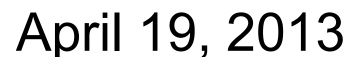
Finnegan, Henderson, Farabow, Garrett & Dunner, LLP

Obtaining and Using Opinions of Counsel

Presentation to:

Ryuka IP Law Firm



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TYPES OF OPINIONS

- Infringement
- Validity
- Pre-Litigation
- Other Objectives
  - Patentability
  - Freedom to Operate
  - Design-around
  - Licensing
  - Acquisition Due Diligence

TWO GOALS OF PATENT OPINIONS

- Competent analysis by patent counsel to . . .
  1. Guide business and technical decisions
  2. Reduce risk of adverse legal judgment

  – Legal judgments of:
    - Willful infringement (and treble damages)
    - Induced infringement
    - Rule 11 violation
    - Bad faith enforcement/sham litigation claim (unfair competition and/or antitrust claim)

Brief History of the Law on Role of Opinions (1)

- Affirmative duty of due care
  - Affirmative duty of due care to avoid infringement after receiving actual notice of a competitor's patent
    - *Underwater Devices, Inc. v. Morrison-Knudsen Co*., 717 F.2d 1380 (Fed. Cir. 1983)
    - Duty to "seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity"
  - "When an infringer has actual notice of a patentee's rights, the infringer has an affirmative duty of due care to avoid infringement"
    - *Crystal Semiconductor Corp. v. TriTech Microelectronics Intern., Inc.*, 246 F.3d 1336, 1351(Fed. Cir. 1991)
    - Finding willful infringement against foreign manufacturer that induced U.S. distributor to make infringing sales in the U.S.

Brief History of the Law on Role of Opinions (2)

- Opinions of counsel were the primary factor in determining willfulness
- If one did not obtain an opinion, or one obtained an opinion but did not produce the opinion at trial . . .
  - "Adverse inference" on the issue of willfulness
  - Overturned by:
    - *Knorr-Bremse Systeme Fuer Nutzfahrzeuge, GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004)
      - Although there continues to be "an affirmative duty of due care to avoid infringement of the known patent rights of others," the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable
    - 35 U.S.C. § 298 (America Invents Act, Sec. 17)

Brief History of the Law on Role of Opinions (3)

- Waiver of attorney-client privilege
  - “[W]hen EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel.”
    - *In re EchoStar Communications Corp*., 448 F.3d 1294, 1299 (Fed. Cir. 2006)
    - Waiver of immunity for any document or opinion that embodies or discusses a communication to or from it concerning whether that patent is valid, enforceable, and infringed by the accused
    - Waiver includes both the attorney-client privilege and the work-product immunity

Major Changes with *In re Seagate*

- *In re Seagate Technology, LLC,* 497 F.3d 1360 (Fed. Cir., 2007)
  - Abolished the affirmative obligation to obtain opinion of counsel
    - "Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel"
  - Limited any waiver of privilege when an accused infringer chooses to disclose an opinion

In re Seagate: Standard for Willful Infringement

- To establish willful infringement, a patent must show by clear and convincing evidence that:
  - The infringer acted despite an objectively high likelihood that its actions constituted infringement;

  AND
  - This objective risk was either known or was so obvious that it should have been known to the accused infringer

In re Seagate: Standard for Waiver

- "[T]he significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel"
  - Whereas opinion counsel serves to provide an objective assessment for making informed business decisions, trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker
    - Asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel
    - Relying on opinion counsel's work product does not waive work product immunity with respect to trial counsel

Benefits of *In re Seagate*

- Removes the risks associated with obtaining an opinion of counsel
- Companies can make informed decisions without the fear of harmful consequences during litigation
- Opinions are perhaps more valuable:
  - Accused infringers can defend against willful infringement charges without having to disclose the opinion of counsel
  - The scope of waiver is significantly limited if the accused infringer does disclose the opinion

Benefits of *In re Seagate*

- Opinions are still “necessary”:
  - Opinions may be relevant to willfulness:
    - Second element: was objective likelihood of infringement “known or so obvious that it should have been known”?
    - Not obtaining an opinion is a factor in some jurisdictions on question of willfulness
  - Opinions are one factor in determining whether to enhance damages, per the *Read* decision
    - *Spectralytics Inc. v. Cordis Corp.*, 649 F.3d 1336 (Fed. Cir. 2011)
  - Opinion must be “competent”
  - Opinion must be timely: obtaining an opinion after a lawsuit is filed “will likely be of little significance” in protecting pre-litigation activities

Enhanced Damages: *Read Corp.*

- "[T]he standard for deciding whether-and by how much-to enhance damages is set forth in *Read Corp*., not *Seagate*."
  i4i Ltd. Partnership v. Microsoft Corp., 598 F.3d 831, 859 (Fed. Cir. 2010)
- *Read* Factors (*Read Corp. v. Portec Inc*., 970 F.2d 816 (Fed. Cir. 1992))
  1. Whether the infringer deliberately copied the ideas or design of another;
  2. Whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed;
  3. The infringer's behavior as a party to the litigation;
  4. The defendant's size and financial condition;
  5. The closeness of the case;
  6. The duration of the defendant's misconduct;
  7. Remedial action by the defendant;
  8. The defendant's motivation for harm; and
  9. Whether the defendant attempted to conceal its misconduct

Opinions and Induced Infringement (1)

- Induced infringement
  - Requires that all elements of a claim are performed, but no longer requires that a single entity perform all the elements
    - *Akamai Tech. v. Limelight Networks* (Fed. Cir. Aug. 31,2012)
  - Defendant had actual or constructive knowledge of the patent
  - Defendant induced the infringing acts AND "knew or should have known his actions would induce actual infringement"
    - *DSU Medical* (2006): opinions can negate "intent" to induce
    - *Broadcom Corp* (2008): failure to obtain an opinion is a factor in deciding "intent" to induce

Opinions and Induced Infringement (2)

- Induced infringement
  - *Broadcom* states that failure to obtain an opinion may also be probative of "intent" in the context of induced infringement
    - This cannot be used to create an "adverse inference" at trial
    - 35 U.S.C. § 298 (America Invents Act, Sec. 17) codified the holding of *Knorr-Bremse* and extended it to intent to induce
  - *SEB S.A. v. Montgomery Ward* (2011): "willful blindness" to avoid learning a fact is a form of knowledge
    - SEB obtained an opinion of counsel, but did not fully inform counsel about the facts surrounding the product
      - Took deliberate actions to avoid confirming certain facts about the probability of infringement

Opinions of Counsel

- Provide strategic value to a company
  - Opinions can lower litigation costs
    - Avoid litigation altogether by identifying design-arounds or in pre-litigation talks with patent owner
    - Minimize risk or eliminate issues
  - Provide leverage in licensing or contract negotiations
  - Guide business development, financing, acquisitions
- An opinion can be used to show lack of willfulness or lack of intent to induce
- Absence of an opinion cannot be used (alone) to prove willfulness or intent to induce

Thank You!

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