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**COMMENT: CONSIDERING THE RISK OF WILLFUL
PATENT INFRINGEMENT: GUIDANCE FOR THE SMALL
ENTITY**

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INTRODUCTION

Just before funding is completely depleted, after years of research and development, contracts for your newly finished product are coming in faster than you can handle. You have offered the market an improvement on the current standard. Competitors are not happy, but you checked out their patents during product development, and you do not think there should be any problems. Just as things fall into place, you get a letter demanding that you cease operations that allegedly

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violate a competitor's patent.

This is the worst-case scenario for the small entity. A cash-strapped startup has barely enough money to get their product to market, let alone, money for thorough assessments of the risks of patent infringement. Direct copying of a patent is not the only basis for patent infringement liability. Patent infringement is a strict liability tort and does not even require knowledge of another's patent. Unknowingly infringing another patent with a sufficiently similar product can lead to major problems.

Every business must evaluate the risks and costs associated with its actions. With respect to intellectual property, the cost of protecting a right must be weighed against the anticipated value of doing so. Likewise, the risk of liability for violating another's intellectual property right must be weighed against the cost of reducing such a risk. In particular, the risk of infringing another's patent is an important consideration for any business dealing with technology.

For any business, it is impossible to eliminate the risk of patent infringement entirely. In particular, for the small business, startup, or independent inventor, the high costs of thoroughly monitoring intellectual property rights can be very difficult to bear and in many cases be a poor allocation of limited resources. Therefore, it is critical that small entities devote resources toward preventing infringement in a cost-effective way through a strategy that balances the risk of liability against the associated costs.

While patent infringement is a strict liability tort, there is a wrinkle to assessing the potential risk of infringement liability. Under statutory authority, the damages for patent infringement can be increased up to three times for "willful infringement."¹ While in some cases the risk of patent infringement may be acceptable, the risk of willful infringement should be mitigated as much as possible. The small entity with few resources to devote to monitoring intellectual property needs to understand how, at the very least, to avoid "willful infringement." In 2007, the standard for willful infringement that was applied for twenty-four years was changed. This comment will highlight relevant changes the new standard has brought for the small entity and will offer observations on how a small entity can avoid willful infringement.

I. "WILLFUL INFRINGEMENT" STANDARD BEFORE *SEAGATE*

From 1983 to 2007, the standard of *Underwater Devices Inc. v. Morrison-Knudsen Co.* ("Underwater Devices") was used in assessing

¹ See *infra* notes 4–7 and accompanying text.

willful infringement.² In *Underwater Devices*, the accused infringer, Morrison-Knudsen (“M-K”) was awarded a contract to lay a significant amount of pipe underwater.³ The patentee, Underwater Devices, informed the accused infringer that the apparatus they were going to use to lay the pipe would infringe their patent.⁴ Underwater Devices offered M-K a licensing deal to use the allegedly infringing technology.⁵ Based on a preliminary opinion of M-K’s in-house attorney that the patent was invalid, M-K refused to license the technology from Underwater Devices.⁶ M-K proceeded with the allegedly infringing contract work and did not obtain an opinion from patent counsel until after they were sued by Underwater Devices for patent infringement.⁷

At trial, the jury found that M-K had willfully infringed the Underwater Devices patent. Damages were assessed at \$200,000 and trebled to \$600,000.⁸ The Federal Circuit considered the award and set forth the standard for willful infringement:

Where, as here, a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.⁹

Under this standard, the Federal Circuit concluded that M-K failed to exercise its affirmative duty to exercise due care and upheld the District Court’s finding of willful infringement and award of treble damages.¹⁰ In this decision, the court gave a lot of weight to the fact that M-K did not obtain advice from patent counsel until after it commenced its infringing activities. M-K tried to argue that it had relied on the opinion of its in-house attorney that the Underwater Devices patent was invalid.¹¹ The Federal Circuit rejected this

² *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983), *overruled by In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

³ *Id.* at 1384.

⁴ *Id.*

⁵ *Id.* at 1384–85.

⁶ *Id.* at 1385.

⁷ *Id.*

⁸ *Id.* at 1386.

⁹ *Id.* at 1389–90.

¹⁰ *Id.* at 1390.

¹¹ *Id.*

argument, reasoning that M-K knew or should have known that the opinion of an in-house attorney is not the type of competent legal advice upon which a company could justifiably have relied.¹² The court further reasoned that even if M-K was justified in believing that its in-house counsel, who was not a patent attorney, was capable of rendering an independent and competent opinion, counsel did not take the steps normally considered to be necessary and proper in preparing an opinion.¹³

Underwater Devices demonstrates the Federal Circuit's effort at the time to protect the rights of patentees and discourage patent infringement. The decision came "at a time when widespread disregard of patent rights was undermining the national innovation incentive."¹⁴ The willful infringement standard of *Underwater Devices* focused on the infringer's subjective state of mind and was intended to increase respect for patentee's rights by punishing infringers who disregarded the rights of a patentee.¹⁵

After *Underwater Devices*, a number of factors emerged to assess the willfulness of the defendant's infringement. The first three factors adopted, the *Bott* factors, included:

- (1) whether the infringer deliberately copied the ideas or design of another;
- (2) whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed, and
- (3) the infringer's behavior as a party to the litigation.¹⁶

The *Read* court adopted this list and added: (4) the "[d]efendant's size and financial condition," (5) the "[c]loseness of the case," (6) the "[d]uration of defendant's misconduct," (7) the "[r]emedial action by the defendant," (8) the "[d]efendant's motivation for harm," and (9) "[w]hether defendant attempted to conceal its misconduct."¹⁷ The subjective assessment based on these factors was in addition to the affirmative duty to avoid patent infringement upon actual notice of another's patent. Thus, if the patentee could prove that the defendant had actual notice of the patent before infringing, a burden was in effect shifted to the defendant to prove that it exercised due care to determine

¹² *Id.*

¹³ *Id.*

¹⁴ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004).

¹⁵ *See, e.g., Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992).

¹⁶ *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986).

