

## Proving Willful Infringement Post-*Seagate*: Don't Divorce the Willfulness Analysis from Its Tort Foundations as an Intent Inquiry

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# PROVING WILLFUL INFRINGEMENT POST-*SEAGATE*: DON'T DIVORCE THE WILLFULNESS ANALYSIS FROM ITS TORT FOUNDATIONS AS AN INTENT INQUIRY

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Does the new standard for willful infringement laid out by the Federal Circuit in *Seagate*<sup>1</sup> really signal a sea change in how willfulness will be proven? In *Seagate*, the Federal Circuit overruled the “duty of due care” standard for willful infringement set out in *Underwater Devices*<sup>2</sup> because it set too low a threshold for willful infringement, a threshold akin to mere negligence.<sup>3</sup> Instead, the Federal Circuit held that willful infringement “requires at least a showing of objective recklessness.”<sup>4</sup> The *Seagate* opinion discussed how this objective recklessness standard comports with the general understanding of willfulness in the civil context.<sup>5</sup>

The Court then went on to provide a two-part test:

[1] [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. . . . The state of mind of the accused infringer is not relevant to this objective inquiry.

[2] If [the] threshold objective standard [of [1]] is satisfied, 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.<sup>6</sup>

The Court did not elaborate on this new standard or two-part test, instead stating “[w]e leave it to future cases to further develop the application of this standard.”<sup>7</sup>

Looking at the well-established meaning in the civil context of “willful” and “objective recklessness,” helps to shed light on this new test and perhaps answers, or at least raises, some questions regarding its interpretation. First, is the “state of mind of the accused infringer” really “not relevant” to the willfulness inquiry, or just not directly relevant to the first prong of an “objective recklessness” analysis? *Seagate*’s holding that “at least” a showing of objective recklessness is required, as well as basic tort law and common sense, indicates that state of mind should not be completely irrelevant to a willfulness inquiry as nothing prevents a plaintiff from trying to prove an even *higher* standard of culpability, such as “knowing” or “subjectively reckless” infringement. Second, although

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

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

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

4 *Id.*

5 *Id.* at 1370-71.

6 *Id.* at 1371.

7 *Id.*

the Court stated the objectively defined risk is “determined by the record developed in the infringement proceeding” are defenses raised only in litigation sufficient to show a defendant did not act recklessly? The history of tort and patent law indicates that because the willfulness inquiry is to determine if the accused infringer had a sufficiently culpable state of mind, defenses prepared for trial should typically not be the focus of the analysis. What is important to look at in the record of the infringement proceeding is what facts were available to the defendant as he started or continued with infringing activity and had knowledge of the patent(s), which in most circumstances will be prior to the start of litigation.

With these two considerations in mind, in practice the evidence presented to prove willful infringement may in most instances look very similar to the evidence traditionally presented in the past. Moreover, even though *Seagate* stated “state of mind” is not relevant to the first prong of the test recited, evidence regarding what the defendant knew about the patent and the reasons it had for believing it did not infringe or that the patents were invalid prior to starting, or continuing, infringing activity—the same evidence that could evidence actual state of mind—seems relevant. The only difference is the trier of fact gets to do its own analysis of those facts and determine whether the defendant’s analysis (or lack thereof) and actions were reasonable or reckless, instead of relying on the defendant’s conclusion or actual state of mind. Of course, if there is actually evidence that the defendant in fact thought it was proceeding to infringe a valid patent, it seems an even higher standard of “subjective recklessness” or “knowing” infringement would be met. At the least, this evidence of “state of mind” of the defendant would seem to be substantial evidence that the defendant acted despite an objectively high risk. In other words, if a defendant subjectively thought it was infringing, it should be easy for a jury to conclude the defendant acted unjustifiably since proceeding to do what one thinks is illegal seems clearly or objectively risky. Only when a defendant puts forth a reason or reasons why it thought at the relevant time it was not infringing or the patent is invalid, should the jury need to grapple with whether, when those reasons are objectively assessed, the risk of infringement was in fact high. Or when a defendant does not offer any reasons for why it proceeded with infringing activity, the jury will need to grapple with whether the defendant’s lack of analysis was reasonable or rather posed an unjustifiable risk, and whether the risk was really known or should have been known by the defendant.

If *Seagate* is interpreted consistently with its tort foundations, and the willfulness inquiry kept focused on its origins as a measure of culpability, a proxy for intent, *Seagate* might not represent a great sea change. On the other hand, if *Seagate* is interpreted to completely divorce state of mind from the analysis, then *Seagate* signals the Federal Circuit’s desire to practically eliminate willful infringement from patent litigations.

#### A. “Objective Recklessness” in the Tort Context: A State of Mind

Infringement is a strict-liability tort, and the enhancement of damages allowed upon a finding of willful infringement comports with the traditional allowance of enhanced or punitive damages for intentional torts or torts committed with a sufficient degree of culpability.<sup>8</sup> For most torts actual intent does not need to be proven to merit punitive damages. Rather, tort law recognizes that torts can be committed with a state of mind falling anywhere along a broad spectrum, for example, from unknowing, to accidental, to negligently, to recklessly, to deliberately. “Willfulness” in infringement, as in other torts, is supposed to be a measure of a sufficiently culpable state of mind.<sup>9</sup> Thus, willful infringement is often characterized as a question of the infringer’s intent.<sup>10</sup>

8 See, e.g., *Vulcan Eng’g Co. v. Fata Aluminium, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002) (“The tort of willful infringement arises upon deliberate disregard for the property rights of the patentee.”); *SRI Int’l, Inc. v. Adv. Tech. Labs., Inc.*, 137 F.3d 1462, 1464 (Fed. Cir. 1997) (35 U.S.C. Section 284 “recognizes the tortious nature of patent infringement and the public interest in a stable patent right, for enhanced damages are not compensatory but punitive.”).

