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# Patent Infringement Claims, Opinions of Counsel and Attorney-Client Privilege

## Best Practices for Opinion Letters After Seagate and Qualcomm

**A Live 90-Minute Teleconference/Webinar with Interactive Q&A**

**Today's panel features:**

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**Tuesday, March 9, 2010**

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**1 pm Eastern**

**12 pm Central**

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Willful Infringement,  
Inducement &  
**Opinions of Counsel**

**Richard S.J. Hung**  
**March 9, 2010**

## Opinions of Counsel: Overview

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- *In re Seagate Tech., LLC* & willfulness
  - Willfulness now “requires at least a showing of objective recklessness”
- *Broadcom Inc. v. Qualcomm Corp.* & inducement
  - Opinion of counsel probative of “whether the accused infringer ‘knew or should have know’ that its actions could cause another to directly infringe”
- Opinion of counsel defense
  - Characteristics of competent opinions
  - Relying on competent opinions
- Waiver issues
  - Attorney-client privilege
  - Work product

## Willfulness: How We Got Here

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- “Affirmative duty of due care” to determine infringement (or not) upon learning of patent
  - *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)
- “Adverse inference” from failure to seek advice of counsel
  - *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986) (criticizing infringer for “not even assert[ing] that it sought advice of counsel when notified of the [patent],” and noting that privilege assertion over opinion of counsel “would warrant the conclusion that [alleged infringer] either obtained no advice of counsel or did so and was advised that [it infringed]”)

## Willfulness: Impact of Aff. Duty & Adverse Inference

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- Opinion of counsel became primary defense to (and focus of) willfulness
  - Enormous fear of adverse inference
  - Counterbalanced by enormous fear of waiver
- Inconsistent rulings on scope of waiver caused confusion
  - Opinion counsel only?
    - Or trial counsel, too?
  - Temporal limits?
  - Uncommunicated work product?
  - Non-infringement, invalidity, AND unenforceability?

## Willfulness: Statistics (pre-Seagate)

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- K. Moore, “Empirical Statistics on Willful Patent Infringement,” 14 Fed. Cir. B.J. 227 (2004/2005)
  - Willfulness alleged in 92.3% of cases
  - Willfulness found in 55.7% of cases finding infringement
  - Juries indifferent about opinions of counsel
    - Found willfulness in 55.8% of cases with opinion
    - But in 56.1% of cases without opinion
  - Judges heavily influenced by opinions of counsel
    - Found willfulness in 44.8% of cases with opinion
    - But 84.2% of cases without opinion
  - Willfulness finding affects enhancement
    - Damages enhanced in 91.9% of cases where judge found willfulness
    - But only 60.6% of cases in which jury found willfulness

## 1st Adjustment: Elimination of Adverse Inference

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- *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1341-46 (Fed. Cir. 2004) (en banc):
  - **No adverse inference:**
    - “[N]o adverse inference that an opinion of counsel was or would have been unfavorable flows from . . . failure to obtain or procure an exculpatory opinion of counsel.”
  - **But duty of care remains:**
    - “[T]here continues to be ‘an affirmative duty of due care to avoid infringement of the known patent rights of others[.]’”

## 2<sup>nd</sup> Adjustment: Scope of Waiver Addressed

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- *In re EchoStar Communications Corp.*, 448 F.3d 1294, 1299, 1303-04 (Fed. Cir. 2006):
  - **All communications waived:**
    - Reliance on advice of in-house counsel “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 . . . .”
  - **Subject matter not limited:**
    - Waiver extends to “any document or opinion that embodies or discusses a communication to or from [the client] concerning whether that patent is valid, enforceable, and infringed . . . .”
  - **No temporal limits:**
    - Waiver extends to advice and work product “after litigation began,” if advice is “relevant to ongoing willful infringement.”
  - **Uncommunicated work product not waived:**
    - But “work product, which is never communicated to the client, is not discoverable.”

## ***In re Seagate: Key Underlying Facts***

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- Three opinions of counsel obtained – all after lawsuit filed
- “No dispute that . . . opinion counsel operated separately and independently of trial counsel at all times”
- Conville “moved to compel discovery of any communications and work product of Seagate’s other counsel, *including its trial counsel.*”

## *In re Seagate*: District Court Rulings

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- Waiver of attorney-client privilege for all communications between Seagate and “any counsel”
  - Included Seagate’s trial attorneys and in-house counsel
  - Extended to any communications “concerning the subject matter of . . . opinions, i.e., infringement, invalidity, and enforceability”
- “[W]aiver began when Seagate first gained knowledge of the patents and would last until the alleged infringement ceased.”
- Allowed for in camera review of documents relating to trial strategy
  - “[B]ut any advice from trial counsel that undermined the reasonableness of relying on [the three opinions of counsel] would warrant disclosure.”