¹⁷ *Read*, 970 F.2d at 827.

whether or not it was infringing.¹⁸

I. *SEAGATE* AND THE “OBJECTIVE RECKLESSNESS” STANDARD

Under the *Underwater Devices* affirmative duty doctrine, a favorable opinion of counsel became an important shield to claims of willful infringement. However, asserting such a defense required a waiver of the attorney-client privilege. This led to a number of problems with respect to the scope of the required waiver of the attorney-client privilege. In 2006, the Federal Circuit held that “when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter.”¹⁹ The Federal Circuit, however, did not address whether the waiver relating to opinion counsel extended to communications with trial counsel. This was the main issue of the Federal Circuit’s en banc decision in *In re Seagate Tech., LLC* (“*Seagate*”).²⁰

In *Seagate*, Convole, Inc. and the Massachusetts Institute of Technology sued Seagate for infringement of three patents relating to computer disk drive technology.²¹ Before being sued, Seagate retained a patent attorney solely for the purpose of obtaining opinions on the patents at issue.²² After being sued, Seagate informed Convole that it intended to rely on the opinions of its patent counsel for defending against Convole’s claim of willful infringement.²³ Seagate waived the attorney-client privilege with respect to all communications with its patent counsel.²⁴ In response, Convole sought to compel discovery of all communications and work product of Seagate’s other counsel, including its trial counsel.²⁵ Seagate, after denial by the trial court of a stay and certification of an interlocutory appeal, filed a writ of mandamus to the Federal Circuit.²⁶ The Federal Circuit stayed the discovery orders and agreed to review Seagate’s petition.²⁷

On review, the Federal Circuit went beyond the issue of the scope of the attorney-client privilege waiver. The Federal Circuit also took up the question of whether the *Underwater Devices* standard itself

¹⁸ *Underwater Devices*, 717 F.2d at 1389–90.

¹⁹ *In re EchoStar Commc’ns Corp.*, 448 F.3d 1294, 1301 (Fed. Cir. 2006).

²⁰ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1367 (Fed. Cir. 2007).

²¹ *Id.* at 1366.

²² *Id.*

²³ *Id.*

²⁴ *Id.* at 1366–67.

²⁵ *Id.* at 1367.

²⁶ *Id.*

²⁷ *Id.*

should be reconsidered.²⁸ Even though the issue of actual infringement had yet to be decided, the Federal Circuit stated that the “proper legal standard for willful infringement informs the relevance of evidence relating to . . . the proper scope of discovery.”²⁹

In reconsidering the proper standard for willful infringement, the Federal Circuit unambiguously declared the affirmative duty doctrine of *Underwater Devices* overruled.³⁰ The court rejected the *Underwater Devices* standard as misaligned with the meaning of the word “willful” in other legal contexts. The court reasoned that “willful,” as used in awarding enhanced damages for copyright infringement “has consistently been defined as including reckless behavior.”³¹ The court was also persuaded by a then recently decided case where the Supreme Court, in considering the standard for imposing punitive damages under the Fair Credit Reporting Act, found that “the ‘standard civil usage’ of ‘willful’ includes reckless behavior.”³² The court compared these interpretations of the word willful with its use under the standard of *Underwater Devices* and held that *Underwater Devices* “sets a lower threshold for willful infringement that is more akin to negligence,” and thus “fails to comport with the general understanding of willfulness in the civil context.”³³

To align the standard for willful infringement with the word’s general usage in the civil context, the Federal Circuit held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”³⁴ This is the threshold prong of *Seagate*. Under this threshold prong, 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.”³⁵ This first prong is an entirely objective inquiry made without regard to the accused infringer’s state of mind. If the “threshold objective standard 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.”³⁶

²⁸ *Id.*

²⁹ *Id.* at 1371–72.

³⁰ *Id.* at 1365.

³¹ *Id.* at 1370.

³² *Id.* at 1370–71.

³³ *Id.* at 1371.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

II. THE IMPLICATIONS OF *SEAGATE* ON THE BUSINESS BEHAVIOR OF THE SMALL ENTITY

The Federal Circuit in *Seagate* explicitly left it “to future cases to further develop the application of [the] standard.”³⁷ In the time since being decided, the subsequent application of *Seagate* has revealed important changes in the willful infringement doctrine. These changes should be considered by the small entity in developing a strategy with respect to avoiding patent infringement. The remainder of this comment will highlight emerging trends in the application of *Seagate* that have a direct impact on how the small entity can mitigate the risk of willful infringement.

A. Size and financial condition of the infringer has diminished importance for assessing willful infringement under the “objective recklessness” test of *Seagate*.

Before *Seagate*, the infringer’s size and financial condition was one of nine factors considered when assessing willful infringement.³⁸ Since the standard of *Underwater Devices* focused on the state of mind of the infringer, the relative size, financial condition, or sophistication of the infringer was factored into evaluating whether the infringer acted with culpable intent.³⁹ Thus, larger entities were expected to take more thorough precautions to avoid willful infringement than smaller entities with fewer resources to do so.⁴⁰ While it is still unclear exactly what factors are to be considered in determining “that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent,” it appears that the infringer’s size and financial condition has diminished in importance under the predominately objective test of *Seagate*.⁴¹

The first indication that size and financial condition are less important under *Seagate* is the diminished persuasiveness of the *Read* factors in the willful infringement analysis. After *Seagate*, district courts split on whether the *Bott* and *Read* factors, including the infringer’s size and financial condition, were still relevant in assessing willful infringement.⁴² While some of the nine *Read* factors may be

³⁷ *Id.*

³⁸ See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

³⁹ See, e.g., *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1371 (Fed. Cir. 2004).

⁴⁰ *Id.* (“In addition to the second *Read* factor, the record also reflects that LabCorp is a large company with extensive financial means, i.e., *Read* factor four.”).

⁴¹ *In re Seagate*, 497 F.3d at 1371.

⁴² *Depomed, Inc. v. Ivax Corp.*, 532 F. Supp. 2d 1170, 1177 (N.D. Cal. 2007) (“It is unsettled whether the Federal Circuit’s prior ‘totality of the circumstances’ test

emerging as central to the threshold objective recklessness standard of *Seagate*, many of them should be rejected for their focus on the subjective state of mind of the infringer.

The Federal Circuit has recently addressed the continued relevance of the *Read* factors stating that the “test for willfulness is distinct and separate from the factors guiding a district court’s discretion regarding enhanced damages.”⁴³ Thus, it seems that the *Seagate* test is “distinct and separate” from the *Read* factors.⁴⁴ Thus, the *Read* factors should only be considered after a finding of willful infringement by the district court in deciding by how much to enhance damages.

