’ copyrights.”¹⁹⁸

b. *In Design v. K-mart Apparel Corp.* – Relying on Reasonable Legal Advice is Helpful for Your Case.

The importance of relying on legal advice was demonstrated in *In Design v. K-Mart Apparel Corporation*.¹⁹⁹ In this case, the plaintiff, In Design, sued K-Mart Apparel Corp. for infringing on

190. *Id.* Similar to the *Seagate* ruling, the court stated that “it may not infer from the invocation that the advice that defendant received from its outside counsel was negative, or was premised on insufficient disclosure to counsel.” *Id.*; see *In re Seagate Tech.*, 497 F.3d 1360, 1370 (Fed. Cir. 2007).

191. The clear and convincing standard was also the standard the *Seagate* court used. *In re Seagate Tech.*, 497 F.3d at 1371.

192. *UMG Recordings, Inc.*, 2000 WL 1262568 at *4.

193. *Id.*

194. *Id.*

195. *Id.*

196. *Id.*

197. *Id.*

198. *Id.*

199. 13 F.3d 559 (2d Cir. 1994).

a copyrighted design licensed to In Design.²⁰⁰ Specifically, In Design alleged that K-Mart sold sweaters bearing the copyrighted “Damask” design.²⁰¹

In Design exclusively sold sweaters bearing the same design from 1984 to 1986.²⁰² In September 1987, K-Mart purchased over 50,000 garments bearing the “Damask” design from a wholesaler.²⁰³ Subsequently, K-Mart began selling the garments nationwide from November 7, 1987 to January 23, 1988.²⁰⁴

Upon discovery of K-Mart’s acts, the plaintiff notified K-Mart of its infringing activities.²⁰⁵ In reaction, K-Mart, along with its counsel, investigated In Design’s claims of infringement, and concluded that no infringement had taken place.²⁰⁶ Consequently, K-Mart continued to sell garments bearing the “Damask” design.²⁰⁷ Soon after, In Design brought a lawsuit against K-Mart.²⁰⁸

During trial, K-Mart was found guilty of infringing on the copyright licensed by In Design.²⁰⁹ However, when examining whether K-Mart had willfully infringed, the trial court found that “the legal advice given to K-Mart, based on the facts then known, was carefully prepared and that K-Mart was justified in relying upon it.”²¹⁰ As a result, K-Mart was not found guilty of willfully infringing the copyright.²¹¹

It is important to note that, at least according to the record given in the opinion, no other evidence was examined in determining if K-Mart had willfully infringed.²¹² The simple fact that they had relied on reasonable advice from counsel, based on the facts known at the time, was good enough to negate any claim of willful infringement.²¹³ The court’s sole examination of legal advice illustrates the considerable weight given to opinion of counsel when determining if an alleged infringer has willfully infringed.²¹⁴

200. *Id.* at 562.

201. *Id.*

202. *Id.*

203. *Id.*

204. *Id.*

205. *In Design*, 13 F.3d at 562.

206. *Id.*

207. *Id.*

208. *Id.*

209. *Id.*

210. *In Design*, 13 F.3d at 562 (2d Cir. 1994).

211. *Id.*

212. *See id.*

213. *See id.*

214. *See id.*

2. Legal Advice Regarding Patent Infringement Prior to *In re Seagate*

Prior to the *In re Seagate* decision, there was also great weight given to legal advice in patent-related cases.²¹⁵ In fact, a commonly asserted defense to a willful infringement claim was the accused infringer sought and/or received competent legal advice regarding the potential infringement.²¹⁶ Accordingly, analyzing whether an alleged infringer sought legal advice and whether the legal advice received was competent (as was done in the *In Design* case) was common in determining whether an accused infringer willfully infringed.²¹⁷

For example, in *Golden Blount, Inc. v. Robert H. Peterson Co.*, the Federal Circuit found that an accused infringer's opinion, upon which the infringer had relied, was incompetent.²¹⁸ Furthermore, the court considered the incompetent opinion a factor in determining willfulness.²¹⁹

3. Legal Advice Regarding Patent Infringement Post-*In re Seagate*: Judges vs. Juries

Of course, now that *In re Seagate* has stated explicitly that an accused infringer does not have an affirmative obligation to obtain opinion of counsel,²²⁰ it is possible that accused infringers may no longer obtain them. In addition, a study performed by Judge Kimberly Moore of the Federal Circuit has shown that legal opinions in jury trials do no good in reality.²²¹ Specifically, the study suggests that juries find for willfulness in 56% of the cases where there was an opinion and in 56% of the cases where there was no opinion.²²² Thus, it appears that juries do not give much weight to legal opinions.²²³ Therefore, as long as

215. See, e.g., *Underwater Devices, Inc. v. Morrison-Knusden Co.*, 717 F.2d 1380, 1390.

216. Posting of Dale Campbell to The IP Law Blog, <http://www.theiplawblog.com/archives/-patent-law-incompetent-legal-advice-evidence-of-willful-infringement.html> (Mar. 2, 2006).