9 See, e.g., *Smith v. Wade*, 461 U.S. 30, 46-48 (1983) (“The Restatement (Second) of Torts (1977), for example, states: ‘Punitive damages may be awarded for conduct that is outrageous, because of the defendant’s evil motive or his reckless indifference to the rights of others.’ ... Most cases ... have adopted more or less the same rule, recognizing that punitive damages in tort cases may be awarded not only for actual intent to injure or evil motive, but also for recklessness, serious indifference to or disregard for the rights of others, or even gross negligence.”); *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed. Cir. 1987) (“‘Willfulness’ in infringement as in life, is not an all-or-nothing trait, but one of degree. It recognizes that infringement may range from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee’s legal rights. ... The term ‘willfulness’ thus reflects a threshold of culpability in the act of infringement that, alone or with other considerations of the particular case, contributes to the court’s assessment of the consequences of patent infringement.”).

10 E.g., *Orbho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992) (“Whether infringement is ‘willful’ is by definition a question of the infringer’s intent.”); *Gustafson, Inc. v. Interstems Indus. Prods.*, 897 F.2d 508, 510-11 (Fed. Cir. 1990) (“Whether an act is ‘willful’ is by definition a question of the actor’s intent, the answer to which must be inferred from all the circumstances.”).

The distinction between various categories of conduct such as “negligent” conduct, “reckless” conduct, or “intentional” conduct can be very elusive, and vary dramatically based on the tort or crime to which the conduct is supposed to be related.<sup>11</sup> According to general tort principles, the central distinction among the various categories of conduct is supposed to relate to

the actor’s degree of certainty that negative consequences will result from his act or omission. If a person acts either with the desire to cause the harm or with the belief that the harm is certain to result, the action is labeled “intentional.” If the actor has no such desire of belief, but acts unreasonably in light of the risks, his behavior is labeled “negligent.” Between the poles of “intent” and “negligence” lies the gray area of “reckless indifference.”<sup>12</sup>

One way to look at the distinction between an intentional violation of a right and a reckless violation of a right is to think of recklessness as a lesser form of intent. While an intentional violation of a right requires a desire to cause the violation or a belief that a violation is certain to result from one’s conduct, a reckless violation, in contrast, occurs when one believes or reasonably should believe that his conduct is *very likely*, but not certain, to result in a violation.<sup>13</sup>

It should be remembered that objective recklessness is a lower standard of intent than subjective recklessness or of an even higher actual intent standard. Traditionally, criminal law has permitted a finding of recklessness only when a person disregards a risk of harm of which he is aware, a “subjective” standard that requires proving what a defendant knew. On the other hand, civil law has traditionally applied a lower “objective” standard for recklessness that does not necessarily require proving what the defendant actually thought. The civil standard does not limit liability to only intentional or knowing bad faith actions, but rather permits looking at what facts were available to a defendant and then determining if under the circumstances the defendant acted (or failed to act if he had a duty to act) in the face of an unjustifiably high risk of harm that is either known or so obvious it should have been known.<sup>14</sup>

Given this role of “willfulness”, “recklessness” and “objective recklessness” in tort law as measures of culpability or surrogates for sufficient evidence of intent, it seems to defy common sense for the “state of mind” of the accuser infringer not to be relevant to an overall willfulness inquiry. A reading of *Seagate* in line with the well-established meaning in the civil context of these terms suggests that the Court merely meant that “state of mind” is not directly relevant to one prong of an “objective recklessness” analysis, but that state of mind is of course key to an overall inquiry of willfulness.<sup>15</sup>

## **B. *Seagate* Does Not Preclude Proving Willfulness through a Higher Standard of Intent than “Objective Recklessness”**

*Seagate*’s primary holding that willful infringement requires “at least a showing of objective recklessness” merely defines what the *minimally* culpable state of mind needs to be, or the minimally sufficient evidence of intent that need be shown to prove willful infringement. In civil law, willfulness traditionally includes reckless violations of a standard, as well as violations that violate a higher “knowing” standard.<sup>16</sup> Thus, while willful infringement requires *at least* a showing of objective