At this point, it is abundantly clear that the Federal Circuit abandoned the subjective test of *Underwater Devices* for the more objective test of *Seagate*. The question that remains is whether an objective standard can appropriately consider the size and financial condition of an infringer. In *Seagate*, the Federal Circuit avoided setting forth guidance for application of the standard. However, the Federal Circuit agreed with the concurring opinion that standards of commerce would be relevant to the objective recklessness standard of *Seagate*.⁴⁵ Arguably, an assessment of the relevant standards of commerce should involve considerations of the infringer’s size and financial condition. That is, what is commercially reasonable for a large company may not be considered reasonable for a small entity. Nevertheless, the Federal Circuit’s suggestion in *Seagate* is only dicta. Cases since *Seagate* suggest that the objective prong of the willfulness inquiry is almost purely objective with little consideration given to the size and financial condition of the infringer.⁴⁶ Perhaps size and financial condition should be given weight under the subjective prong of *Seagate*. However, most claims of willful infringement are disposed of based on the first, objective prong.⁴⁷ It is important to note, however, that while size and financial condition will not be considered under the objective inquiry of *Seagate*, it will be considered by the court in assessing the appropriate amount of

is now abrogated, or whether the factors identified in [*Read*] remain relevant to the willfulness [sic] inquiry.”).

⁴³ *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010); *Spectralytics, Inc. v. Cordis Corp.*, No. 2009-1564, 2011 WL 2307402, at *1348 (Fed. Cir. June 13, 2011) (citation omitted).

⁴⁴ *i4i Ltd. P’ship*, 598 F.3d at 859.

⁴⁵ *In re Seagate*, 497 F.3d 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.”).

⁴⁶ See, e.g., *infra* notes 70–85 and accompanying text.

⁴⁷ See, e.g., Justin P. Huddleson, Note, *Objectively Reckless: A Semi-Empirical Evaluation of In Re Seagate*, 15 B.U.J. SCI. & TECH. L. 102, 119 (2009).

enhanced damages after a finding of willful infringement.⁴⁸ Greater size and financial strength will be weighed in favor of enhancing damages.⁴⁹

B. Small entities should use cost-effective efforts to monitor and assess the likelihood of willful infringement.

Before *Seagate*, the risk of enhanced damages was increased significantly upon an accused infringer's actual notice of another's patent.⁵⁰ Actual notice of another's patent triggered a duty to investigate potential infringement or the validity of the patent discovered.⁵¹ This affirmative duty standard of *Underwater Devices* may have created a strong disincentive for small entities to search for non-expired patents related to their field of invention.⁵² By discovering a problematic patent, a small entity could potentially trigger a duty to take precautions they could not afford, or risk enhanced damages later on. Such a result is contrary to the purposes of the patent system, which aims to encourage the exchange of new ideas and knowledge.⁵³

In *Seagate*, the Federal Circuit unequivocally abolished the affirmative duty doctrine.⁵⁴ As a result, *Seagate* has eliminated a major disincentive to search for issued patents related to an inventor's field of work. Actual knowledge of another's patent will only be considered if a court finds an objectively high likelihood that the infringer's actions constituted infringement.⁵⁵ Further, actual knowledge is not required to satisfy the second prong of *Seagate* where the objectively high risk of infringement found under the first prong was "so obvious that it should have been known to the accused infringer." Although a few cases have considered a lack of actual knowledge of the patent at issue in finding no willful infringement,⁵⁶ it

⁴⁸ *Energy Transp. Grp., Inc. v. Sonic Innovations, Inc.*, CA No. 05-422 (GMS), 2011 WL 2222066, at *16 (D. Del. June 7, 2011) (considering the infringer's size in deciding the amount of damages).

⁴⁹ *See, e.g., K-TEC v. Vita-Mix*, 765 F.Supp.2d 1304, 1313–15 (D. Utah Jan. 26, 2011).

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

⁵¹ *Id.*

⁵² Timothy R. Holbrook, *Possession in Patent Law*, 59 SMU L. REV. 123, 142 (2006) ("Given the risk of enhanced damages, a competitor has a significant incentive not to review patents at all").

⁵³ *Id.* at 143 ("The willfulness doctrine, therefore, creates a huge barrier to the effective operation of the patent system's disclosure function.").

⁵⁴ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1365 (Fed. Cir. 2007).

⁵⁵ *Id.* at 1371.

⁵⁶ *Netscape Commc'ns Corp. v. Valueclick, Inc.*, 684 F.Supp.2d 699, 728 (E.D.

is mostly unsettled what circumstances will suffice for a showing that the objectively high risk found under the first prong was “so obvious that it should have been known to the accused infringer.”⁵⁷ This is because most accused infringers under the *Seagate* standard have successfully defended against willful infringement under the objective prong.⁵⁸ Thus, a defense to willful infringement based on a lack of knowledge is mostly untested and uncertain to succeed.

Overall, the value of discovering problematic patents early on far outweighs any possible benefit of avoiding actual notice. For reasons beyond the threat of enhanced damages, knowledge and awareness of potentially problematic patents is valuable to a small entity. Early notice of a problematic patent can make remedial measures less costly than they may be later on.⁵⁹ Additionally, as one of the purposes of the patent system, issued patents can be a valuable resource for information and ideas. Even searching for expired patents can be a valuable practice. If the technology at issue is covered by an expired patent, this is a good indicator that the technology is now in the public domain and can be used freely.

As discussed in the remainder of this section, small entities with limited resources should take an active approach to monitoring patents, even without the help of a specialized patent attorney. Unlike under the standard of *Underwater Devices*, such a strategy will not necessarily expose the entity to an increased risk of willful damages. On the contrary, actions taken to monitor and assess the potential for infringement will serve as favorable considerations for an accused infringer defending against a claim of willful infringement.

1. Infringement under the doctrine of equivalents is unlikely to support a finding of willful infringement.

For any size entity, searching for problematic patents that may give rise to infringement liability is complicated by the possibility of infringement under a more abstract theory of liability, the doctrine of

Va. 2010) (finding no willful infringement based on infringer’s lack of pre-suit knowledge of the asserted patent); Sw. eFuel Network, L.L.C. v. Transaction Tracking Techs., Inc., No. 2:07-cv-311-TJW, 2010 WL 963697, at *3 (E.D. Tex. 2010) (granting JMOL of no willful infringement based on lack of evidence that that the accused infringer knew of the patent).

