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SPECIAL
REPORT

THE FEDERAL CIRCUIT OVERHAULS THE WILLFUL INFRINGEMENT STANDARD FOR ENHANCED DAMAGES

IN RE SEAGATE TECHNOLOGY, LLC

August 31, 2007

I. Summary

This year's tidal waves of change continue to hit the beach of U.S. patent law. On August 20, 2007, the Federal Circuit issued yet another long-awaited *en banc* decision, *In re Seagate Technology, LLC*, this time replacing the Federal Circuit's nearly quarter-century old "affirmative duty of care" standard for determining if an infringer committed willful infringement permitting enhanced damages under 35 U.S.C. §284. The new standard is the much more stringent "objective recklessness" requirement generally applied by the Supreme Court in defining "willfulness" as a statutory condition of civil liability for punitive damages. Applying the Supreme Court's explanation of civil law "recklessness" in *Farmer v. Brennan*, 511 U.S. 825, 836 (1994), the *Seagate* Court announced two requirements to establish willful infringement:

1. The patentee must first show, by clear and convincing evidence determined by the record in the infringement proceeding, that the accused infringer acted despite "an objectively high likelihood that its actions constituted infringement of a valid patent."[1]
2. Even if this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk was "either known or so obvious that it should have been known to the accused infringer."

[1] There is no affirmative obligation to obtain opinion of counsel, and the state of mind of the accused infringer is irrelevant to this objective inquiry.

The Court also explicitly cautioned that it was leaving "to future cases to further develop the application of the standard," observing that it expected that "the standards of commerce" as suggested by Judge Newman in a concurring opinion would be among the factors a court might consider.

The *Seagate* Court also clarified that if an accused infringer does rely in a litigation on an opinion from opinion counsel, the attendant waiver of the attorney-client privilege and work product protection does not extend to trial counsel in the absence of extraordinary circumstances such as chicanery. Although not referenced by the Court in its waiver holding, it is to be noted that the case involved opinion counsel who operated separately and independently of trial counsel at all times, and the respective counsel were from different law firms. Thus, the Court was not confronted with, and therefore did not address, waiver issues under circumstances where opinion counsel and trial counsel are within the same firm. Also, the Court declined to address whether waiver extends to a party's in-house counsel (because the questions presented for *en banc* review were limited to trial counsel).

The opinion was written by Judge Mayer, and was joined by all of the Federal Circuit judges except Chief Judge Michel and Judge Moore, who took no part in consideration of the merits although both participated in oral argument. Judge Gajarsa wrote a concurring opinion, in which Judge Newman joined. Judge Newman also wrote a separate concurring opinion.

Judge Gajarsa's lengthy concurring opinion is devoted primarily to an argument that willfulness should not be a requirement in all circumstances for enhanced damages under §284. The main opinion viewed this issue as also beyond the scope of the questions presented for *en banc*

review, and the main opinion thus did not address Judge Gajarsa's opinion.[2]

Judge Newman's concurring opinion is of much greater potential interest with respect to further development of the standard for willful infringement, since her proposed "standards of commerce" formulation was explicitly endorsed in the main opinion, albeit as one "among the factors a court might consider." As articulated by Judge Newman, the "standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of actions taken in the particular circumstances."

While *Seagate* will likely reduce the frequency with which willful infringement will be asserted, and change the role formal opinions will have in defending against enhanced damages, it would be a mistake to read *Seagate* as swinging the pendulum to now permit a company to disregard patents known to be relevant to its business without any concern for willful infringement liability. Reasonable respect for property rights, including patent rights, remains the standard for prudent businesses; and apart from the concern over punitive damages, making informed assessments of the risks associated with a course of action continues to make good business sense.

The value of advice from patent counsel in assessing the patent rights of others thus remains unchanged. Likewise unchanged is the value of the rigor of analysis imposed by a competent detailed written opinion, as well as the value of a well-prepared opinion in helping a business to understand and assess the issues, particularly when the issues are complex and the potential liability exposure is great.