11 For example, *In re Albarran*, 347 B.R. 369 (9th Cir. 2006) demonstrates how in the copyright infringement context just evidence of knowledge of another’s right and proceeding with infringing activity in disregard of the right is sufficient evidence to meet even the higher “subjective” intent standard, leaving one hard-pressed to determine what evidence would meet the even lower standard of recklessness but not meet the higher standard. In *Albarran*, Chapter 7 debtors had previously been found liable for willful copyright infringement and were trying to discharge the debt in bankruptcy. The judgment creditor opposed discharge of the debt on the ground that it was nondischargeable because it was a debt for a “willful and malicious” injury. Willful copyright infringement (like willful patent infringement according to the new *Seagate* standard) can be proved by showing “knowing” infringement or “reckless” infringement. However, “reckless disregard” is insufficient to establish the nondischargeability of a debt due to “willful” injury under 11 U.S.C. Section 523(a)(6). *See id.* at 376, 385. Therefore, the bankruptcy trial court and the bankruptcy appellate panel of the Ninth Circuit in *Albarran* had to analyze whether the evidence from the copyright infringement trial was sufficient to satisfy the higher subjective intent standard or merely a lower objective recklessness standard. The court held that evidence that the infringer was aware of the plaintiff’s copyright when they took infringing duplication actions was sufficient evidence to infer the necessary subjective intent. *See id.* at 385-86.

12 *Germany v. Vance*, 868 F.2d 9, 18 n.10 (1st Cir. 1989) (citing W.P. Keeton, D. Dobbs, R. Keeton, & D. Owen, Prosser and Keeton on the Law of Torts Section 31, pp. 169-70 (5th ed. 1984)).

13 *See id.*; Restatement (Second) of Torts Section 500, comment f (1977).

14 *See Farmer v. Breunann*, 511 U.S. 825, 836 (1994); *Safeco Ins. Co. of Am. v. Burr*, 127 S.Ct. 2201, 2208-09 & n.9, 2215 (2007); *see also Seagate*, 497 F.3d at 1371 (The “civil law generally calls a person reckless who acts ... in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known.”) (quoting *Farmer*, 511 U.S. at 836) (alteration in original).

15 *Seagate* ostensibly relied on the “well-established meaning in the civil context” of the “term willful” and its “standard” inclusion of “reckless behavior” in setting its new standard for willful infringement. 497 F.3d at 1370-71.

16 *See, e.g., Safeco*, 127 S.Ct. at 2208.

recklessness, it is consistent with traditional tort law and common sense that willfulness can be shown either through objectively reckless actions *or* by proving a higher standard of intent such as “subjective recklessness” or “knowing” infringement. The state of mind of the accused infringer must be relevant to the willful infringement inquiry because state of mind evidence is necessary to show knowing infringement or subjective recklessness. However, since *Seagate* also permits the lower “objective recklessness” standard, proving the actual state of mind of the accused infringer by clear and convincing evidence is not necessary.

The Federal Circuit has previously recognized that considerations of intent and belief—considerations most relevant to the higher “knowing” or “subjective recklessness” standards—as well as considerations of reasonableness and prudence—considerations most relevant to the “objective recklessness” standard—are all questions to be considered in assessing willfulness. In *SRI International*, the Federal Circuit wrote because all the foregoing questions must be considered by the jury and because they also relate to the credibility of the witnesses, appellate review of the willfulness issue should be particularly deferential to the trier of fact.<sup>17</sup>

### C. Timing Is Everything: Evidence of Willfulness Should Typically Focus on Facts Known to Accused Infringer and His Actions Pre-Litigation

The statements in *Seagate* that the “objectively defined risk” should be “determined by the record developed in the infringement proceeding” and that the “state of mind of the accused infringer is not relevant”<sup>18</sup> could be interpreted as indicating reasonable defenses presented at trial regarding non-infringement or invalidity necessarily preclude a finding of willfulness.<sup>19</sup> However, such an interpretation flies in the face of the traditional meaning of willfulness in the tort context, as well as several previous Federal Circuit precedents and *Seagate*’s own reasoning for not extending waiver of privilege to trial counsel based on disclosure of an opinion of counsel by non-trial counsel. A better interpretation is that even under an “objective recklessness” analysis where the state of mind of the accused infringer is not directly relevant and which is determined by the record developed in the infringement proceeding, the key focus still must be on the facts known to the accused infringer and the accused’s actions *at the time* when the accused infringer had notice of the patents and proceeded with actions relevant to infringement. Only by looking at such evidence can the trier of fact decide whether the accused infringer acted despite an unjustifiably high risk when the facts are objectively viewed. If so, the infringer had sufficient culpability, even though the infringer may have subjectively viewed the same facts differently and thus had a different irrelevant actual state of mind regarding the likelihood of infringement or validity, or have later learned additional facts to better justify its actions.

In *Crystal Semiconductor*,<sup>20</sup> the defendant argued the jury’s verdict of willful infringement should be vacated because the defendant presented non-frivolous defenses of invalidity and non-infringement at trial. The Federal Circuit rejected this argument, stating “defenses prepared for a trial are not equivalent to the competent legal opinion of non-infringement of invalidity which qualify as ‘due care’ *before* undertaking any potentially infringing activity.”<sup>21</sup>

17 *SRI Int'l*, 127 F.3d at 1465 (“Since the issue of willfulness not only raises issues of reasonableness and prudence, but is often accompanied by questions of intent, belief, and credibility, appellate review requires appropriate deference to the special role of the trial court in making such determinations. ... Thus a finding of willful infringement will be sustained unless the reviewing court has a definite and firm conviction that the trier of fact erred.”) (citations omitted).

18 497 F.3d at 1371.