⁵⁷ Randy R. Micheletti, *Willful Patent Infringement After In Re Seagate: Just What Is “Objectively Reckless” Infringement?*, 84 CHI.-KENT L. REV. 975, 994 (2010) (“ . . . patterns of judicial treatment of the secondary question are preliminary at best”).

⁵⁸ *Id.*

⁵⁹ See, e.g. Tamsen Valoir, *Look Before You Leap: Investing in a Freedom-to-Operate Patent Review*, EXECUTIVE LEGAL ADVISOR, Jan. 2005, at 20.

equivalents. Under the doctrine of equivalents, the scope of a patent is extended beyond its literal term to all equivalents of the claims described.⁶⁰ Thus, evaluating whether something infringes under the doctrine of equivalents requires an intensely factual inquiry of whether the difference between the element and the patent's claim limitation are insubstantial to one of ordinary skill in the art.⁶¹ Even before *Seagate*, the fact that liability for infringement was based on the doctrine of equivalents weighed against a finding of willful infringement.⁶² However, this fact did not always preclude a finding of willful infringement before *Seagate*.⁶³ After *Seagate*, it appears that liability under the doctrine of equivalents will contribute even more weight against a finding of willful infringement.

The Federal Circuit has addressed the issue of whether willful infringement can be found when the underlying theory of liability is based on the doctrine of equivalents. In a case where infringement depended on whether the accused infringer's conically shaped feature infringed the patentee's "spherically-shaped" limitation, liability was found by the jury only under the doctrine of equivalents.⁶⁴ After this finding, the District Court granted JMOL of no willfulness.⁶⁵ In affirming the decision of no willfulness, the Federal Circuit gave significant weight to the fact that infringement was found under the doctrine of equivalents.⁶⁶ The Federal Circuit reasoned that the issue of infringement by equivalents involved a question of whether a spherical feature was interchangeable with a conical feature, an "intensely factual inquiry."⁶⁷ Furthermore, the Federal Circuit noted that even interchangeability was not dispositive on the issue of infringement under the doctrine of equivalents.⁶⁸ Thus, the Federal Circuit reasoned that it was clear that "the jury could have reasonably found for either party on the question of equivalence."⁶⁹ As a result,

⁶⁰ *E.g.*, 60 AM. JUR. 2d *Patents* § 787 (2003).

⁶¹ *Cortland Line Co. v. Orvis Co.*, 203 F.3d 1351, 1359 (Fed. Cir. 2000).

⁶² *WMS Gaming, Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999) (“[I]t is not a rule of law that infringement that is not literal can never be sufficiently culpable to warrant enhanced damages . . .”).

⁶³ *See, e.g.*, *Hoechst Celanese Corp. v. BP Chemicals Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996).

⁶⁴ *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 534 F. Supp. 2d 224, 225 (D. Mass. 2008).

⁶⁵ *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1335 (Fed. Cir. 2009).

⁶⁶ *Id.* at 1336–37.

⁶⁷ *Id.* at 1337 (citing *Vehicular Tech. Corp. v. Titan Wheel Int'l, Inc.*, 212 F.3d 1377, 1381 (Fed. Cir. 2000)).

⁶⁸ *Id.* at 1336–37.

⁶⁹ *Id.* at 1337.

the Federal Circuit held that “an objectively high likelihood of infringement could not have been found under *Seagate’s* first prong.”⁷⁰

Similarly, the Federal Circuit upheld a denial of enhanced damages by the Northern District of California where the jury found willful infringement based on infringement under the doctrine of equivalents.⁷¹ The Federal Circuit noted the fact that infringement “is found under the doctrine of equivalents, rather than literal infringement . . . may be weighed as part of the analysis” in determining whether, and by how much, to enhance damages.⁷²

For the small entity, it can be difficult enough to search for and analyze patents that may give rise to literal infringement. Assessing the potential for infringement under the doctrine of equivalents is much more difficult and unpredictable. However, for the sake of avoiding willful infringement, cases since *Seagate* indicate that less predictable theories of infringement liability, like the doctrine of equivalents, are unlikely to support an appurtenant finding of willful infringement.

2. “Close cases” of infringement will not support a finding of willful infringement.

Before *Seagate*, the strength of the infringer’s argument for invalidity or non-infringement, referred to as the “[c]loseness of the case,” was one of nine factors considered when assessing the willfulness of the infringer’s actions.⁷³ After *Seagate*, closeness of the case is emerging as perhaps the most persuasive factor in the willful infringement analysis. The importance of this factor demonstrates the significant shift from a subjective test to a predominately objective test under *Seagate*. As discussed in this section, this shift makes strategies for avoiding willful infringement more achievable by small entities.

In the *Seagate* opinion itself, the Federal Circuit indirectly indicated that the “objective recklessness” standard should be considered in light of the strength of the patentee’s infringement case.⁷⁴ In discussing willful infringement based on post-complaint acts of the accused infringer, the Federal Circuit noted that “if a patentee attempts to secure injunctive relief but fails, it is likely the

⁷⁰ *Id.*

⁷¹ *Funai Elec. Co., v. Daewoo Electronics Corp.*, 616 F.3d 1357, 1376–77 (Fed. Cir. 2010).

⁷² *Id.*

⁷³ See *supra* note 14 and accompanying text.