This Special Report: (1) briefly reviews in Part II the circumstances that precipitated the *Seagate* decision, (2) discusses in more detail in Part III the Court's holdings, and (3) provides in Part IV initial conclusions and recommendations, recognizing that the Federal Circuit fully expects the objective recklessness standard to develop more fully over time.

II. Background to the *Seagate* Decision

A. History of the Willful Infringement Standard and its Litigation Consequences

The Federal Circuit was created in 1982 to strengthen the U.S. patent system by bringing uniformity to decisional law. Aside from a perception at the time that a disproportionate number of patents were being held invalid by the various Circuit Courts of Appeals, it was also believed that a "widespread disregard of patent rights was undermining the national innovation incentive." *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1389-90 (Fed. Cir. 2004) (quoted in *Seagate*). One response by the Federal Circuit shortly after its creation was *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983), which announced a standard for evaluating whether willful infringement had occurred, thereby justifying the award of enhanced damages under §284:[3]

> Where … a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity. [Emphasis in the original.]

Over time, the Federal Circuit refined the willful infringement/duty of care standard to involve consideration of the totality of circumstances, under which possession or lack of a favorable opinion of counsel was not dispositive. However, until very recently, reliance on favorable advice of counsel, or the failure to assert reliance on favorable advice, remained crucial to the willful infringement analysis. In particular, in *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986), the Federal Circuit held that an accused infringer's failure to produce advice from counsel warranted an adverse inference that the party either obtained no advice of counsel, or obtained advice and the advice was that the party's activities infringed a valid patent.

[2] This report likewise does not address Judge Gajarsa's view of §284.

[3] Section 284 does not mention the circumstances under which enhanced damages are appropriate, which silence framed part of the analysis in *Seagate*.

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Relying on advice of counsel in defending against allegations of willful infringement carries a substantial penalty for the accused infringer—the accused infringer waives the attorney-client privilege that normally protects communications between an attorney and client regarding advice provided by the attorney. (The accused infringer also waives work product protection that may exist for materials prepared in anticipation of or for use in litigation.) The rationale for the waiver is understandable—a person should not be able to use the privilege as both a sword to assert reliance on favorable advice and as a shield to conceal unfavorable advice on the same topic. The waiver penalty can be severe—the waiver extends to all communications relating to the subject matter of the opinion, and the precise scope of the waiver has been subject to significantly varying interpretations in different jurisdictions.

Patentee litigants, being no different than other plaintiff litigants seeking enhanced damages, pressed their tactical advantage to its full limits, asserting willful infringement virtually automatically in their infringement complaints.[4] This forced defendants to decide whether to assert or forego advice of counsel as a defense at the outset of the litigation. If a defendant chose to rely on advice of counsel, patentees then demanded immediate and full discovery of all privileged communications and work product even before liability for infringement of a valid patent had been established. Resolving the propriety of a patentee's discovery demands in this area developed into significant satellite litigation unto itself.

The Federal Circuit recognized relatively early on the practical litigation concerns for defendants stemming from its willfulness doctrine. However, the Federal Circuit did little to address the problem. Although the Federal Circuit complained bitterly in its early years about the impropriety of defendants routinely alleging inequitable conduct by the patentee, the Federal Circuit did not similarly condemn the standard practice of patentees in alleging willful infringement.[5] In *Quantum Corp. v. Plus Development Corp.*, 940 F.2d 642, 643 (Fed. Cir. 1991), the Federal Circuit acknowledged the "dilemma" facing defendants accused of willful infringement, but merely advised the district courts to conduct *in camera* review and to bifurcate trial of the liability and willful infringement issues in appropriate cases to alleviate the concerns. As the *Seagate* Court acknowledges, district courts often considered those procedures too onerous to be regularly employed.