19 In fact, at least a couple district courts appear to have interpreted *Seagate* in such a manner as evidenced by undue reliance on litigation defenses in analyzing willful infringement issues. See *ResQNet.com, Inc. v. Lansa, Inc.*, 533 F.Supp.2d 397, 420 (S.D.N.Y. 2008) (entering judgment of no willful infringement after bench trial because “[w]hile Lansa was ultimately unsuccessful in defending against infringement or proving invalidity with regard to the ‘075 Patent, its arguments in these areas were substantial, reasonable, and far from the sort of easily-dismissed claims that an objectively reckless infringer would be forced to rely upon”); *Franklin Elec. Co. v. Dover Corp.*, No. 05-C-598-S, 2007 U.S. Dist. LEXIS 84588, at \*22 (W.D. Wis. Nov. 15, 2007) (holding a prior summary judgment grant of non-infringement, even though it was reversed by appellate court, sufficient to preclude finding of willful infringement and finding all evidence regarding the defendant’s knowledge and state of mind prior to the litigation was irrelevant, and therefore granting defendant summary judgment of no willful infringement). In a post-*Seagate* opinion, the Federal Circuit wrote in *dicta* that “[a]s we stated in *Seagate*, the patentee must prove the ‘infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.’ *Id.* at 1371. Under this objective standard, both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.” *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, 260 F. App’x 284, 291 (Fed. Cir. 2008). While this statement could be argued as supporting an interpretation that reasonable trial defenses can prevent a finding of willful infringement, the statement is also not inconsistent with the interpretation of *Seagate* outlined in this article. Legitimate defenses can demonstrate objective reasonableness, *if* the defenses reflect the defendant’s thinking in starting or continuing with infringing activity upon notice of the patents. Such a connection should not automatically be assumed, though, particularly if the record contains evidence to the contrary.

20 *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001).

21 *Id.* at 1352 (emphasis added).

*Crystal Semiconductor* is not the only case in which the Federal Circuit has rejected such an argument. In *Hoechst Celanese*<sup>22</sup> the court rejected arguments that the verdict of willful infringement could not be affirmed because the trial judge had commented that the case was “a close one” or because the Patent and Trademark Office had granted a re-examination request which also demonstrated the closeness of the case. Rather, the Court noted that in determining the issue of willfulness, the jury should “measure” the infringing behavior by assessing

the circumstances in which the infringer acted, against an objective standard of reasonable commercial behavior in the same circumstances. Willful infringement is thus a measure of reasonable commercial behavior in the context of the tort of patent infringement. The extent to which the infringer disregarded the property rights of the patentee, the deliberateness of the tortious acts, or other manifestations of unethical or injurious commercial conduct, may provide grounds for a finding of willful infringement and the enhancement of damages.<sup>23</sup>

In *Johns Hopkins University*,<sup>24</sup> the Federal Circuit held the district court did not err in excluding evidence that the defendant CellPro had been wholly successful in an original jury trial, in a subsequent trial on willfulness and damages. After the original jury trial, the district court had granted various post-trial motions that changed certain claim constructions, found infringement of one patent as a matter of law, and granted summary judgment motions regarding infringement of another patent and validity of the patents. In the subsequent trial, the jury found CellPro had willfully infringed and granted damages to Johns Hopkins. The Federal Circuit held that the “1995 jury verdict had no bearing upon the willfulness of CellPro’s infringement on the dates it received notice of Hopkins’ patent rights.”<sup>25</sup> CellPro had notice of the patents-in-suit several years before the infringement lawsuit was filed and before they started infringing activity. The appellate court noted that the dates when CellPro had notice of the patents were “the proper times for assessing CellPro’s willfulness” and thus CellPro’s temporary victory in the 1995 trial was not “significantly probative of CellPro’s lack of culpability during the early stages of its infringing activity.”<sup>26</sup>

Similarly, in *Datascope*,<sup>27</sup> in reversing a district court’s finding of no willful infringement, the Federal Circuit noted that the lower court’s reference to the fact that the Federal Circuit’s earlier decision in the case on liability issues (infringement and validity) was a 2-1 decision was improper. The dissent’s reasoning regarding non-infringement in the earlier appeal could not be attributed to the defendant nor related back to their thinking at the “critical period” when infringement began, several years prior to the first appellate decision.<sup>28</sup> In *Critikon*,<sup>29</sup> the appellate court held that the district court erred in relying on four opinions of counsel received by defendant *after* it began marketing its infringing product. The Federal Circuit reversed the district court’s finding of no willful infringement. The defendant had received four different opinions *prior* to marketing its infringing product but those opinions did not even consider that the defendant made a significant design change prior to putting the product on the market that made the product much more like the patented design and the opinions were superficial and conclusory.<sup>30</sup>

*Seagate* does not appear to overrule the *Crystal Semiconductor* holding (or similar holdings in other cases) that non-frivolous defenses at trial cannot necessarily prevent a finding of willful infringement. In fact, *Seagate* actually quotes the same language quoted above from *Crystal Semiconductor*, and relies on its distinction between trial defenses and legal opinions prepared prior to the start of infringing activity and the filing of a lawsuit in holding that privilege waiver resulting from disclosing an opinion of counsel should not extend to trial counsel.<sup>31</sup> *Seagate* notes that “in ordinary circumstances, willfulness will depend on an infringer’s prelitigation conduct.”<sup>32</sup> It is precisely

22 *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575 (Fed. Cir. 1996).

