

## Invalidity Opinions in Patent Litigation

Shielding Against Liability, Reducing Exposure to Enhanced Damages,  
Attorney-Client Privilege Implications

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# Presentation Overview

## **How we plan to cover the material today:**

- I. Use of Invalidity Opinions
- II. Drafting Invalidity Opinions
- III. Legal Update: Recent Cases Impacting Invalidity Opinions
- IV. Best Practices for Obtaining and Using Invalidity Opinions

# Use of Invalidation Opinions

## *What Are the Purposes of a Legal Opinion?*

- Conform conduct to the law
- Avoid litigation
- Limit or mitigate liability—risk management

## *Additional Purposes for a Patent Invalidation Opinion*

- Avoid findings of willfulness and increased damages
- Avoid findings of exceptional case and granting of attorney fees
- Be ready to request Inter Partes Review or Ex Parte Reexamination promptly upon engagement from the patentee
  - Litigation strategy may benefit from early review at PTO
  - Settlement strategy may benefit from early preparation



# Use of Invalidity Opinions

## ***The Federal Circuit Tells Us How to Use Opinions***

“The law of willful infringement does not search for minimally tolerable behavior, but requires prudent, and ethical, legal and commercial actions. Thus precedent displays the consistent theme of whether a prudent person would have sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.”

*SIR Int'l v. Advance Tech. Labs.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997)

# Use of Invalidity Opinions

## ***Themes That Guide the Use of Opinions***

- 1) Advice must be reasonable and prudent
- 2) Keep waiver of privilege issues in mind
  - “[E]verything with respect to the subject matter of counsel’s advice is discoverable.” *Novartis Pharm. Corp. v. Eon Labs Mfg., Inc.*, 206 F.R.D. 396 (D.Del. 2002).
  - “[C]ommunications theory.” *Solomon v. Kimberly-Clark Corp.*, 1999 U.S. Dist. LEXIS 1594 (N.D. Ill. 1999).
- 3) How is this going to look at trial
  - “An opinion of counsel, of course, need not unequivocally state that the client will not be held liable for infringement. A good test that the advice given is genuine and not merely self-serving is whether the asserted defenses are backed up with viable proof during [the] trial which raises substantial questions.” *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 (Fed. Cir. 1992).

# Use of Invalidity Opinions

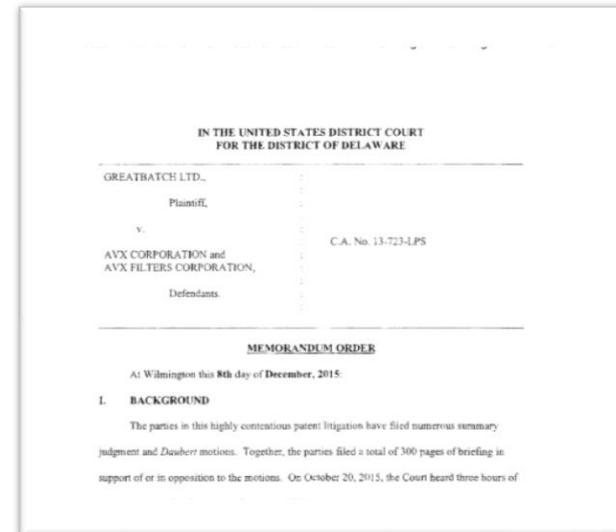
## ***Who Uses the Invalidity Opinion?***

- Client Decision Maker
  - The person who makes the business decision to move forward in the face of patent infringement risk should be able to understand the opinion and testify that they relied on its advice in making the decision
- Litigation Counsel
  - The rubber starts to meet the road when litigation counsel has to decide whether to waive privilege on the opinion
- Judge
  - Some courts will grant summary judgment of “no enhancement” under *Halo*, applying the *Read* factors—this can keep the issue of willfulness away from the jury
- Jury
  - The opinion has to be part of a coherent story of prudent behavior and reliance on the best information available

# Use of Invalidity Opinions-Example 1

## ***Court Relies on Invalidity Opinion on Summary Judgement***

- Background
  - Component for an implantable medical device accused of infringement
  - During design and qualification of component, competitor patent identified
- The Opinion
  - An invalidity opinion was prepared by a very experienced outside counsel with the correct technical background
- Reliance on the Opinion
  - General Counsel of corporation and General Manager of relevant business unit relied on the opinion at the time of qualification
  - All of the outside counsel, General Counsel, and General Manager gave deposition testimony about the opinion and reliance upon it



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The Court concludes, as a matter of law, that AVX's reliance on these opinions of counsel and on its indefiniteness position were and are objectively reasonable invalidity defenses.