217. After all, the prior standard explicitly stated that a potential infringer had "the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity." *Underwater Devices Inc.*, 717 F.2d at 1390.

218. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1366 (Fed. Cir. 2006).

219. *Id.* at 1369.

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

221. See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 239 tbl.1(2004).

222. *Id.*

223. See *id.*

willfulness remains a jury issue, obtaining legal opinions may not provide any beneficial result.

However, in cases where willfulness is decided by a judge, the same study suggests that judges find for willfulness in 84% of the cases where there was no opinion and 45% of the cases where there was an opinion.²²⁴ Therefore, in cases where a court is to rule on the issue of willfulness, obtaining a legal opinion as a defense is beneficial.²²⁵

Furthermore, it appears that Congress is attempting to restrict the authority to make the willfulness determination solely to the court and not to juries.²²⁶ Senate Bill 1145 explicitly states that “[t]he court’s determination of an infringer’s willfulness shall be made without a jury.”²²⁷ Thus, if this bill passes it is likely that legal opinions may continue to be obtained.

4. Legal Advice Regarding Patent Infringement post- *In re Seagate*: The Standards of Commerce?

In re Seagate may have also left a loophole for the legal opinion, albeit a small one. In Judge Newman’s concurrence, the Judge states that “[t]he standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular circumstances.”²²⁸ This statement was given considerable weight by the majority as it was referenced in a footnote.²²⁹ Specifically, the majority suggested that these “standards of commerce” might be a factor to consider when determining if the “objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.”²³⁰ Unfortunately, the Court failed to explore the “standards of commerce” any further, thus failing to define exactly what the “standards of commerce” are.²³¹

One such standard may simply be obtaining legal opinions from counsel.²³² After all, obtaining legal opinions had been a

224. Moore, *supra* note 221, at 239.

225. *Id.*

226. S. 1145, 110th Cong. § 4(e)(4) (2007).

227. *Id.*

228. *In re Seagate Tech.*, 497 F.3d 1360, 1385 (Fed. Cir. 2007).

229. *Id.* at 1371 n.5 (“We would expect, as suggested by Judge Newman, *post* at 1377, that the standards of commerce would be among the factors a court might consider.”).

230. *Id.* at 1371.

231. *See id.*

232. *See* Lupo et al., *supra* note 169.

standard in the industry prior to *In re Seagate*.²³³ Furthermore, copyright cases, which also use an objective recklessness standard, continue to value the legal opinion.²³⁴

Because of the new objective standard, it may seem that the less a person knows regarding their potentially infringing behavior would weigh in favor of an accused infringer.²³⁵ However, if obtaining a legal opinion is considered a “standard of commerce,” a legal opinion may continue to have value in patent law.²³⁶

B. *What is the Patentee’s Role under the New Standard?*

Now that *In re Seagate* has held that the burden of proving willful infringement is placed on the plaintiff,²³⁷ whereas it was placed on the defendant in *Underwater Devices*,²³⁸ what should the patent owner do to bolster a possible cause of action for willful infringement? Perhaps, the ideal thing a plaintiff can do is to make sure they have notified an accused infringer of their acts.²³⁹ Accordingly, the notice provided would be evidence that the accused infringer was aware of their infringing acts, and consequently “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”²⁴⁰ In other words, now that an accused infringer knows they are infringing, or at least put on notice that they are, the continuance of their infringing acts may constitute “objective recklessness.”²⁴¹

This probably does not mean that a simple memo stating, “You’re infringing our patent,” will suffice. The patentee probably needs to provide detailed analysis comparing the

233. See Danny Prati, *In re Seagate Technology LLC: A Clean Slate for Willfulness*, 23 BERKELEY TECH. L.J. 47, 63-65 (2008); see also *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983).

234. See *supra* Part VI.A.1.

235. See Newcombe et. al., *supra* note 168, at 13.

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

237. *Id.* (stating “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.” (emphasis added)).