## ***In re Seagate*: New “Objective Recklessness” Standard**

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- “[W]e overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.” 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (emphasis added).

## *In re Seagate*: New Two Prong Test

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- Objectively high likelihood of infringement?
  - “[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” 497 F.3d at 1371 (emphasis added).
- Risk known or obvious?
  - “If this 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.” *Id.* (emphasis added).
  - “We would expect . . . that the standards of fair commerce would be among the factors a court may consider.” *Id.* at 1371 n.5.

## ***In re Seagate: Ramifications of New Standard***

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- Threshold focus no longer on state of mind
  - “The state of mind of the accused infringer is not relevant to th[e] objective inquiry” under the first prong.” 497 F.3d at 1371.
- Opinions of counsel remain optional
  - “Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.” *Id.*

## ***In re Seagate: No Trial Counsel Waiver (Generally)***

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- No trial counsel waiver in general
  - “[A]s a general proposition, . . . 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.” 497 F.3d at 1374.
- But chicanery?
  - But “trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery.” *Id.* at 1374-75 (emphasis added).

## ***In re Seagate: New Pre-Filing Focus***

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- Willfulness generally based on pre-filing conduct
  - “[W]illful infringement in the main must find its basis in prelitigation conduct . . . .” 497 F.3d at 1374.
- Reason: Rule 11
  - “[W]hen a complaint is filed, a patentee must have a good faith basis for alleging willful infringement.” *Id.*
  - “So a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer’s pre-filing conduct.” *Id.*

## ***In re Seagate: Post-Filing Willfulness Requires PI Motion***

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- Preliminary injunction motion important to allege post-filing willfulness:
  - “[When an accused infringer’s post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement.”
- Absent motion (or loss), post-filing willfulness unlikely:
  - “A patentee who does not attempt to stop an accused infringer’s activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct.”
  - “Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.”

## ***In re Seagate: Initial Reactions***

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- Opinion of counsel *optional* for willfulness defense
  - Widespread expectation that opinions less important
  - Potentially useful to demonstrate risk of infringement not objectively high & rebut knowledge of risk
- New focus on merits-based defenses
  - Plausibility of non-infringement, invalidity, and unenforceability defenses
  - Reexamination as support?
- “Standards of fair commerce”
  - “Ostrich” approach disfavored

## *In re Seagate*: Initial Reactions

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- Opinions still *might* be useful for other reasons
  - Inform business strategy (e.g., whether to take a license)
  - Assist designaround efforts
- Value of opinions for inducement defense?

## Inducement: Background

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- 35 U.S.C. § 271(b):
  - “Whoever actively induces infringement of a patent shall be liable as an infringer.”
- *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1304, 1306 (Fed. Cir. 2006) (en banc):
  - “The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts and that he knew or should have known his actions would induce actual infringements.”
  - “[I]nducement requires evidence of culpable conduct, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.”

## **DSU: Opinions Relevant to Knowledge?**

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- “ITL contacted an Australian attorney, who concluded that its Platypus would not infringe. JMS and ITL then also obtained letters from U.S. patent counsel advising that the Platypus did not infringe.” *DSU*, 471 F.3d at 1307 (emphasis added).
- “[O]n this record, the jury was well within the law to conclude that ITL did not induce JMS to infringe by purposefully and culpably encouraging JMS’s infringement. To the contrary, the record contains evidence that ITL did not believe its Platypus infringed. Therefore, it had no intent to infringe.” *Id.* (emphasis added).

## ***Broadcom: Facts***

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- Qualcomm obtained invalidity opinions, but asserted privilege & declined to waive.
- Jury found both willfulness and inducement.
- Judge granted JMOL of no willfulness in light of *Seagate*.

## ***Broadcom: Jury Instructions***

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- **Inducement instruction:**
  - “When considering whether Qualcomm knew of should have known that the induced actions would constitute infringement, in the totality of the circumstances, you may consider all of the circumstances, including whether or not Qualcomm obtained the advice of a competent lawyer.”
- **Willfulness instruction:**
  - “The absence of a lawyer’s opinion, by itself, is insufficient to support a finding of willfulness, and you may not assume that merely because a party did not obtain an opinion of counsel, the opinion would have been unfavorable.”