# Use of Invalidity Opinions-Example 1

## ***Court Relies on Invalidity Opinion on Summary Judgement-Again***

- After *Halo* was Decided, Plaintiff Moved to Vacate the Summary Judgment Order
  - Summary Judgment Order was Dated in December of 2015
  - *Halo* was decided in April 2016—Change in law from objective test to totality of the circumstances
- The Court Declined to Vacate the No-Willful Infringement Order
  - In particular, no reasonable jury could find that the 20–page invalidity opinion authored by attorneys at Dority & Manning and relied on by AVX was “conclusory,” “incompetent,” “preliminary,” or “incomplete,” notwithstanding Greatbatch’s characterizations. . . . Notably, the **same** prior art identified in the Dority & Manning opinion was later used during *inter partes* review proceedings to invalidate multiple claims of the ’627 patent, including claim 11—from which claim 12, the only asserted claim, depends. . . . Even post-*Halo*, the reasonableness of AVX’s invalidity defenses is pertinent to willfulness because these defenses were developed **before** litigation. Here, importantly, these reasonable defenses were known to AVX at the time of the challenged, culpable conduct, which *Halo* directs must generally be the temporal focus of the **swiftness** inquiry.
  - Greatbatch Ltd. v. AVX Corp., No. CV 13-723-LPS, 2016 WL 7217625, at \*4 (D. Del. Dec. 13, 2016)
- That the Seeds of the IPR were Planted in the Pre-Suit Opinion was Important

## Use of Invalidity Opinions-Example 2

### ***In Trifurcated Trial, Jury Finds No Willfulness Based on Opinion***

- Background of the case can be found here: *DSM IP Assets, B.V. v. Lallemand Specialties, Inc.*, No. 16-CV-497-WMC, 2018 WL 1433850, at \*1 (W.D. Wis. Mar. 22, 2018), *reconsideration denied*, No. 16-CV-497-WMC, 2018 WL 2014604 (W.D. Wis. Apr. 30, 2018).
- The Same Jury That Found Liability in Phase I and Damages in Phase II Sat for Willfulness in Phase III
- Opinion Was Obtained After the Infringement Complaint Was Filed
- Chief Technical Officer and General Manager of the Business Unit Testified
  - Opinion Counsel appeared by video deposition
- In Closing Argument, Opinion Was Used Extensively to Tie Together a Story of a Defendant Acting Prudently
- Jury Verdict of No Willfulness

## SECTION II: DRAFTING INVALIDITY OPINIONS

## SECTION II: DRAFTING INVALIDITY OPINIONS

### Key Considerations

- ❖ Should I get an opinion?
- ❖ What are the risks of getting an opinion, as opposed to not getting an opinion?
- ❖ What types of considerations should I be taking into account in making these decisions?

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

- Should I get an opinion?
  - Although the failure to obtain an opinion cannot be used to prove willful infringement, it may be helpful for companies or individuals to secure such an opinion in certain cases to demonstrate their intent to comply with the law
  - The ultimate answer, however, will likely be highly dependent on several variables, including...
    - industry;
    - marketplace;
    - product;
    - timing; and
    - funding.

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

- Requires attorney and client to be completely candid with each other
  - Important for both parties to have commanding knowledge of the technology in question
    - › Frequent, detailed communications may be required depending on complexity of the technology
  - Based on appropriate understanding of the laws of validity, non-enforceability, infringement, etc.
  - Detailed inquiries into, e.g., prior litigations, prosecution history, etc. may be required
- Counsel and client must come to a reasonable time and cost estimate (very important)
- Give client opportunity to review the opinion as it comes to life (corrections, changes, etc.)