238. *Underwater Devices, Inc.*, 717 F.2d at 1389 (“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” (emphasis added)).

239. Katherine Pauley Barecchia, Esq., *In re Seagate: How Claims and Defenses for Willful Infringement Have Changed*, ANDREWS COMPUTER & INTERNET LITIG. REP., Sept. 25, 2007, at 2, available at <http://www.blankrome.com/siteFiles/Publications/7A79EAF4BDC32BE6B86E6F21FE2066B9.pdf>.

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

241. *Id.*

accused infringer's activities with the patentee patents.²⁴² Because it is now up to the patentee to convince the court with "clear and convincing evidence"²⁴³ that the accused infringer has infringed the patentee's patent, it is the patentee's objective to prove that the accused infringer was "aware of the details surrounding its infringement, and that the risk of infringement was obvious."²⁴⁴ Accordingly, if the patentee has not provided the accused infringer with notice of infringement, proving, or simply pleading, *willful* infringement may be difficult.²⁴⁵

Furthermore, to make matters worse for the patentee, the court in *In re Seagate* has stated that willfulness of the accused infringer depends on the infringer's acts before litigation.²⁴⁶ Accordingly, "a patentee must have a good faith basis for alleging willful infringement."²⁴⁷ Thus, when a patentee asserts a willful infringement claim, the "complaint must necessarily be grounded exclusively in the accused infringer's pre-filing conduct."²⁴⁸

However, the court did leave an avenue open for plaintiffs in regard to post-filing conduct.²⁴⁹ In particular, if an accused infringer's conduct is reckless post-filing, the patentee "can move for a preliminary injunction."²⁵⁰ However, just as the court did

242. Barecchia, *supra* note 239, at 2 (stating "[b]ecause the patentee bears the burden of proving willfulness by clear and convincing evidence, prudent patentees should include a claim chart that outlines how at least one of the accused infringer's products or methods reads on at least one of the patent's claims.").

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

244. Barecchia, *supra* note 239, at 3.

245. *Id.* ("Thus, unless a patentee provides adequate notice to the accused infringer (or has other evidence of the accused infringer's pre-suit awareness of the patent), it will be difficult for the patentee to plead willful infringement in a complaint.")

246. *In re Seagate Tech.*, 497 F.3d at 1374 (stating "[f]urther outweighing any benefit of extending waiver to trial counsel is the realization that in ordinary circumstances, willfulness will depend on an infringer's prelitigation conduct.").

247. *Id.* See also FED. R. CIV. P. 11(b) ("By presenting to the court . . . a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances, it is not being presented for any improper purpose.").

248. *In re Seagate Tech.*, 497 F.3d at 1374.

249. *Id.* See also 35 U.S.C. § 283 (2000) ("The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.").

250. *In re Seagate Tech.*, 497 F.3d at 1374. In patent cases, the court has used a four-factor balancing test to determine if a preliminary injunction should be allowed. The four factors are as follows: "(1) a reasonable likelihood of success on the merits; (2) irreparable harm if an injunction is not granted; (3) a balance of hardships tipping in its favor; and (4) the injunction's favorable impact on the public interest." *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001). The court has stated that all the factors must be weighed and measured "against the other factors and against the form and magnitude of the relief requested." *Id.* (citing *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1451 (Fed. Cir. 1988)).

not provide an example of the new objective reckless standard,²⁵¹ the court also did not provide an example of post-filing reckless conduct.

VII. AN APPLICATION OF THE NEW STANDARD

A. Cohesive Technologies, Inc. v. Water Corp.

On August 31, 2007, the District of Massachusetts gave what appears to be the first application of the new standard for willful infringement.²⁵² In *Cohesive Technologies, Inc. v. Waters Corp.*,²⁵³ Cohesive Technologies (“Cohesive”) accused Waters Corp. (“Waters”) of willful infringement.²⁵⁴ In particular, Cohesive alleged that Waters’s “infringement was willful and in knowing disregard of [their] patent” regarding high-performance liquid chromatography (HPLC) columns.²⁵⁵

Soon after the patent was filed, an employee of Waters, Dr. Patrick McDonald, forwarded the application to Waters’s in-house counsel.²⁵⁶ Thereafter, Waters obtained the prototype for the HPLC columns and began manufacturing prototypes of their own in February, 1998.²⁵⁷