## **Broadcom: Qualcomm's Positions on Appeal**

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- Failure to obtain opinion should not be relevant to inducement:
  - “Qualcomm argues that opinion-of-counsel evidence is no longer relevant in determining the intent of an alleged infringer in the inducement context.” 543 F.3d at 699.
- *Seagate* supports this:
  - “[B]ecause specific intent is a stricter standard than the ‘objective recklessness’ standard adopted in *Seagate*, evidence not probative of willful infringement cannot be probative of specific intent to induce infringement.” *Id.*

## **Broadcom: Federal Circuit Disagrees**

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- Some similarities to willfulness context
  - “[N]o affirmative duty to seek opinion of counsel regarding infringement.” 543 F.3d at 699.
  - “[I]t is improper to allow an ‘adverse inference or evidentiary presumption that such an opinion would have been unfavorable.’ *Id.*
- But no willfulness ≠ no specific intent to induce
  - “[A] lack of culpability for willful infringement does not compel a finding of non-infringement under an inducement theory.” *Id.*
- Circumstantial evidence OK
  - Intent to induce “may be established through circumstantial evidence.” *Id.*

## ***Broadcom: Opinions of Counsel May Be Relevant***

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- Can demonstrate “knew or should have known”
  - “[O]pinion-of-counsel evidence . . . may reflect whether the accused infringer ‘knew or should have known’ that its actions would cause another to directly infringe.”  
543 F.3d at 699.
- Shield-and-sword rationale:
  - “It would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function, as was the case in *DSU* itself, . . . , and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe.” *Id.*

## ***Broadcom: Bases for Inducement Affirmance***

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- Qualcomm admittedly/undisputedly:
  - “on notice of Broadcom’s patents and infringement contentions”
  - “worked closely with its customers to develop and support the accused products”
  - “did not make changes to [its] products or give its customers [instructions regarding how to avoid infringement] after the lawsuit was filed”
- Qualcomm failed to:
  - “investigate”
  - “explore design around approaches”
  - “take remedial steps”
  - “seek legal advice”

## Seagate & Broadcom Together: Implications

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- Opinions of counsel still relevant to willfulness
- Opinions of counsel (or failure to obtain) relevant to inducement
  - Compare *DSU & Broadcom*
  - “[R]elevant to the second prong on the intent analysis”
  - “[O]ne factor” in “all of the circumstances”
- Presumably same competence, reliance & waiver issues for both
  - *In re EchoStar*
  - *In re Seagate*

## Opinions of Counsel: Competence Issues

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- Credible defenses
  - Also consistent with trial arguments
- Thorough/accurate
  - Based on complete facts
  - Based on correct law
  - Addresses all potential claims
  - Product documentation reviewed
  - Prosecution history reviewed
  - Information not “concealed” from opinion counsel
  - Note: Just non-infringement or invalidity OK
- No unreasonable cost constraints
- Timely
- “Final” opinion

## Opinions of Counsel: Counsel Issues

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- Unbiased/independent
- Credible, competent & litigation savvy
- Signing attorney drafted opinion
- Signing attorney can defend opinion at deposition & trial

## Opinions of Counsel: Reliance Issues

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- Credible decisionmaker
  - Capable of affecting decisions
  - Actually read opinion
  - Actually understood opinion
  - Actually relied on opinion
- Outcome not assumed
- Opinion not obtained solely for willfulness or inducement defense

## Opinions of Counsel: Scope of Waiver

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- *EchoStar & Seagate* together clarify scope of discoverable information
- Discoverable:
  - Communications with opinion counsel (and documents reflecting communications)
  - Investigations by in-house personnel
- Not discoverable:
  - Uncommunicated work product of opinion counsel
  - Communications with trial counsel (absent chicanery)
  - Trial counsel work product

## Opinions of Counsel: Scope of Waiver

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- Communications with in-house counsel/in-house counsel work product?
  - “No in-house counsel documents are at issue in the petition.” *EchoStar*, 448 F.3d at 1297 n.2
  - “We do not address the trial court’s discovery orders pertaining to Seagate’s in-house counsel.” *Seagate*, 497 F.3d at 1367 n.2.
- All theories?
  - Waiver of communications concerning whether “patent is invalid, enforceable, and infringed by the accused.” *EchoStar*, 448 F.3d at 1304.