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

- Traditionally, commissioning an invalidity opinion (or non-infringement opinion) requires counsel to undertake an extensive, in-depth analysis of the patent-in-question, the prior art, the relevant industry, etc.
  - One or more in-person meetings, with counsel, technical personnel, etc. may be required
- Counsel must also prepare the opinion with the knowledge that it could eventually be used, several years later, in open court
  - Subsequent disclosure opens the document (and hence, the attorney) to criticism based on hindsight
  - The result transforms an offensive exercise into a defensive one

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

- If opinion of counsel will be relied upon, it is important to confirm that the company or individual has actually read and understood any such opinion
  - Make certain that opinions are drafted and received before the start of any litigation
- Ensure that opinions are updated as appropriate to account for newly issued patents, relevant claim constructions from other litigations, etc.
  - A best practice is to think of the opinion as a living document
- Ensure that the opinion itself is competent, thorough, and clear

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

- Given the Supreme Court’s decision in *Halo*, and even with the promulgation of §298 of the A.I.A., obtaining a competent opinion of counsel can be helpful in defending allegations of willful infringement
  - It is, however, a double-edged sword: In order to rely on the advice-of-counsel defense, these opinions will have to be disclosed to the court and to opposing counsel for hindsight-laden criticism
- In recent cases, judges have been more inclined to send questions of willfulness to the jury, relying on the “totality of the circumstances” standard

# DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

## Defending Against Willfulness Claim Under The Current Legal Standard

- Requires risk/reward analysis
  - Thinking creatively: are there other ways to defend against accusations of willfulness?
  - Proving a negative: can it be shown that the accused infringer had never seen the patent-in-suit?
- Cost-benefit analysis
  - Opinions may be costly at the outset, but may be viewed as a cost-saving measure in light of costs associated with patent litigation, treble damages, etc.

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

### Defending Against Willfulness Claim Under The Current Legal Standard (*cont.*)

- No affirmative duty to obtain an opinion
  - **...but** if actively aware of/monitoring others' patents, proceed with caution
- Seeking outside opinions (for corporate counsel)
  - May often be appropriate, but depends on resources and institutional knowledge of corporate counsel
  - Are two opinions better than one? (Duplicative efforts vs. thoroughness, additional risk considerations)

## DRAFTING INVALIDITY OPINIONS: KEY CONSIDERATIONS

- We are operating on a shifting landscape
  - Continue to await emergence of case law under Section §298
  - Supreme Court decisions in *Halo*, along with the *Octane Fitness*, and *Highmark* decisions, signal increased deference to district court in willfulness and “exceptional case” determinations
  - Previously pending legislation in Congress contained “Fee Shifting” provisions

## DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

- Several district courts have held waiver extends to pre-suit *and* post-suit communications (N.D.Ill., N.D.Cal., D.D.C., D.Del., N.D.Ga., E.D.N.Y. and E.D.Mo.)
- Several district courts have held waiver extends to all patent opinions, not just to specific issues addressed in opinion of counsel (D.D.C., D.Del., N.D. Ga., N.D. Ill.), but some have held waiver limited to issues specifically addressed in advice of counsel opinion (S.D. Ind., N.D. Cal., E.D. Tex.)

## DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

“Recognizing the value of a common approach and in light of the new willfulness analysis set out above, we conclude that the ***significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel***...Because of the fundamental difference between these types of legal advice...fairness counsels against disclosing trial counsel's communications on an entire subject matter in response to an accused infringer's reliance on opinion counsel's opinion to refute a willfulness allegation.”