23 *Id.* at 1583.

24 *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998).

25 *Id.* at 1362-63.

26 *Id.* at 1362, 1365.

27 *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820 (Fed. Cir. 1989).

28 *Id.* at 828-29.

29 *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253 (Fed. Cir. 1997).

30 *Id.* at 1259-60.

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

32 *Id.* at 1374.

because willful infringement usually “must find its basis in prelitigation conduct,” that opinions of counsel obtained after litigation has commenced “will likely be of little significance” and why communications with trial counsel have little relevance and thus weigh against extending waiver to trial counsel.<sup>33</sup>

Thus, if an infringer acted in bad faith and took actions intending to infringe a valid patent, or at least acted recklessly by taking actions considered commercially unreasonable in the face of the facts apparent to the infringer at the time he had notice of the patent, the fact that the infringer or its trial counsel later came up with some at least plausible defenses to infringement or validity, should not negate the infringer’s earlier bad faith or reckless actions. Infringers should “not be permitted to be saved from their flagrant disregard for the patents laws by the fortuity that when the patent in issue was closely scrutinized in [a] lawsuit, a close question of obviousness was presented.”<sup>34</sup>

If the focus of a willfulness inquiry is trial defenses, and not necessarily what the accused infringer was thinking at the time he decided to engage in infringing activity with knowledge of the patent, then the deterrence purpose that underlies willful infringement will not be served.<sup>35</sup> The concept of willful infringement “is a statement that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence.”<sup>36</sup> In addition, the Federal Circuit has made enhancement of damages dependent on a finding of willfulness.<sup>37</sup> Thus, both the deterrence purpose, and any desire to be able to make fully economically whole one who has been wronged—the two roles that willful infringement is supposed to serve<sup>38</sup>—will be disserved if *Seagate* is interpreted to ignore the true intent or culpability of the infringer so long as the bad faith infringer can later come up with at least some plausible defense at trial.

#### D. Proving Sufficient Culpability for Willful Infringement

In light of the considerations discussed above, the evidence a patentee should get into the record at trial and focus on in attempting to prove a defendant’s infringement was willful, either because it was knowing, subjectively reckless or objectively reckless, is evidence regarding when the defendant had knowledge of the patent or patents in suit, and actions taken (or not taken) and any statements made at that time that reflect the defendant’s state of mind as to respect for patent rights or thinking as to why respect for the patent(s) was not necessary in proceeding with infringing activity. If the accused infringer had notice of a patent prior to the start of infringing activity, their actions and thinking from the time of notice to the commencement of infringing activities would seem to be most relevant. However, their thinking and actions in continuing to infringe for a significant period of time would also be pertinent, as would be the case for accused infringers who receive notice of a patent after having already engaged in infringing activity but decide to continue with the activity. Of course, the length of time over which a defendant continues infringing activity is a factor that weighs in enhancement of damages.<sup>39</sup>

Any contemporaneous statements made by the defendant or its agents that actually reflect their thinking regarding infringement or validity or the reasons why they started or proceeded with infringing activity after they had notice of the patent should be key, as such evidence could help to meet even the higher “knowing” or “subjectively reckless” standards of willfulness. For example, memorandums or emails by defendants that reflect knowledge of a patent and a belief that their action is infringing should be key evidence of willfulness. Of course, an opinion of counsel that reflects likely infringement of a valid patent would also be key, but in practice will likely never be seen since there is no reason for a defendant to disclose a negative opinion of counsel. After-the-fact

<sup>33</sup> *Id.*

<sup>34</sup> *DanSCOPE*, 879 F.2d at 829 n.8 (quoting *Dickey-John Corp. v. Int’l Tapetronics Corp.*, 710 F.2d 329, 348 (7th Cir. 1983)).

<sup>35</sup> Of course, trial defenses could reflect what an infringer’s reasons were for proceeding with infringing activity at the relevant time. But such a relationship should not necessarily be presumed, especially when the record reflects contradictory facts from the relevant time frame.

<sup>36</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004) (en banc).

<sup>37</sup> *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.”) (citing *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991)). In their concurrence in *Seagate*, Judges Gajarsa and Newman criticize the court for grafting willfulness onto 35 U.S.C. Section 284 and making enhancement of damages dependent on willfulness. 497 F.3d at 1376-84.

<sup>38</sup> *Rite-Hite*, 819 F.2d at 1126 (“The role of a finding of ‘willfulness’ in the law of infringement is partly as a deterrent—an economic deterrent to the tort of infringement—and partly as a basis for making economically whole one who has been wronged....”).

<sup>39</sup> *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992).

statements made by defendants at trial regarding the reasons for why they proceeded with infringing activity should be given much less weight than pre-litigation statements (e.g. as reflected in emails or memoranda), as defendants are motivated to make self-serving statements during litigation. Although, of course, statements *against interest* elicited from a defendant or their agents or former agents during litigation can be powerful. Therefore, depositions of employees or former employees are important in looking for evidence of willful infringement.