The situation ultimately deteriorated to the point that the Federal Circuit in more recent years started trying to restore some balance and order to the willful infringement doctrine. Most notably, first in *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004), the *en banc* Court eliminated the adverse inference rule, recognizing that it imposed "inappropriate burdens on the attorney-client relationship."[6] Then, more recently, in *In re Echostar Commc'ns. Corp.*, 448 F.3d 1294, 1299-1303 (Fed. Cir. 2006), the Court addressed the scope of waiver resulting from the advice of counsel defense. The Court concluded that relying on in-house counsel's advice to refute a charge of willfulness triggers waiver, and waives work product protection and the attorney-client privilege for all communications on the same subject matter, as well as any documents memorializing attorney-client communications. However, the *Echostar* Court drew the waiver line as not extending to work product that was not communicated to an accused infringer.

Although *Echostar* purported to clarify the scope of waiver, the decision ended up clouding the question as to whether waiver extended to an accused infringer's communications with trial counsel in the course of litigation.

B. The *Seagate* Litigation

The patentee, the Massachusetts Institute of Technology, and its exclusive licensee, Convolve, Inc. (collectively Convolve), initially sued Seagate for infringement of two patents. Sixteen months later, a related patent subsequently issued, and Convolve amended its complaint to assert infringement of the third patent.

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[4] As noted by Judge Moore before she became a Federal Circuit judge, patentees sought enhanced damages in more than 90% of all patent infringement cases, and patentees were awarded enhanced damages in more than 50% of cases where there was a jury finding of infringement of a valid patent. Moore, K., "Empirical Statistics on Willful Infringement," *Fed. Cir. Bar J.*, Vol. 14, No. 2, p. 227 (2004).

[5] Unlike defendants who plead inequitable conduct and are required by Fed. R. Civ. P. 9(b) to state the circumstances constituting the inequitable conduct with particularity, patentees can plead willful infringement without any detailed explanation.

[6] See Oliff & Berridge's October 7, 2004 Special Report regarding *Knorr-Bremse* for additional information about that case.

Convolve also pleaded willful infringement. In Convolve's view, Convolve buttressed the charge with specific allegations of bad faith misconduct by Seagate in the course of failed license negotiations that preceded the lawsuit. Convolve also asserted that misconduct was part of Seagate's standard business practices, pointing specifically to Seagate misconduct at issue in a prior litigation. See Convolve's Opposition Brief in the Federal Circuit, pp. 10-16.

Prior to the lawsuit, but one month after Seagate retained its trial counsel, Seagate retained as opinion counsel an attorney who had previously represented Seagate in other lawsuits. The opinion counsel ultimately prepared three written opinions, the first of which Seagate received eleven days after the lawsuit was filed, and the last of which Seagate received over a year after the third patent had been added to the lawsuit. The opinions addressed infringement, validity and enforceability of the asserted patents. According to the Federal Circuit, there was no dispute that Seagate's opinion counsel operated "separately and independently" of trial counsel at all times.

Seagate opted to rely on the advice-of-counsel defense to Convolve's willful infringement allegation. After Seagate notified Convolve of its intent to rely on the three opinion letters from opinion counsel, Seagate disclosed all of the opinion counsel's work product and made him available for deposition. Apparently determined to show that the opinions were not actually relied upon by Seagate, Convolve then moved to compel discovery of any communications and work product of Seagate's other counsel, including trial counsel, relating to the same subjects as the opinions of opinion counsel. The trial court concluded that:

- Seagate had waived the attorney-client privilege for all communications between it and any counsel, including its trial attorneys and in-house counsel, concerning the subjects of the opinion counsel's opinions;
- the waiver began when Seagate first gained knowledge of the patents and would last until the alleged infringement ceased; and
- Seagate had waived protection of work product communicated to Seagate.

The trial court accordingly ordered production of any requested documents and testimony concerning the subject matter of the opinions. The trial court provided for *in camera* review of documents relating to trial strategy, but said that any advice from trial counsel that undermined the reasonableness of Seagate relying on the opinions from opinion counsel would warrant disclosure to Convolve.