-*Seagate* at 1373 (emphasis added)

# DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

- Extending waiver to trial counsel
  - *Beck Sys., Inc. v. Managesoft Corp.* (N.D. Ill. 2006)
  - *Informatica Corp. v. Bus. Object Data Integration, Inc.* (N.D. Cal. 2006)
  - *Affinion Net Patents, Inc. v. Maritz, Inc.* (D.Del. 2006)
  - *Convolve, Inc. v. Compaq Computer Corp.* (S.D.N.Y. 2006)
  - *Computer Assoc. Int'l, Inc. v. Simple.com, Inc.* (E.D.N.Y. 2006)
  - *Iridex Corp. v. Synergetics, Inc.* (E.D. Mo. 2007)
- Extending waiver to trial counsel only for communications contradicting or casting doubt on opinions asserted
  - *Intex Rec. Corp. v. Team Worldwide Corp.* (D.D.C. 2006)
  - *Outside the Box Innovations, LLC v. Travel Caddy, Inc.* (N.D. Ga. 2006)
  - *Indiana Mills & Mfg., Inc. v. Dorel Indus. Inc.* (S.D. Ind. 2006)
  - *Ampex Corp. v. Eastman Kodak Co.* (D.Del. 2006)

## DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

- The state of the law is still unclear with respect to communications to/from in-house counsel
  - Court explicitly declined to rule on this issue in *Seagate*
  - Still undefined at present
  - Similar policy concerns apply to in-house counsel as to trial and opinion counsel, possibly even more so (loose view of privilege likely to diminish full and frank discussions between client and attorney)
  - Other in-house personnel and/or in-house investigations may also suffer from lack of clarity in the law at this point

# DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

- *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed. Cir. 2006)
  - ***Uncommunicated work product not waived***
    - “[W]ork product, which is never communicated to the client, is not discoverable.”
- *Seagate* had held “...relying on opinion counsel’s work product does not waive work product immunity with respect to trial counsel.” (emphasis added)
  - Opinion Counsel: The scope of the waiver of immunity for an accused infringer relying on the advice-of-counsel defense is almost complete. The opinions themselves may be revealed, and the attorney who drafted them deposed
  - Trial Counsel: No waiver as to trial counsel mental process work product (unlike factual work product, which can be discovered upon a showing of substantial need and undue hardship)
    - Trial counsel enjoys substantial, “nearly absolute” protection
  - In-house Counsel: The scope of waiver as to in-house counsel remains open. The scope of waiver should be determined by whether in-house counsel is serving a function of opinion counsel or trial counsel.

## DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

- *Krausz Indus. Ltd. v. Smith-Blair, Inc.*, 2016 U.S. Dist. LEXIS 191859 (E.D.N.C. Dec. 13, 2016)
  - Dec. 2008- SB begins assessment of whether its product (Top Bolt) infringes Krausz's patent with law firm, Wood Herron. SB receives a non-infringement opinion relating to the '556 patent.
  - Sometime in 2011- SB seeks update to opinion in view of claim construction opinion in a litigation over the patent.
  - Dec. 2011-SB launches Top Bolt product.
  - August 2012- Krausz files the present suit. SB reaches out to Wood Herron regarding non-infringement defense to the lawsuit. SB also retains Smith Anderson as trial counsel.
    - The litigation is supervised by in-house counsel for Sensus (SB parent corporation). The Sensus GC joined the company after litigation began—meaning they did not have any pre-suit communications with Wood Herron.

## DRAFTING INVALIDITY OPINIONS: PRIVILEGE CONSIDERATIONS

- SB decided to rely on Wood Herron's opinion as part of its defense to Krausz's willful infringement claims.
- The parties disagreed as to the scope of the waiver. The court held:
  - Waiver was not limited to pre-suit communications (developments in the case can impact infringer's state of mind)
  - Waiver was limited to non-infringement (invalidity, unenforceability).
  - Waiver was extended to trial counsel due to trial counsel's involvement with Wood Herron. Krausz was able to discover communications between:
    - opinion counsel and trial counsel,
    - trial counsel and SB embodying or discussing conversations with opinion counsel (NOT general waiver),
    - trial counsel and SB that included opinion counsel
  - Waiver was extended to communications between SB and its in-house counsel
  - Waiver not extended to communications between in-house counsel and trial counsel.