⁷⁴ *In re Seagate Tech. LLC*, 497 F.3d 1360, 1374 (Fed. Cir. 2007).

infringement did not rise to the level of recklessness.”⁷⁵ Thus, 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.⁷⁶

The increased persuasiveness of the closeness of the case was demonstrated shortly after *Seagate*. After a finding of willful infringement in the Northern District of California based on the old *Underwater Devices* standard, the court awarded enhanced damages.⁷⁷ Considering the new *Seagate* standard in a JMOL motion by the Defendant, the court vacated its earlier assessment of enhanced damages in light of the new *Seagate* standard.⁷⁸ The court reasoned that “[c]onsidering the totality of the circumstances in light of *Seagate*, which significantly raised the bar for a finding of willfulness, the Court now declines to award any enhancement in this case.”⁷⁹ The court noted that “one of the primary Read factors weighing against a substantial enhancement was the closeness of the case.”⁸⁰ Thus, the District Court found that “[u]nder the *Seagate* standard, the issue of willfulness becomes even closer” and that “had the *Seagate* standard been used in this case, Plaintiff might well have lost on willfulness.”⁸¹ Without an opinion, the Federal Circuit affirmed the District Court’s decision to vacate its earlier finding of enhanced damages.⁸²

Later on, the Federal Circuit directly suggested that a close case of infringement will indicate an objectively low likelihood that the infringer’s actions constituted infringement, thus defeating the threshold objective prong of *Seagate*.⁸³ In a case where liability depended on the interpretation of the word “rigid,” the Federal Circuit reasoned that “[b]ecause “rigid” was susceptible to a reasonable construction under which [Defendant’s] products did not infringe, there was not an objectively high likelihood that [Defendant’s] actions constituted infringement.”⁸⁴ Based on this “sufficiently close question” with respect to claim construction, the Federal Circuit affirmed the District Court’s finding of no willfulness under the

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 527 F. Supp. 2d 1076, 1083 (N.D. Cal. 2007)

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 299 F. App’x. 965 (Fed. Cir. 2008).

⁸³ See *infra* notes 84–94 and accompanying text.

⁸⁴ *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008).

objective prong of *Seagate*.⁸⁵ The Federal Circuit has applied this same reasoning again more recently, stating that “[i]f the accused infringer’s position is susceptible to a reasonable conclusion of no infringement, the first prong of *Seagate* cannot be met.”⁸⁶

The weight that the Federal Circuit gives to the closeness of the case has been heeded by district courts. In a case where different conclusions on infringement were reached on appeal, the Western District of Wisconsin refused to consider evidence of willful infringement, reasoning that “[t]here can be no ‘objectively high likelihood’ when a question of infringement or invalidity involves reasonable differences of opinion or close questions, as the [Federal Circuit] has made clear in recent cases.”⁸⁷ The Eastern District of Texas awarded a JMOL of no willful infringement based on the fact that the issue of infringement was “hotly contested, close, and required an intensive factual inquiry.”⁸⁸ In this case, the court considered the Defendants’ claim construction arguments, which, if adopted, would have precluded a finding of infringement as a matter of law because there was not an objectively high likelihood that the Defendants’ actions constituted infringement of a valid patent.⁸⁹

The Northern District of Illinois, in considering the closeness of the case in a willful infringement claim, reasoned that “a showing of objective reasonableness (which negates the existence of recklessness) does not require that the would-be infringer know conclusively, i.e.-with one hundred percent certainty, that his actions are legitimate. Instead, the infringer need only show there was a reasonable basis for him to believe his actions were legitimate.”⁹⁰ District courts will also consider closeness of the case when exercising their discretion to set the amount of enhanced damages.⁹¹ In doing this, district courts may uphold findings of willful infringement but refuse to enhance damages based on closeness of the case.⁹²

⁸⁵ *Id.*

⁸⁶ *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1310 (Fed. Cir. 2011).

⁸⁷ *Ricoh Co., Ltd. v. Quanta Computer Inc.*, 06-CV-462-BBC, 2009 WL 3925453, at *1 (W.D. Wis. Nov. 18, 2009).

⁸⁸ *Saffran v. Johnson & Johnson*, No. 2:07-CV-451 (TJW), 2011 WL 1299607, at *9 (E.D. Tex. Mar. 31, 2011).

⁸⁹ *Id.* at *8.

⁹⁰ *Abbott Labs. v. Sandoz, Inc.*, 532 F. Supp. 2d 996, 999–1000 (N.D. Ill. 2007).

⁹¹ *Hako-Med USA, Inc. v. Axiom Worldwide, Inc.*, No. 8:06-CV-1790-T-33AEP, 2009 WL 3064800, at *6–10 (M.D. Fla. 2009) (refusing to enhance damages despite a finding of willful infringement based on the closeness of the case); *see Mass Engineered Design, Inc. v. Ergotron, Inc.*, 633 F.Supp.2d 361, 390–91 (E.D. Tex. 2009) (refusing to award enhanced damages based on closeness of the case).

⁹² *Hako-Med USA*, 2009 WL 3064800, at *6–10 (refusing to enhance damages

As put by the Federal Circuit, “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.”⁹³ Overall, district courts, with the approval of the Federal Circuit, rely heavily on the closeness of the case in assessing the objective prong of *Seagate*.⁹⁴ This is an important consideration for the small entity considering the existence of related patents in their field of work. More simply, the significant weight given to the closeness of the case demonstrates that the Federal Circuit’s intent in *Seagate* to raise the standard for willful damages is being given effect. Thus, it is clear that in many cases the threat of enhanced damages has diminished. Furthermore, since willful infringement is unlikely in close cases where the likelihood of infringement is difficult to predict, the small entity can more easily monitor the threat of enhanced damages.

The significant weight given to the closeness of the case also demonstrates how *Seagate* has changed the relevant time period for assessing willful damages. While the standard of *Underwater Devices* was concerned primarily with the state of the infringer’s mind at the time of infringement, assessing the closeness of the case is done after the fact with the benefit of hindsight. This emphasizes the value of early notice of a problematic patent.

3. *Cost effective measures to avoid infringement, including opinions from non-specialized attorneys and non-attorney technical employees, will contribute toward a finding of no objective recklessness.*

Under the affirmative duty doctrine of *Underwater Devices*, an infringer’s duty to “exercise due care to determine whether or not he [was] infringing”⁹⁵ included “the duty to seek and obtain competent legal advice from counsel before the initiation of any possible

despite a finding of willful infringement based on the closeness of the case); see *Mass Engineered Design*, 633 F.Supp.2d at 390–91 (refusing to award enhanced damages based on closeness of the case).

⁹³ *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, 260 F. App'x. 284, 291 (Fed. Cir. 2008).

⁹⁴ *E.g.*, *Solvay, S.A. v. Honeywell Specialty Materials LLC*, CIV. 06-557-SLR, 2011 WL 3792394, at *7 (D. Del. Aug. 26, 2011) (granting summary judgment of no willfulness where defendant presented a credible invalidity defense thus “precluding a finding of objective recklessness.”) (citing *Black & Decker*, 260 Fed. Appx. at 291).