A scientist working for Waters, Dr. Bouvier, examined both the Cohesive prototype and the Waters prototype to determine whether Waters was infringing on Cohesive’s patent.²⁵⁸ In particular, Dr. Bouvier wanted to determine if Waters would be able to sell an HPLC column with 30 micron Oasis particles.²⁵⁹ In order to determine if Waters was infringing, Dr. Bouvier set out a number of experiments to determine if the Oasis particles were in fact “rigid” particles as set out by the claims.²⁶⁰ The court “construed ‘rigid’ to mean ‘an object’s capacity to maintain

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

252. *In re Seagate: A New Standard for Willful Patent Infringement, Simpson Thatcher Update* (Simpson Thatcher & Bartett LLP), Nov. 2007, at 14, available at <http://www.stblaw.com/siteContent.cfm?contentID=4&itemID=80&focusID=629>. See *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84 (Mass. Dist. Ct. 2007).

253. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84 (Mass. Dist. Ct. 2007).

254. *Id.* at 88.

255. *Id.* at 88, 103; see High Performance Liquid Chromatography Method And Apparatus, U.S. Patent No. 5,772,874 (filed June 11, 1996).

256. *Cohesive Techs.*, 526 F. Supp. 2d at 104.

257. *Id.* Waters’s columns were called the Oasis columns. *Id.* at 88.

258. *Id.* at 104.

259. *Id.* Claim 1 of the patent discloses an “apparatus comprising of . . . rigid, solid, porous particles . . . having average diameters of greater than about 30 microns.” ‘874 Patent.

260. *Cohesive Techs.*, 526 F. Supp. 2d at 104.

substantially zero changes in density and volume under packing pressure of at least about 5000 psi and as a consequence substantially to resist plastic deformation under such pressure.”²⁶¹

After performing a number of experiments, Dr. Bouvier, along with other Waters employees, presented the results to in-house counsel in August 1998.²⁶² Dr. Bouvier’s experiments concluded that “the Oasis particles collapsed when subjected to a pressure of up to 5,000 psi.”²⁶³ His experiments “also showed the particles resisted post-compression deformation at pressures of 7,000 psi and above.”²⁶⁴ After the meeting, the in-house counsel drafted an opinion stating that Waters was not infringing on Cohesive’s patent.²⁶⁵ In particular, the opinion stated, “Oasis particles are unmistakably in the nature of a polystyrene-type composition.”²⁶⁶ Furthermore, the opinion stated that the Oasis columns “do not have rigid particles as such term ‘rigid’ is defined in the patent.”²⁶⁷ The opinion was dated September, 1, 1998 and also summarized the evidence presented to the in-house counsel during the meeting.²⁶⁸ The opinion concluded that there was non-infringement “either literally²⁶⁹ or under the doctrine of equivalents.”²⁷⁰ Cohesive, on the other hand, argued that Waters’s “opinion ignored evidence that articles resist plastic deformation at pressures up to 7,000 psi.”²⁷¹

When examining Cohesive’s claim of willful infringement, the court began by stating the new standard.²⁷² Subsequently, the court set out a six-factor test for determining if an alleged

261. *Id.* at 89.

262. *Id.* at 104.

263. *Id.*

264. *Id.*

265. *Id.*

266. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 104 (Mass. Dist. Ct. 2007).

267. *Id.*

268. *Id.*

269. *Id.* at 104-05. “In order for Waters to have infringed Cohesive’s patents literally through the manufacture, use, and sale of the 25 micron column, the column must contain particles of ‘greater than about 30 microns.’ The claim explicitly excludes particles less than about 30 microns in size.” *Id.* at 114-15.

270. *Id.* at 114-15. “A particular structure can be deemed outside the doctrine of equivalents because that structure is clearly excluded from the claims whether the exclusion is express or implied.” *Id.* at 115-16 (quoting *SciMed Life Sys. v. Advanced Cardiovascular Sys.* 242 F.3d 1337, 1345 (Fed. Cir. 2001)).

271. *Id.* at 105.