Convolve then sought production of trial counsel opinions relating to infringement, validity and enforceability of the patents, and also noticed depositions of Seagate's trial counsel. After the trial court denied Seagate's motion for a stay and certification of an interlocutory appeal, Seagate petitioned to the Federal Circuit for a writ of mandamus, a rarely used procedure to obtain judicial relief when no other means of attaining the relief is available.[7]

The Federal Circuit stayed the discovery orders, and "recognizing the functional relationship between [its] willfulness jurisprudence and the practical dilemmas faced in the areas of attorney-client privilege and work product protection," the Federal Circuit on its own initiative ordered *en banc* review of the mandamus petition. The *en banc* order set out three questions to be considered. The first two questions concerned the scope of waiver as applied to trial counsel. The third question asked whether the duty of care standard should be reconsidered.

III. The *Seagate* Holdings

A. The Standard for Willful Infringement

As noted above, the *Seagate* Court applied the Supreme Court's explanation of civil law "recklessness" in *Farmer v. Brennan* to formulate the two requirements to establish willful infringement: (1) clear and convincing evidence that the accused infringer acted despite "an objectively high likelihood that its actions constituted infringement of a valid patent"; and (2) the objectively-defined risk was either actually known, or so obvious it should have been known, to the accused infringer. As explained in *Farmer*, which was deliberating on the meaning of "deliberate indifference" in the context of the standard of care owed by prison officials to prisoners under

[7] The circumstances in which mandamus is appropriate are very limited. The Federal Circuit duly addressed all the legal requirements to confirm that mandamus was proper in this situation, including the Federal Circuit's decision to revisit its willfulness doctrine in the course of determining the proper scope of discovery. We do not discuss in this report the details of the Federal Circuit's analysis on this point.

the Eighth Amendment prohibition against cruel and unusual punishment, "[t]he 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." *Farmer* did not further elaborate on what constitutes an "unjustifiably high risk of harm," but cited as authority for the civil law definition a treatise, *Prosser and Keeton on Law of Torts*, §34, pp. 213-14 (5th ed. 1984); and the *Restatement (Second) of Torts*, §500 (1965).

Prosser and Keeton describes civil recklessness as applying to an actor who has intentionally done an act "of an unreasonable character in disregard of a known or obvious risk that was so great as to make it highly probable that harm would follow." The treatise further explains that an objective standard is applied and that a defendant has acted recklessly, whatever his state of mind, when the defendant 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. The treatise goes on to comment that the result is that "'willful,' 'wanton' and 'reckless' conduct tends to take on the aspect of highly unreasonable conduct, involving an extreme departure from ordinary care, in situations where a high degree of danger is apparent;" and that consequently there is often no clear distinction between such conduct and "gross" negligence, and the two have tended to merge and take on the same meaning—of an aggravated form of negligence, differing in quality rather than in degree from ordinary lack of care.

Section 500 of the *Restatement (Second) of Torts* cited in *Farmer* defines "reckless disregard of safety." The official definition provides in relevant part that "[t]he actor's conduct is in reckless disregard of the safety of another if he does an act … knowing or having reason to know of facts which would lead a reasonable man to realize, not only that his conduct creates an unreasonable risk of physical harm to another, but also that such risk is substantially greater than that which is necessary to make his conduct negligent." Comment (a) under the section further explains that recklessness may consist of either of two different types of conduct. In one of the types, the actor knows, or "has reason to know," as that term is defined in §12 of the same *Restatement*, of facts which create a "high" degree of risk of physical harm to another, and the actor deliberately proceeds to act in conscious disregard of, or indifference to, that risk. In the other type of conduct, the actor has knowledge, or reason to know, of such facts, but does not realize or appreciate the high degree of risk involved, although a reasonable man in his position would. An objective standard is applied to the actor, and he is held to the realization of the "aggravated" risk which a reasonable man in his place would have, even though the actor himself does not.

Comments (a) and (g) also distinguish the degree of risk required for recklessness from the degree of risk that suffices for negligence. In particular, recklessness involves doing an act that involves a degree or quantum of risk that is so markedly higher than the degree of risk necessary to make conduct negligent "as to amount substantially to a difference in kind."