## SECTION III: RECENT CASES

# SECTION III: OVERVIEW

## III. Court Treatment

- ❖ *Omega Patents, LLC v. CalAmp Corp.*, 920 F.3d 1337 (Fed. Cir. Apr. 8, 2019)
- ❖ *Polara Eng'g, Inc. v. Campbell Co.*, 894 F.3d 1339 (Fed. Cir. July 10, 2018)
- ❖ *Visteon Global Techs., Inc. v. Garmin Int'l, Inc.*, 2016 U.S. Dist. LEXIS 109564 (E.D. Mich. Aug. 18, 2016)
- ❖ *Dentsply Sirona, Inc. v. Edge Endo, LLC*, 2019 U.S. Dist. LEXIS 59715 (D. N.M. Apr. 8, 2019)
- ❖ *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 288 F. Supp. 3d 872 (E.D. Wis. Dec. 29, 2017)
- ❖ *Barry v. Medtronic, Inc.*, 250 F. Supp. 3d 107 (E.D. Tex. Apr. 20, 2017)
- ❖ *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, 2017 U.S. Dist. LEXIS 75517 (E.D. Tex. 2017)

# COURT TREATMENT: FEDERAL CIRCUIT REACTION

- *Omega Patents, LLC v. CalAmp Corp.*, 920 F.3d 1337 (Fed. Cir. Apr. 8, 2019)
  - Jury trial resulted in \$2.98 million award for Omega
    - Jury found willful infringement
    - District Court enhanced damages (3x), total award amounted to \$15 million
  - The Federal Circuit concluded that willfulness would have to be re-tried, but offered commentary on evidentiary issues that had presented during trial
    - Exclusion of the testimony of Gallin Chen, David Bailey
    - Exclusion of Bailey's post-litigation written opinion (not used to refresh recollection of prior oral statements)
  - "As to willfulness, an accused infringer's reliance on an opinion of counsel regarding noninfringement or invalidity of the asserted patent remains relevant to the infringer's state of mind post-*Halo*." *Omega Patents*, 920 F.3d at 1353.

# COURT TREATMENT: FEDERAL CIRCUIT REACTION

- *Polara Eng'g, Inc. v. Campbell Co.*, 894 F.3d 1339 (Fed. Cir. July 10, 2018)
  - Jury found willful infringement in favor of Polara (patentee)
    - The court enhanced damages (2.5x)
  - Campbell appealed, relying on opinion of counsel (non-infringement)
  - Campbell's opinions of counsel...
    - Only addressed one claim (claim 11) of the patent-in-suit, which was not at issue. The Fed. Cir. noted that no claims were examined for invalidity.
    - Largely did not exist (Campbell attempted to prove via oral testimony)
  - The District Court's enhancement of damages was vacated for being insufficient as to a single *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992) factor
    - Other Federal Circuit case law expressly holds that analysis of the *Read* factors is not required under *Halo (Presidio)*

# COURT TREATMENT: DISTRICT COURT REACTIONS

- *Visteon Global Techs., Inc. v. Garmin Int'l, Inc.*, 2016 U.S. Dist. LEXIS 109564 (E.D. Mich. Aug. 18, 2016)
  - Garmin obtained an (in-house) opinion of counsel (unclear from opinion whether it was a non-infringement or invalidity opinion) but elected not to use it at trial
  - Visteon sought to introduce evidence at trial that Garmin obtained opinions of counsel, but has elected not to produce them for consideration by the jury at trial
- Visteon permitted to submit evidence of Garmin's failure to provide an opinion of counsel at trial, but prohibited from submitting evidence that Garmin did in fact procure such an opinion but elected not to produce that opinion at trial
- This “strikes an appropriate balance between disallowing the prohibited adverse inference to Garmin of an unfavorable opinion of counsel while at the same time preserving Visteon's right to argue to the jury that Garmin's failure to produce such an opinion for trial can be considered as a factor in the jury's determination of willfulness.” *Id.* at \*20.