When strong evidence of a defendant's actual state of mind exists that shows the defendant believed it would infringe the patent but proceeded to do so anyway, then the new *Seagate* test for objective recklessness has less importance because a higher knowing or subjective recklessness standard should be able to be proved. The objective recklessness analysis becomes important when the defendant offers a reason or reasons for why at the time that they had notice of the patent they believed it was, or would, not be infringed by their product or actions, or believed it was invalid. The objective recklessness analysis also has application when a defendant offers no explanation for proceeding with infringing activity with knowledge of the patent. In the first case, the trier of fact will need to do its own analysis of the explanation offered and determine whether defendant's conclusion to proceed with infringing activity was objectively reasonable in light of all the facts and circumstances at the time. If the defendant offers no explanation—i.e. the evidence shows he had notice of the patent, but no opinion of counsel or even lay analysis is presented of why the patent was viewed as not infringed or invalid—then the trier of fact will have to decide whether proceeding with infringing activity in such circumstances is objectively reasonable or unreasonable.

The question of whether or not the “no explanation” situation<sup>40</sup> is sufficient evidence of willful infringement is theoretically an open question since *Seagate* changed the previous “duty of care” standard. Previous case law supports that such conduct is willful or at least can be viewed by objective jurors as objectively reckless. For example, in *Crystal Semiconductor*, the record showed that the defendant had known of one of the patents-in-suit for at least a couple of years prior to the filing of suit and had looked at the patent to attempt to “design around” the patent, but never sought any advice of counsel regarding infringement before proceeding to sell accused products.<sup>41</sup> The Court found this to be substantial evidence of willful infringement, as it found no reason to vacate the jury verdict.<sup>42</sup> In *SRI International*, the Court even wrote that “[p]rudent behavior generally requires that competent legal advice was obtained before the commencement of the infringing activity.”<sup>43</sup> The Court also noted that whether willful infringement could “ever be purged by subsequent legal advice” was an open question.<sup>44</sup> Thus, while it appears subsequent legal advice, or subsequently developed trial defenses, *may* perhaps play a role in the analysis and may even, along with other factors, help to negate a finding of willfulness, it certainly seems reasonable for a jury to conclude that having knowledge of a patent but proceeding ahead with potentially infringing activity without properly analyzing infringement and validity issues is simply objectively unreasonable or reckless behavior that merits a finding of willful infringement. In other words, there is a strong position that the infringe-now, come-up-with-valid-defenses-later approach is objectively reckless.

Therefore, if a defendant knows that a plaintiff will be able to show at trial that the defendant had notice of the patent prior to the filing of suit (and notice that they make a product or conduct activity in the relevant field and thus may infringe) and yet the defendant chose to proceed with infringing activity, the defendant might very well want to consider disclosing an opinion of counsel or thinking how to otherwise introduce evidence of why they thought they would not infringe or that the patent was invalid. Otherwise, the defendants will risk having what the record will reflect as a stick-your-head-in-the-sand approach (simply ignoring a presumptively valid patent) be viewed as commercially unreasonable and objectively reckless. Although the Federal Circuit has made very clear that a defendant certainly *need* not present an opinion of counsel and no “adverse inference”

40 Whether a defendant never seeks advice of counsel in the first place, or does seek advice but chooses to maintain privilege and not disclose the opinion, the result should be the same: the trial record should be devoid of any reference of the defendant seeking advice of counsel. If somehow reference to the fact that advice of counsel was sought does make it into the record even though that advice is not disclosed, the trier of fact should fully discount such “evidence” as without disclosure of the actual content of the advice one has no basis to believe it was competent.

41 246 F.3d at 1352.

42 *Id.*; see also *id.* at 1346 (“willful infringement is question of fact and is reviewed by this court for substantial evidence”).

43 127 F.3d at 1468 (citing *Minnesota Mining and Mfg. Co. v. Johnson & Johnson Oribopaeatics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992); *Spindelfabrik Sussen-Schurr, Stahlacker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1084 (Fed. Cir. 1987)).

44 *Id.* at 1468.



will be drawn from failure to present advice of counsel,<sup>45</sup> disclosing a competent, favorable opinion of counsel from prior to the start of infringing activity or shortly after receiving notice of the patent, still seems the best way for a defendant to avoid a finding of willful infringement. The Federal Circuit recently held in a post-*Seagate* case that a competent counsel opinion concluding either that the defendant did not infringe or that the patent was invalid provides a sufficient basis for the defendant to proceed with its disputed activity without engaging in “objectively reckless” behavior.<sup>46</sup> Of course, the patentee can always argue that a disclosed opinion of counsel was not “competent” and that it was objectively reckless for the accused infringer to have relied on it. Thus, the production of a timely opinion of counsel does not end the willful infringement inquiry.

If a defendant obtained no timely opinion of counsel upon having notice of a patent or does not wish to disclose it, then the defendant could offer testimony as to the defendant’s reasons for believing it would not infringe or that the patent is invalid. However, if the testimony has no support in documents contemporaneous to the time at which the reasons were supposedly relied on, the testimony should be subject to attack as being self-serving testimony manufactured for trial and subject to the trier of fact’s credibility determinations. And, of course, just as the competence of an opinion of counsel can be attacked so can the competence of any non-attorney reasoning presented by various fact witnesses. Reliance on non-attorney conclusions, especially if they were not written out and documented at the time and thus shown not to be conclusory, seems particularly prone to a finding of objective recklessness.