The *Seagate* main opinion also cited one passage of the Supreme Court's very recent decision in *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. ___, 127 S. Ct. 2201 (2007), as supporting the Federal Circuit's formulation of the requirements for objective recklessness. *Safeco* addressed the meaning of willfulness in the context of compliance with the Fair Credit Reporting Act.

The *Seagate* main opinion relied upon *Safeco* only for the proposition that "It is [a] high risk of harm, objectively assessed, that is the essence of recklessness at common law." However, *Safeco* included a more extended discussion of the civil objective recklessness standard that emphasized the substantial difference between negligence and recklessness--the Court held that a company subject to a statute "does not act in reckless disregard of it unless the action is not only a violation under a reasonable reading of the statute's terms, but shows that the company ran the risk of violating the law substantially greater than the risk associated with a reading that was merely careless." Moreover, in analyzing the conduct at issue in the case, *Safeco* actually used an "objectively unreasonable" standard as a baseline. Indeed, the Court declined to pinpoint the negligence/recklessness line because the Court concluded that Safeco's reading of the statute, although wrong, was not objectively unreasonable, "and so falls well short of raising the 'unjustifiably high risk' of violating the statute necessary for reckless liability." 127 S.Ct. at 2215-16.[8]

[8] Judge Gajarsa embraced this standard, reading *Safeco* to require that a patentee must show, by clear and convincing evidence, that (1) the defendant's theory of noninfringement/invalidity was not only incorrect, but was objectively unreasonable, and (2) the defendant ran a risk of infringing the patent at issue substantially greater than the risk associated with a theory of noninfringment/invalidity that was merely careless. (Judge Gajarsa viewed his reading of *Safeco* as consistent with the main opinion's reading.)

Other than confirming that there is no affirmative obligation to obtain opinion of counsel, and the state of mind of the accused infringer is irrelevant to the objective inquiry, the *Seagate* main opinion provides no other direct explanation of how the two-part test for objective recklessness is to be applied. In particular, the Court elaborated neither on the "high likelihood" threshold, nor on what circumstances make a risk of infringing a valid patent that meets the objectively high likelihood standard either "known" or "so obvious it should have been known." Instead, the Court explicitly cautioned that it was leaving "to future cases to further develop the application of the standard," only tersely observing in a footnote that it expected that "the standards of commerce" as suggested by Judge Newman in her concurring opinion would be among the factors a court might consider.

The context in which Judge Newman referred to standards of commerce suggests that standards of commerce are most relevant to evaluating when a risk satisfying the threshold objective standard "was so obvious that it should have been known." Judge Newman agreed with the decision to overrule the affirmative duty of care standard only because she agreed that the standard has been misapplied in litigation as a *per se* rule that every possibly related patent must be exhaustively studied by expensive legal talent, lest infringement presumptively incur treble damages. In Judge Newman's view, the duty of care standard as applied by the courts thereby requires "more than the reasonable care that a responsible enterprise gives to the property of others."

Judge Newman defined somewhat more particularly the "standards of commerce" benchmark for the standard of behavior by which a possible infringer evaluates adverse patents as "the standards of fair commerce, including reasonableness of actions taken in the particular circumstances." In this connection, Judge Newman expressed the further concern that "[i]t cannot be the court's intention to tolerate the intentional disregard or destruction of the value of the property of another, simply because that property is a patent; yet the standard of 'recklessness' appears to ratify intentional disregard, and to reject objective standards requiring a reasonable respect for property rights." According to Judge Newman, "[t]he fundamental issue remains the reasonableness, or in turn the culpability, of commercial behavior that violates legally protected property rights."

Additional indirect guidance regarding the objective recklessness standard is also found in the main opinion's discussion of the reasons why waiver should not extend to trial counsel. In the course of that discussion, the Court observed that a patentee concerned about post-litigation continuing infringement that the patentee believes is reckless should seek a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. According to the Court, a patentee who does not move for a preliminary injunction to stop an accused infringer's post-filing activities should not be allowed to accrue enhanced damages based solely on the infringer's post-filing infringing conduct.