# COURT TREATMENT: DISTRICT COURT REACTIONS

- *Dentsply Sirona, Inc. v. Edge Endo, LLC*, 2019 U.S. Dist. LEXIS 59715 (D. N.M. Apr. 8, 2019)
  - Plaintiff Dentsply moved to compel a response to an Interrogatory which sought information on whether opinions of counsel were obtained for patents not at issue in the case and which indisputably did not cover the accused product
  - Involved a pre-*Halo* line of district court cases which held that “neither general knowledge of a patent portfolio nor actual knowledge of a patent application or of related patents, without more, is sufficient even to plausibly allege knowledge of a particular asserted patent.”
    - The court here eschewed this line of cases in favor of *Halo*’s more “expansive” approach
  - “In other words, either Defendants investigated the patents marked on Plaintiffs’ product, or they did not. The results of that investigation—or a refusal to investigate—may be relevant to whether related patents were willfully infringed.” *Dentsply Sirona, Inc. v. Edge Endo, LLC*, 2019 U.S. Dist. LEXIS at \*14.

## COURT TREATMENT: DISTRICT COURT REACTIONS

- “[T]he trial testimony showed that Snap-On did not perform adequate research in response to the letter to determine whether its products might infringe the patents-in-suit. Its head engineer for power tools, John Fuhreck... performed a cursory study of the patents that was not corroborated by a prior art search or an infringement analysis. He concluded that the patents were related to Snap-On's business, but no one took the matter under further consideration. Snap-On declined to take a license and made no changes to its product offerings to accommodate the possibility of infringement.”
  - *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 288 F. Supp. 3d 872, 887 (E.D.Wis. Dec. 29, 2017)
- “There was no evidence that Medtronic investigated the scope of either patent-in-suit prior to trial, let alone at the time it learned about the patents. This factor favors enhancement.”
  - *Barry v. Medtronic, Inc.*, 250 F. Supp. 3d 107, 115 (E.D.Tex. Apr. 20, 2017).
- Lily’s failure to respond to a one page letter from UroPep containing a “barebones assertion of infringement” and failing to “set out the strength of UroPep’s infringement case or address[] the issue of validity” led to a JMOL of non-willfulness.
  - *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, 2017 U.S. Dist. LEXIS 75517, \*2-\*9 (E.D.Tex. May 18, 2017)

# Best Practices

## ***Should You Get An Invalidity Opinion?***

- If you are planning on a course of conduct, and you are aware of a competitor's patent that impacts that plan, you should consider an invalidity opinion
- Risk management should guide your actions—be the party that engages in “prudent, and ethical, legal and commercial actions.”
- After *Halo*, opinions are more important
  - Willfulness goes to the jury much more often
  - Relying on the plaintiff's burden of proof doesn't usually sit well with juries—you are better off showing affirmatively that you are reasonable
  - Judges and juries consider the totality of the circumstances, an opinion should fit into a story that shows you to be reasonable and prudent
- Gold standard is to go to outside counsel, but the level of risk should be worth the cost
- Inhouse opinions can work, but you have to document your bases

# Best Practices

## ***If You Obtain Advice of Counsel, Document Reliance***

- Advice of counsel is worth little if the decision-makers don't consider it
- Whether decisions to market the relevant product or service are made by business people, technical people, lawyers, or committees, make sure the decision-maker(s) understand the advice and rely on it—document that reliance
- When you do this, you are also deciding who your witnesses will be
- Do you want inhouse lawyers to be witnesses?
  - Technical and business people will be witnesses regardless—does it make sense for them to do double duty?

# Best Practices

## ***Timing of the Opinion***

- Reasonably promptly after becoming aware of the patent or notice of infringement when the client is, or is about to make, use, sell or offer for sale
- If at all possible, before litigation has commenced
- If the timing can't be perfect, make sure it is part of a narrative that shows you being reasonable and prudent
- If it appears that the opinion letter has “been produced as a ‘protective device’ in preparation for litigation, rather than as a genuine effort to determine, before the infringing activity begins, whether the patent was invalid” or not infringed - then reliance on the opinion may not objectively appear to be in good faith. *Electro Med. Sys., SA v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994).

# Best Practices

## ***Practice Careful Communication***

- You must document the opinion and reliance
- Try not to document anything else
- If you waive privilege, all documents relating to the advice may be discoverable
- Limit written communication with counsel to descriptions of the activity that will be the subject of the opinion
- Limit communication regarding drafts
- Business and technical people should not be writing about the issues
- Many cases turn on three or four ill-considered emails—don't let your opinion be the source of them

# Thank You

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