⁹⁵ *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983), *overruled by In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

infringing activity.”⁹⁶ The standard for “competent legal advice from counsel” was essentially a formal opinion from patent counsel.⁹⁷ In *Seagate*, the Federal Circuit unequivocally eliminated the affirmative duty of due care. As a result, the *Seagate* court held that “no affirmative obligation to obtain opinion of counsel” exists.⁹⁸ The courts seem to be giving effect to the abandonment of the affirmative duty of due care and negligence-like standard of *Underwater Devices*. However, it is equally clear that a favorable opinion of counsel can be considered “as to whether the infringer knew or should have known that its actions would cause another to directly infringe.”⁹⁹

After *Seagate*, courts have given favorable weight to efforts by accused infringers to avoid patent infringement through informal measures. In a case involving terrain warning systems and displays, the District of Delaware considered the accused infringers efforts to avoid infringement under the *Seagate* standard.¹⁰⁰ Before going to market with its product, the defendant conducted a patent review, which included technical and legal analysis of numerous patents including the plaintiff’s patent.¹⁰¹ The patent review, involving outside patent counsel, did not identify any infringement.¹⁰² Nonetheless, the District of Delaware held that “performing a patent review before entering the market with a new device evidences that [Defendant’s] conduct was not reckless.”¹⁰³ While the court also mentioned that a pre-litigation patent review, which included the patentee’s patent “may be more relevant to the second prong of the *Seagate* test” the court reasoned that conducting the review precluded a finding of recklessness and thus the second prong was irrelevant.¹⁰⁴ The court further stated, “knowledge of a patent does not mean willfulness.”¹⁰⁵

Similar rationales were used by the Southern District of California in granting summary judgment of no willful infringement based on an investigation by the accused infringer’s technical personnel into the

⁹⁶ *Id.* at 1390.

⁹⁷ *Id.* (holding that an opinion from an in-house counsel, who did not take the steps normally considered to be necessary and proper in preparing an opinion, did not satisfy the accused infringer’s affirmative duty).

⁹⁸ *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

⁹⁹ *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008).

¹⁰⁰ *Honeywell Int’l Inc. v. Universal Avionics Sys. Corp.*, 585 F. Supp. 2d 636, 641 (D. Del. 2008).

¹⁰¹ *Id.* at 639.

¹⁰² *Id.*

¹⁰³ *Id.* at 644.

¹⁰⁴ *Id.* at 643–44.

¹⁰⁵ *Id.* at 644.

patent at issue, which did not include an opinion of counsel.¹⁰⁶ The accused infringer, upon receiving notice that it was thought to be infringing, concluded that it was not infringing based on the opinion of its technical staff.¹⁰⁷ The patentee argued that the infringer's technical investigation into the patent at issue was inadequate.¹⁰⁸ The court, however, held that the review conducted by individuals familiar with the technology at issue was sufficient to defeat a finding of an objectively high likelihood of infringement.¹⁰⁹

In another case, the Southern District of California, considering whether the defendant's lack of an opinion of counsel could be considered by the jury, held that the lack of an opinion alone was not sufficient to satisfy the subjective prong of the *Seagate* analysis.¹¹⁰ Thus, the District Court held that since the affirmative duty to investigate was abolished in *Seagate*, the opinion of two engineers that there was "nothing new" in the patent at issue was enough to defeat a claim of willful infringement under *Seagate*.¹¹¹

Overall, cases since *Seagate*, like those discussed in this subsection, indicate a much lower standard for relying on an opinion of counsel to defeat the plaintiff's burden of proving an objectively high likelihood that the infringer's actions constituted infringement. While informal opinions of technical staff have proved effective in defending against willful infringement,¹¹² they can also be a double-edged sword as evidence that the infringer had notice of the patent. Some courts, and more importantly juries, may be reluctant to move beyond the negligence-like affirmative duty doctrine. For example, the Eastern District of Texas refused to grant JMOL of no willfulness in a case where engineers conducted analysis of the allegedly infringing products and decided they did not infringe.¹¹³ The court reasoned that the "jury was free to disbelieve the occurrence, accuracy, and reasonableness of this investigation."¹¹⁴ Similarly, in a case where the infringer offered evidence that its vice-president and engineer believed in good faith that they avoided the patent at issue, the court

¹⁰⁶ DR Sys. Inc. v. Eastman Kodak Co., No. 08-CV-669-H (BLM), 2009 WL 3756765, at *12 (S.D. Cal. Nov. 9, 2009).

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ Presidio Components Inc. v. Am. Technical Ceramics Corp., 723 F. Supp. 2d 1284, 1323 (S.D. Cal. 2010).

¹¹¹ *Id.*

¹¹² See *supra* notes 91–102 and accompanying text.

¹¹³ Mass Engineered Design, Inc. v. Ergotron, Inc., 633 F. Supp. 2d 361, 379 (E.D. Tex. 2009).

¹¹⁴ *Id.*

noted its lack of training in patent law in denying a JMOL of no willful infringement.¹¹⁵

The effectiveness of a non-expert opinion should be considered in light of other factors indicating an objectively low likelihood that the infringer's actions constituted infringement. Relying on a non-expert opinion alone to prevent willful infringement can be a risky strategy, especially where the case for infringement is not a close one. Furthermore, once willful infringement is found, the failure to obtain an opinion of counsel and reliance on less qualified opinions may be considered negatively by a court in exercising its discretion to enhance damages.¹¹⁶

As discussed in the previous two subsections, assessing the risk of enhanced damages has been simplified under *Seagate* since fewer circumstances will support a finding of willful infringement. Essentially, monitoring the potential threat of enhanced damages requires looking out for non-close calls of literal infringement. In many cases, this is an inquiry that requires knowledge of the technology at issue and a basic understanding of patent law.

The reasons set forth in this section support adoption of an active patent monitoring strategy by small entities. Even those with only a basic understanding of patent rights can give an assessment of where there is a non-close case of literal infringement. Doing this contributes toward a finding of an objectively low likelihood that the infringer's actions constituted infringement. Thus, it is prudent business practice for small entities to actively monitor patents in their field of invention. Upon discovering such a non-close case of literal infringement, the small entity can proceed with relative confidence that their actions will not give rise to a finding of willful infringement if they merely have a reasonable argument for non-infringement or invalidity. Additionally, since non-willful infringement remains a strict liability tort, early notice of a problematic patent is valuable to the small entity.