Conversely, if a patentee's attempt to obtain preliminary injunctive relief is unsuccessful for failure to show a substantial likelihood of prevailing on the merits, it is likely the accused infringer's conduct did not rise to the level of recklessness. In this regard, the Court acknowledged that an accused infringer can avoid a preliminary injunction by showing only a substantial question as to invalidity, as opposed to satisfying the higher clear and convincing standard required to prevail on the merits. The Court concluded, though, that this lessened showing simply accords with the requirement that recklessness must be shown to recover enhanced damages. Thus, the Court reasoned, 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.[9]

B. The Scope of Waiver If Advice of Counsel Is Asserted As a Defense to Alleged Willful Infringement

As noted above, *Seagate* also clarified that if an accused infringer does rely in a litigation on an opinion from opinion counsel, the attendant waiver of the attorney-client privilege and work product protection does not extend to trial counsel in the absence of extraordinary circumstances such as chicanery.

The reach of this pronouncement beyond the particular facts of the case remains to be seen. As noted above, Seagate's opinion counsel operated separately and independently of trial counsel at all times, and opinion

[9] The Court also recognized that a patentee can be denied a preliminary injunction despite establishing a likelihood of success on the merits, such as when the remaining factors are considered and balanced. In that situation, the Court observed that whether a wilfullness claim based on conduct occurring solely after litigation began is sustainable will depend on the facts of each case.

counsel and trial counsel were from different law firms. The Court also declined to address whether the waiver extends to a party's in-house counsel, since the questions for *en banc* review were limited only to trial counsel. The Court also observed that "the nature and role of in-house counsel in the litigation is entirely unclear" on the record before the Court.

In the course of its discussion of whether waiver should extend to trial counsel, the Court also noted in passing that because willful infringement primarily must be based upon prelitigation conduct, opinions from opinion counsel that are received after litigation has commenced "will likely be of little significance." The Court did not explain how this rationale applies to patents that issue and are immediately asserted after the original complaint is filed.

IV. Conclusions and Recommendations

A. Analysis

Some results of the *Seagate* decision are easier to predict than others. On the one hand, *Seagate* should finally close the curtains on an era that encouraged abusive litigation gamesmanship by patentees in which:

-- willful infringement was a boilerplate allegation in infringement complaints;

-- the only sure defense was an exhaustive opinion by outside patent counsel, obtained prior to the commencement of the alleged infringing conduct and the litigation;

-- the defense had to be asserted at the outset of the litigation; and

-- assertion of the defense created a waiver of attorney-client privilege and work product protection that precipitated boundless discovery demands by aggressive patentees for all formerly protected communications and work product materials related to the subject matter of the opinion, including a defendant's communications with its trial counsel during the course of the litigation.

Consequently, it can be expected that post-*Seagate*, responsible patentee litigants, faced with the objective basis pleading requirements of Fed. R. Civ. P. 11 and the strict requirements of the objective recklessness standard, will be able to legitimately plead willful infringement in fewer situations. Similarly, accused infringers who have an objectively reasonable defense on the merits should be able to more readily defeat a charge of willful infringement, and without the need to disclose a formal exculpatory opinion of counsel. Needless to say, the stronger an accused infringer's defense, the easier it will be for the accused infringer to remove the willfulness issue from the case.

Indeed, it is presently unclear under what circumstances reliance on a formal opinion of counsel would, as a practical matter, materially improve an accused infringer's chances of prevailing with regard to either prong of the objective recklessness determination.[10] *Seagate* reiterates that a formal opinion from opinion counsel is not required to prevail on the threshold objective standard inquiry. If an infringer loses on the threshold objective standard inquiry, the existence of the opinion arguably confirms that the infringer knew of the underlying facts giving rise to the risk, and it is doubtful that an opinion would be given much weight in determining whether the second prong of objective recklessness is satisfied—the objectively defined risk was so obvious it should have been known. Likewise, if the opinion is not sufficiently objectively persuasive to show that the threshold objective standard is not satisfied, it is questionable how the recipient could have relied in good faith on the advice. Thus, *Seagate* as a practical matter should also largely reduce concerns about waiving privilege and work product protection, and the need to retain separate opinion and trial counsel.