*Seagate* does imply that obtaining or relying on opinions of counsel may be unnecessary when the defendant has no knowledge of the patent until the filing of suit. The *Seagate* opinion states that a “substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.”<sup>47</sup> However, this statement does not say questions raised about infringement or validity during litigation (*i.e.* during the preliminary injunction phase or otherwise) can negate willfulness based on **pre-filing** conduct, the ordinary focus of willfulness charges. A post-filing opinion of counsel does seem unwarranted, though, if the defendant had no notice of the patents-in-suit prior to filing of the lawsuit, since defendant’s good faith belief of non-infringement or invalidity, and thus an objectively reasonable basis for choosing to continue with any allegedly infringing activity, can be evidenced by defenses fairly contemporaneously presented in the litigation. Thus, a reasonable trial defense as to non-infringement or invalidity of the patent-in-suit may be the end of a willful infringement claim when it is clear the defendant had no notice of the patent prior to the lawsuit. This should be a small fraction of cases, however, as *Seagate* noted “in ordinary circumstances, willfulness will depend on an infringer’s prelitigation conduct.”<sup>48</sup>

What seems most likely in practice is that a trial record will reflect various competing pieces of evidence that could be argued as showing actual intent or that could be argued as evidencing objective reasonableness or recklessness. For example, the plaintiff could present a pre-litigation memorandum by an agent of a defendant that indicates a belief that the defendant is proceeding with infringing activity and that the patent is valid. The defendant could present an opinion of counsel that presents a basis for a belief of non-infringement of the patent. There could also be evidence that the company felt it completely unnecessary to do any official analysis of validity of the patent. The trier of fact must assess the credibility of the various pieces of evidence and its proponents, and weigh all the competing pieces of evidence against each other. One can imagine very different outcomes coming from the jury room, all potentially supportable. The opinion of counsel could be viewed as superficial, conclusory or biased and be given little weight, while the employee memorandum is viewed as very credible and sufficient evidence of the defendant’s true state of mind such that a knowing or subjective recklessness standard of willfulness is met. On the other hand, the memorandum could be given little weight, while the opinion of counsel is viewed as very sound and the jury concludes the company relied on its conclusion and to do so was objectively reasonable. Or,

45 *Knorr-Bremse*, 383 F.3d at 1344-46; *Seagate*, 497 F.3d at 1371 (“[W]e also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”).

46 *Finsisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008).

47 497 F.3d at 1374.

48 *Id.*

the jury could conclude that the employee memorandum and opinion of counsel each offered sound reasoning for believing in either infringement or non-infringement and that since there seemed to be competing views within the company as to whether they were infringing, in such circumstances it was unjustifiably risky or reflective of lack of respect for the patentee's rights to proceed with the infringing activity without even analyzing the validity of the patent or further investigating infringement issues.

The possible combinations of evidence as well as the possible interpretations based on all the evidence of record and the credibility of the witnesses are endless. Even under the new "objective" standard, there appears to be plenty of space for subjective jury determinations as to what actions or inactions by a defendant constitute reckless versus reasonable behavior in light of the circumstances at the time when a defendant chose to proceed with, or continue, infringing activity with knowledge of a relevant patent, as well as many credibility determinations to make in evaluating the inevitable two sides of the story as to what the circumstances exactly were at the relevant times, and whether reliance on certain "circumstances" was objectively reasonable or reckless. There seems to still be plenty of reason to heed the earlier direction from the Federal Circuit to give appropriate deference to the trier of fact given the many questions of credibility, intent, belief, reasonableness and prudence involving in deciding the issue of willfulness.<sup>49</sup>

## CONCLUSION

An interpretation of *Seagate* that continues to focus the willful infringement analysis on the state of mind of the accused infringer, or at least the evidence regarding the facts known or available to the accused infringer and reasoning and actions taken after the time they had notice of a patent so that the jury can objectively assess whether they undertook infringing action with a sufficiently culpable "reckless" state of mind, is consistent with the tort underpinnings of willful infringement. This article offers such an interpretation and discusses some support for it. The evidence sufficient to support a finding of willful infringement based on a standard as interpreted herein might not be all that different from evidence seen in many pre-*Seagate* cases. Of course, the Federal Circuit really may intend to completely remove all "state of mind" considerations from any willful infringement analysis, and make the test completely dependent on whether a defendant can present any plausible infringement or validity defense in litigation. One, however, must question whether such a test serves the principle behind willful infringement of breeding respect for patents to protect innovation, or why enhanced damages—which are traditionally awarded for intentional torts or those engaged in with a sufficiently culpable state of mind—are dependent on a finding of willfulness. Since it seems no case would ever even proceed through litigation if there is not any plausible defense as to infringement or validity, willful infringement may become a relic of the past if such a test is the Federal Circuit's true intent, and Congress or the Supreme Court does not intervene. Only time, and perhaps some clarification from the Federal Circuit, will resolve the questions raised by *Seagate* as to the future of willful infringement.