C. Reacting to Problematic Patents

In carrying out an active strategy for monitoring patents, the small entity may have to confront what to do when a problematic patent is discovered. Although a challenge, this situation is preferable to the

¹¹⁵ *Parker-Hannifin Corp. v. Wix Filtration Corp.*, No. 1:07 CV 1374, 2011 WL 976559 (N.D. Ohio Mar. 17, 2011).

¹¹⁶ *I-Flow Corp. v. Apex Med. Techs, Inc.*, No. 07CV1200 DMS (NLS), 2010 WL 114005, at *2 (S.D. Cal. Jan. 6, 2010) (“[F]ailure to obtain an opinion until after this case was filed speaks to the adequacy of their investigation, which apparently consisted of Defendants' employees reviewing the patent and determining that the Solace pump would not infringe.”).

less desirable result of actual notice from a patentee that the small entity is infringing. In both these scenarios, an understanding of the willful infringement standard of *Seagate* is critical.

1. Design around efforts can help avoid infringement and serve as a defense to willful infringement.

While there are a number of options for addressing a problematic patent, the first consideration should be the possibility of “designing around” it. That is, developing an alternative design to achieve the same end result in a similar way as the patented invention through a design that does not infringe the claims of the patent. If possible and practicable, designing around a patent to avoid infringement can be the best and most cost-effective solution to avoiding infringement. Additionally, an entire product or business can be based on “designing around” a valid patent to provide an alternative or improved version of a competitor’s patented technology. This practice is not prohibited by the patent system, but rather is encouraged. As recognized by the Federal Circuit:

[o]ne of the benefits of a patent system is the so-called “negative incentive” to “design around” a competitor’s products, even when they are patented, thus bringing a steady flow of innovations to the marketplace. It should not be discouraged by punitive damage awards except in cases where conduct is so obnoxious as clearly to call for them.¹¹⁷

Additionally, “[d]esigning or inventing around patents to make new inventions is encouraged.”¹¹⁸

Before *Seagate*, evidence of designing around was also evidence of actual notice and triggered a high duty of affirmative care to avoid infringement. Thus, evidence that an infringer was consciously using another’s patent to aid in its design process was highly probative in the assessment of willful infringement. Inventors consciously designing around a patent faced a high risk of willful infringement if they did not obtain competent counsel to issue a good faith reliable opinion that the result of their design around did not infringe. After *Seagate*, design-around efforts still entail risk of liability for actual infringement. However, with the abandonment of the affirmative duty doctrine, designing around another’s patent can be done with a significantly diminished threat of liability for willful infringement. In fact, cases

¹¹⁷ *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985).

¹¹⁸ *Westvaco Corp. v. Int’l Paper Co.*, 991 F.2d 735, 745 (Fed. Cir. 1993) (quoting *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538 (Fed. Cir. 1991)).

since *Seagate* indicate that good faith efforts to design around, even without the aid of counsel, will indicate an objectively low likelihood that the accused infringer's conduct constituted infringement of a valid patent.¹¹⁹ Thus, the small entity should not be discouraged by the threat of willful infringement from "designing around," as long as the efforts to design around are done in good faith.

District courts considering willful infringement after *Seagate* have treated evidence of designing around as indicating an objectively low likelihood that the infringer's actions constituted infringement. The Middle District of Pennsylvania considered the fact that the accused infringer read the patentee's patent in an effort to design around in its efforts to develop an improved version of the patentee's invention. The court stated, "[g]iven the attempt to design around the [Plaintiff's patent], the court finds that [the Defendant] did not act with 'an objectively high likelihood that its actions constituted an infringement of a valid patent.'"¹²⁰ Similarly, the Southern District of New York held that evidence of efforts by the accused infringer to design around the patent at issue, without obtaining assistance from counsel, was a valid defense to willful infringement.¹²¹ Even for large corporations, good faith efforts to design around problematic patents without formal opinions of counsel have successfully precluded findings of willfulness. In the District of Delaware, LG defended against a claim of willfulness by Whirlpool through evidence of internal efforts to design around the patent at issue.¹²² The court, in denying Whirlpool's JMOL with respect to willfulness, reasoned that LG "made concerted efforts to purposefully avoid infringing Whirlpool's [patent] and believed it had succeeded."¹²³

The Federal Circuit has approved of the persuasiveness of efforts to design around in rejecting claims of willful infringement. In a case where an oil rig manufacturer was accused of infringement and later modified its design to avoid infringement before delivery, the Federal Circuit upheld the District Court's finding of no willfulness.¹²⁴ The Federal Circuit reasoned that the efforts to modify the rig in order to avoid infringement supported the finding that its actions were not

¹¹⁹ See *supra* notes 92–109 and accompanying text.

¹²⁰ *Rhino Assoc., L.P. v. Berg Mfg. & Sales Corp.*, 531 F. Supp. 2d 652, 658–59 (M.D. Pa. 2007).

¹²¹ *Alloc, Inc. v. Norman D. Lifton Co.*, 653 F. Supp. 2d 469, 476 (S.D.N.Y. 2009).

¹²² *LG Elecs. U.S.A., Inc. v. Whirlpool Corp.*, C.A. No. 08-234-GMS, 2011 WL 2610177 (D. Del. July 1, 2011).

¹²³ *Id.* at *10.

¹²⁴ *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1313 (Fed. Cir. 2010).

objectively reckless.¹²⁵ The Federal Circuit has even found that “[p]rompt redesign efforts and complete removal of infringing products in a span of a few months” after being sued suggested that the infringer was not objectively reckless.¹²⁶

When there is evidence of designing around, the patentee will often try to characterize the accused infringer’s efforts to design around as intentional copying.¹²⁷ Before *Seagate*, intentional copying was extremely probative of willful infringement.¹²⁸ Thus, if the accused infringer copied patented technology without regard to the patentee’s rights, a finding of willful infringement was likely. In a case after *Seagate*, where an infringer was accused of intentional copying, the Federal Circuit rejected the patentee’s argument that “knowingly copying a competitor’s patented invention is objectively risky behavior of the highest order.”¹²⁹ The Federal Circuit reasoned that knowingly copying only bears on the infringer’s state of mind, and thus is not relevant under the objective threshold inquiry of *Seagate*.¹³⁰ This demonstrates the dramatic shift away from a standard designed to punish culpable intent to a standard focused on objective recklessness.