It is also a virtual certainty that the objective recklessness standard will evolve in future cases. What is more difficult to predict is how the standard will develop. The language that has been used in the common law to differentiate recklessness from negligence is nebulous, and even the Supreme Court has avoided trying to pinpoint a dividing line. In this regard, it is not clear why the *Seagate* main opinion did not embrace, as did Judge Gajarsa, *Safeco's* "objectively unreasonable" standard as a baseline. Although the main opinion indicates that the existence of a "substantial" question about validity or infringement that is sufficient to avoid a preliminary injunction likely also avoids a charge of willfulness, the Court did not establish the preliminary injunction standard as a baseline. That is, the Court did not establish the preliminary injunction standard as the negative inverse of the "objectively high likelihood" of liability required by the objective recklessness standard, under which there is an "objectively high likelihood" of liability unless the accused infringer can

[10] As noted by Judge Gajarsa, in *Safeco*, Safeco argued that good faith reliance on legal advice should render companies immune to willfulness charges. The Supreme Court did not foreclose this possibility, but declined to address the issue in light of its other holdings. 127 S.Ct. at 2216 n.20.

show the existence of a "substantial" question about validity or infringement.

Also unclear at this juncture are (1) what role "the standards of fair commerce, including the reasonableness of the actions taken in particular circumstances," will have; and (2) how the Court will respond if the more expansive view of §284 enhanced damages favored by Judges Gajarsa and Newman is squarely presented to the Court for resolution. (Under the expansive view of §284, enhanced damages are not merely punitive, but also can ensure that the patentee is fully compensated in particular situations with due regard for the degree of reasonableness/culpability of the infringer.)

B. Preliminary Suggestions

To paraphrase Alan Greenspan, former chairman of the U.S. Federal Reserve, be wary of the "irrational exuberance" some early *Seagate* commentators have exhibited. *Seagate* does not foreclose assertion of willful infringement, or otherwise obviate the need to seek advice of counsel regarding the patent rights of others.

Certainly, patentees will need to be more circumspect about pleading willful infringement in the wake of *Seagate,* given the obligation to avoid baseless allegations of willful infringement under the higher objective recklessness standard. Moreover, accused willful infringers should be able more readily to defend against willful infringement on the merits, often without disclosing opinions of counsel, and thus also without having to deal with the difficulties associated with waiver of privilege and work product protection.

Nonetheless, whatever ultimately becomes the baseline standard for avoiding willful infringement, prudent businesses remain well-advised to continue exercising reasonable care, including making informed assessments, based on advice of counsel as appropriate, about the legal risks presented by patents known to be relevant. If anything, the need for legal advice has increased in recent years as U.S. patent law has undergone profound transformations in many basic areas of the law, and old truths have been replaced with new truths (or the return of still older truths from the U.S. Supreme Court). Detailed written opinions that are competent and well written also continue to be valuable, both for the rigor of analysis they require and for the help they give a business in understanding and assessing the issues, particularly when the issues are complex and the potential liability exposure is great.

However, *Seagate* provides the opportunity for businesses to be more flexible regarding the form and scope of the patent legal advice that is obtained. For example, a business having employees experienced with the requirements for invalidity may reasonably decide that an elaborate formal opinion of outside counsel may not be required to confirm a self-evident anticipation. Instead, depending on the degree of its sophistication and the size of the potential liability, a business may reasonably opt to rely on counsel to evaluate only selected complex legal and factual issues. At the end of the day, what ultimately should matter for an accused infringer is whether it can defend its actions as being objectively reasonable.

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