### Epilogue:

From the time when this article was originally written for and presented at last year's Sedona Conference® on Patent Litigation, district courts have continued to grapple with interpreting *Seagate* in further developing the application of the standard it articulated. At least of few of these opinions have touched on issues discussed here. For example, in *Power Integrations v. Fairchild Semiconductor*, 585 F.Supp.2d 583 (D. Del. 2008), the plaintiff argued that the strength of the defendant's defenses at trial should be irrelevant to willfulness, because the willfulness inquiry should focus on an infringer's prelitigation conduct. *Id.* at 588. The court found a tension in the case law regarding this based on *Seagate's* emphasis of prelitigation compared with the dicta in *Black & Decker* regarding defenses. *Id.*; cf. note 19 *supra*. In an effort to reconcile this perceived conflict in the law, the court concluded that the retrial on willfulness it ordered "must focus on the prelitigation conduct of the accused infringer in the first instance but must also taken [sic] into account whether the accused infringer maintained plausible or credible defenses to noninfringement and invalidity." 585

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49 See note 17 *supra*.

F.Supp.2d at 588; *see also Eastman Kodak Co. v. Agfa-Gevaert N.V.*, 560 F.Supp.2d 227, 302-305 (W.D. N.Y. 2008) (finding no infringement but nonetheless addressing evidence of defendant's pre-trial design-around efforts in stating plaintiff also failed to sustain burden of proof on willfulness and noting "[w]illfulness is assessed at the time the infringer received notice of the existence of the patent," but also noting substantial questions as to validity and infringement were raised at trial). One court has taken the approach of analyzing willfulness at different periods of time, and found the defendant liable for willful infringement for several years prior to and during the early part of litigation before the period in which defendant discovered and presented prior art that the court indicated at least provided some justification for defendant's infringing conduct. *See Krippelz v. Ford Motor Co.*, 2009 WL 799493 (N.D. Ill. Mar. 25, 2009).

Some courts appear to be more willing to analyze the evidence and grant summary judgment of no willfulness given the new *Seagate* standard. *See, e.g., Honeywell Int'l v. Universal Avionics Sys. Corp.*, 585 F.Supp.2d 636 (D. Del. 2008). Whereas many courts continue to defer to jury resolution of issues of intent, belief and reasonableness versus recklessness given the complexity of these issues and the variety of facts and evidence that can bear on them and be viewed in different ways. *See, e.g., Mass Engineered Design, Inc. v. Ergotron, Inc.*, 2009 WL 1035205, at \*11-12 (E.D. Tex. Apr. 17, 2009) (rejecting defendant's argument that its trial defenses of invalidity and non-infringement should lead to JMOL of no willfulness as the "hindsight technical arguments of counsel and testimony by Defendants' expert were undoubtedly considered by the jury and given their appropriate weight" and noting there was evidence in the record jury may have relied on in finding willfulness); *Church & Dwight Co. v. Abbott Labs.*, 2008 WL 2565349, at \*10 (D.N.J. June 24, 2008) (refusing to overturn jury verdict of willfulness as, viewing the evidence in the light most favorable to the non-movant, there was sufficient evidence defendant willfully infringed); *Arlington Indus., Inc. v. BridgePort Fittings, Inc.*, 2009 WL 260981, at \*13 (M.D. Pa. Feb. 4, 2009) (denying defendant summary judgment of no willful infringement: "Proper adjudication of the willful infringement issue requires the factfinder to examine the totality of the circumstances. . . . Much of this evidence requires judgments of credibility and the reasonableness of various business decisions.").

While courts have noted the Federal Circuit's admonishments that no adverse inferences can be drawn from failure to offer an opinion of counsel, failure to offer an opinion of counsel or some other evidence of formal analysis of infringement has been key in some findings of willfulness. *See, e.g., Kowalski v. Mommy Gina Tuna Res.*, 2009 WL 856331, at \*2 (D. Haw. Mar. 30, 2009) (holding defendant's belief the patent was invalid did not negate finding of willfulness since there was substantial evidence the belief was recklessly formed: no opinion of counsel was obtained and defendant never even thoroughly read patent but rather relied largely on advice of a non-attorney friend in forming belief of invalidity); *Wordtech Sys. Inc. v. Integrated Network Solutions, Inc.*, 2009 WL 113771, at \*2 (E.D. Cal. Jan. 15, 2009) (awarding treble damages after jury finding of willfulness and noting "Defendants made no effort to determine whether the patents were invalid or not infringed" despite being given notice of the patents). As before *Seagate*, evidence of copying also continues to be a strong basis for a finding of willfulness. *See, e.g., GSI Group, Inc. v. Sukup Mfg. Co.*, 591 F.Supp.2d 977, 982 (C.D. Ill. 2008) ("copying a patented device shows an objectively high likelihood that such an act would constitute infringement").

In summary, many courts appear to recognize that even after *Seagate*, the question of willful infringement can involve a complex assessment of facts known or available to the accused infringers and their actions after they had notice of a patent, that is often best suited for jury evaluation given credibility determinations and weighing of evidence that may be involved. Most courts have not ended the inquiry at whether a non-infringement or invalidity defense is presented at trial. The best way to apply the *Seagate* standard, and in what particular factual circumstances willfulness should or need not be addressed by a jury, however, is likely to continue to be an issue for the trial courts to grapple with for some time. Remembering the tort foundations of willfulness and its relationship to the inquiry of intent can be useful in thinking about the standard articulated in *Seagate* and how it should be applied to particular facts and cases.