Overall, it seems that evidence of both designing around and deliberate copying has diminished in significance for determining willfulness. Upon discovering a problematic patent, evidence of efforts to “design around” will indicate an objectively low likelihood that the infringer’s actions constituted infringement. Also, district courts, in exercising their discretion after a finding of willful infringement, will consider efforts to design around in deciding the amount by which to increase damages.¹³¹ When possible, the small entity should consider, and thoroughly document, efforts to design around a problematic patent.

¹²⁵ *Id.*

¹²⁶ *Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1358 (Fed. Cir. 2010) (affirming finding of no willfulness where after being sued accused infringer stopped selling allegedly infringing software and began redesigning its product).

¹²⁷ *See, e.g., Voda v. Cordis Corp.*, 536 F.3d 1311, 1328 (Fed. Cir. 2008) (finding no willful infringement based on design around efforts where Patentee argued that application of the Underwater Devices standard instead of the *Seagate* standard was harmless based on a claim of intentional copying).

¹²⁸ *See, e.g., Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992).

¹²⁹ *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1336 (Fed. Cir. 2009).

¹³⁰ *Id.*

¹³¹ *I-Flow Corp. v. Apex Med. Tech., Inc.*, 07CV1200 DMS (NLS), 2010 WL 114005 (S.D. Cal. Jan. 6, 2010) (“Defendants attempted to design around the On-Q pump. Accordingly, this factor weighs against an award of enhanced damages”).

2. *A formal opinion of counsel remains an effective defense to willful infringement.*

Although the affirmative duty to obtain an opinion of counsel has clearly been eliminated, a favorable opinion of counsel remains a strong defense to willful infringement under *Seagate*. Although expensive, in some circumstances the value of obtaining such an opinion will outweigh the risks of proceeding without it. The Federal Circuit has directly recognized that “a competent opinion of counsel concluding that [Defendant] did not infringe the [patent] *or* that it was invalid would provide a sufficient basis for [Defendant] to proceed without engaging in objectively reckless behavior with respect to the [patent].”¹³² Thus, the “safe harbor” of a favorable opinion from competent counsel remains after *Seagate*. Even after *Seagate*, however, some courts recognized that the failure to obtain an opinion of counsel can be considered in the totality of the circumstances in assessing willful infringement.¹³³ This treatment is likely to change based on recently passed legislation that prohibits the use of an accused infringer’s failure to obtain advice of counsel to prove infringement was willful.¹³⁴

The small entity must exercise careful business judgment when deciding what circumstances warrant obtaining a formal opinion of counsel. As discussed throughout this comment, the small entity can make a preliminary assessment of the degree of “objectively risky” behavior it is engaged in. Based on this assessment, the small entity should decide when the level of liability risk warrants obtaining a formal opinion.

¹³² *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008).

¹³³ *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336 (Fed. Cir. 2011) (“Precedent has also clarified that the failure to obtain an opinion of counsel or otherwise investigate the patent situation can be considered, in the totality of the circumstances.”); *Parker-Hannifin Corp. v. Wix Filtration Corp.*, 1:07 CV 1374, 2011 WL 976559 (N.D. Ohio Mar. 17, 2011) (holding that the jury could consider the defendant’s failure to produce an opinion of counsel).

¹³⁴ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 17, § 298, 125 Stat. 284 (2011), available at <http://judiciary.house.gov/issues/Patent%20Reform%20PDFS/112hr1249eh.pdf> (“The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.”).

3. *Seagate's more rigorous standard for proving willful infringement improves an accused infringer's bargaining position in a licensing or settlement negotiation.*

In most cases, small entities will not have the necessary financial resources to defend against claims of infringement.¹³⁵ Patent litigation is expensive. Partly for this reason, very few patent infringement cases make it to trial. Instead, most patents are used simply for obtaining licensing fees or intimidating competitors.¹³⁶

In some cases, the cost of obtaining a license or agreement under which the patentee will not enforce its patent rights will outweigh the risk of liability or costs of defending against patent infringement. The shift away from protecting patentees' rights under *Seagate* removes some of the leverage held by a patentee in licensing negotiations. If a small entity has a reasonable basis to conclude that its actions are not objectively risky, it should not be intimidated by the threat of a claim of willful infringement. Since in many cases the threat of willful infringement has diminished, the patentee also has less incentive to sue and more incentive to reach an agreement.

III. CONCLUSION

The risk of patent infringement is an important consideration for the small entity. Since actual infringement remains a strict liability tort, it is impossible to avoid the risk of infringement liability altogether. The risk of willful infringement, however, can be more effectively avoided through efforts reasonable for the small entity under the objective recklessness standard of *Seagate*.

Overall, the threat of willful infringement has diminished after *Seagate*. Any disincentive to investigate under the *Underwater Devices* standard has been eliminated and the benefit of an active monitoring strategy far outweighs any possible drawbacks of actual notice. The *Seagate* standard also makes an assessment of the risk of willful infringement easier since non-close cases of infringement are unlikely to support a finding of objective recklessness. Furthermore, "objective recklessness" can be avoided through proactive, but cost-effective measures. Exercising business judgment, the small entity should decide what risk abatement techniques are necessary to avoid a

¹³⁵ James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 LEWIS & CLARK L. REV. 1, 2 (2005) ("Patent litigation has been called the sport of kings; it is complex, uncertain, and expensive.").

¹³⁶ See, e.g., John R. Allison et. al., *Valuable Patents*, 92 GEO. L.J. 435, 477 (2004).

finding of objective recklessness. While a reasonable argument for non-infringement or invalidity is a strong defense to willful infringement, some cases will still warrant the expense of a formal patent opinion, which remains an effective defense to willful infringement after *Seagate*.

No business can formulate an effective strategy for managing intellectual property without an understanding of the standard of willful infringement. It is an especially important consideration for the small entity, which must carefully allocate resources in every aspect of business. While others debate the prudence of the *Seagate* decision, there is no doubt that it has brought a shift away from protecting patentee's rights. This, along with the peculiarities of the objective recklessness standard, should be factored into the cost-risk analysis of a small entity's intellectual property strategy.