272. *See Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 103 (Mass. Dist. Ct. 2007).

infringer acted willfully.²⁷³ Specifically, the court stated the court should consider:

(1) whether there was a bona fide disagreement regarding patent invalidity or infringement,(2) whether the infringer solicited or followed the advice of counsel,(3) whether there was continued infringement after notice of probable infringement was received,(4) whether there was a degree of similarity between the patented and accused devices,(5) whether the infringer took efforts to avoid infringement, and (6) whether the infringer was indemnified against infringement costs.²⁷⁴

Furthermore, the court added the element of good faith by stating, “because I find that Waters obtained an opinion of counsel in good faith, and because there was a bona fide dispute over whether the Oasis polymeric particles infringed Cohesive’s patents, Cohesive has not demonstrated that Waters’ infringement was willful.”²⁷⁵

In applying this new test, the court concluded that there was not clear and convincing evidence that Waters willfully infringed on Cohesive’s patent.²⁷⁶ First, the court examined the difference in the columns.²⁷⁷ The court found that Waters did not copy the obtained column prototype of Cohesive because “Cohesive’s particles are silica particles 50 micron in diameter, while Waters’ particles are polymeric particles of 30-micron size.”²⁷⁸

Second, the court reasoned that Waters “engaged in sufficient due diligence” when they determined if their product would infringe on Cohesive’s patent.²⁷⁹ For example, Waters conducted a number of experiments to ensure they were not infringing.²⁸⁰ Furthermore, they presented their finding to in-house counsel to determine if they would be infringing.²⁸¹ Therefore, the court found Waters’s avoidance of infringement was in good faith.²⁸²

273. *Id.* at 103-04.

274. *Id.*

275. *Id.* at 104.

276. *Id.* at 105.

277. *Id.*

278. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 105 (Mass. Dist. Ct. 2007).

279. *Id.*

280. *Id.*

281. *Id.*

282. *Id.*

In regard to Cohesive's contention that Waters ignored "evidence that the Oasis particles 'resist plastic deformation,' as defined in [the Judge's] claim construction relating to the term 'rigid,'"²⁸³ the court concluded that the experiments conducted by Dr. Bouvier created "a material dispute of fact in this case as to whether Waters' particles were rigid."²⁸⁴ Therefore, the court found that "a reasonable jury could find that the Oasis particles were not rigid."²⁸⁵

B. *Is This a Correct Interpretation of the Rule?*

Interestingly enough, the court provided no authority for their six-factor test.²⁸⁶ Therefore, it is unknown if this test was developed from the holding of *In re Seagate*, an interpretation of "preexisting willfulness law, [or] a combination of both" or perhaps, it is "the court's own willfulness formulation."²⁸⁷

However, there is some hint that the court applied the *Seagate* holding in at least one way. The court did determine that "because a reasonable jury could find that defendant [Waters] did not infringe, its conduct was not willful."²⁸⁸ This is in accordance with the objective recklessness standard.²⁸⁹ However, the holding in the present case falters in that it relies on a defendant's good faith, which was not a factor in *Seagate*.²⁹⁰ Furthermore, the court also examined Waters' subjective intent when it rejected Cohesive's claim of willful infringement, as opposed to the objective intent.²⁹¹ The court held "[Waters] manufactured the accused column only after satisfying its obligation to ensure there was not a high likelihood, considered both *objectively* and *subjectively*, that its actions would constitute infringement."²⁹²

It is unclear why the court decided to consider the alleged infringer's subjective intent when determining if he willfully

283. *Id.* at 105.

284. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 106 (Mass. Dist. Ct. 2007).

285. *Id.*

286. *Newcombe, et. al.*, *supra* note 168, at 14.

287. *Id.*

288. *Newcombe, et. al.*, *supra* note 168, at 15 (citations omitted).

289. *See supra* Part IV.B. (discussing the most recent developments of the objective recklessness standard).

290. *Newcombe, et. al.*, *supra* note 168, at 15.

291. *See id.* at 15.

292. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 105 (Mass. Dist. Ct. 2007).

infringed on an accuser's patent.²⁹³ But in doing so, it appears the court in *Cohesive Technologies* has improperly applied the rule from *Seagate*.²⁹⁴ As a result, it remains unclear whether or not subsequent court decisions will apply the *Seagate* standard correctly.²⁹⁵

VIII. CONCLUSION

It is rather unfortunate the court left the application of the new standard up to future cases.²⁹⁶ However, as discussed above, the standard does not have to be such a mystery. By using the guidance left by the Federal Circuit and willfulness jurisprudence from other areas of law, we may be able to predict how the new standard will be applied in actual cases. However, precautions must still be taken as it remains unclear whether the courts themselves will apply the new standard correctly.²⁹⁷

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293. *See id.*

294. Newcombe, et. al., *supra* note 168, at 15.

295. *Id.*

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

297. *See supra* Part VII.B.