## How Courts are Applying *Seagate* and *Broadcom v. Qualcomm*

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**March 9, 2010**

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## Brief Overview

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- Following *Seagate*, willfulness requires a two prong analysis, where the patentee must show that:
  - 1) An objectively high likelihood existed that its actions constituted infringement; and
  - 2) The infringer knew or should have known of this objectively defined risk.
- Under *Broadcom*, opinions of counsel are relevant to determining whether there was inducement

## Willfulness and Opinions of Counsel in Light of *Seagate*

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- After *Seagate*, willfulness involves an objective inquiry and a subjective inquiry
  - The patentee must show the infringer acted despite an objectively high likelihood that its actions constituted infringement
    - This inquiry is entirely objective, the infringer's state of mind is not relevant
    - The lack of an opinion of counsel is not relevant
  - The patentee must also show the infringer knew or should have known of this objectively defined risk
    - This inquiry is subjective, and is judged in view of the totality of the circumstances
    - An opinion of counsel, or the lack thereof, is relevant

## Objectively High Likelihood

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- While a lack of an opinion of counsel is not relevant to the objectively high likelihood determination, courts generally consider the same facts that would be relevant to an opinion of counsel in determining whether an objectively high likelihood exists
- *Finjan Software, Ltd. v. Secure Computing Corp.* (D. Del. 2009)
  - The Court held that an objectively high likelihood existed where:
    - 1) The patentee's product only had one feature that the infringer's product did not have;
    - 2) The infringer used the patentee's patents as a road map to develop its products;
    - 3) The infringer's product had specific references in its source code to the patentee's product.
  - The Court's ruling made no reference to whether the infringer obtained an opinion of counsel

## Cases where an Objectively High Likelihood Existed

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- *Kowalski v. Mommy Gina Tuna Res., et al.* (D. Haw. 2009)
  - The Court held that an objectively high likelihood existed where:
    - The infringer knew his actions were within the scope of the patent, but believed the patent was invalid for obviousness, despite not having a legal basis for such a conclusion
  - The infringer did not obtain an opinion of counsel, but instead chose to rely on the advice of an industry expert
- *Church & Dwight Co, Inc. v. Abbott Labs.,* (D.N.J. 2008)
  - The Court held that an objectively high likelihood existed where:
    - 1) The PTO had previously rejected Infringer's invalidity defenses;
    - 2) The infringer conceded that it infringed one of the patents-in-suit; and
    - 3) The infringer's non-infringement defenses to the other patents-in-suit were very unconvincing.
  - The Court's ruling made no reference to whether the infringer obtained an opinion of counsel

## Cases where an Objectively High Likelihood Did Not Exist

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- *Honeywell Int'l, Inc. v. Universal Avionics Syst. Corp.* (D. Del. 2008)
  - The Court held that an objectively high likelihood did not exist where:
    - 1) Numerous asserted claims were found to be invalid as anticipated by prior art; and
    - 2) A technical and legal review of the patentee's patent prior to the suit concluded that the infringer's product did not infringe.
  - The Court also suggested that the existence of an opinion of counsel may support a finding that an objectively high likelihood did not exist
  - The infringer obtained an opinion of counsel, which concluded that the infringer's product did not infringe the patentee's patent
- *Dicta: Black & Decker, Inc. v. Robert Bosch Tool Corp.* (Fed. Cir. 2008)
  - The Court held that an objectively high likelihood did not exist where:
    - 1) The infringer offered legitimate defenses to infringement claims; and
    - 2) The infringer offered credible invalidity arguments.
  - The Court's ruling made no reference to whether the infringer obtained an opinion of counsel

## Cases where an Objectively High Likelihood Did Not Exist

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- Where the infringer did not learn of the patent until near the time of the suit, the Court typically looks to the infringer's subsequent behavior
- *Northbrook Digital Corp. v. Browster, Inc.* (D. Minn. 2008)
  - The Court held that an objectively high likelihood did not exist where:
    - 1) The infringer took steps to reduce or eliminate any damages by removing infringing features from product; and
    - 2) Allowed distribution website for the infringing product to become non-functional.
  - The Court's ruling made no reference to whether the infringer obtained an opinion of counsel

## The 2<sup>nd</sup> Prong: Acted Despite the Objectively Defined Risk

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- While a lack of an opinion of counsel is not relevant to the objectively high likelihood determination, it is relevant to whether the infringer acted despite an objectively defined risk
- In determining whether the infringer acted despite an objectively defined risk, the court examines the totality of the circumstances
  - Among the factors the court considers is whether the infringer obtained and produced an opinion of counsel
  - While an opinion of counsel is not determinative of whether the infringer acted despite an objectively defined risk, it can be a significant factor in the court's analysis

## Cases where an Opinion of Counsel Disproved the 2<sup>nd</sup> Prong

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- *Aircraft Technical Publishers v. Avantext, Inc.*, (N.D. Cal. 2009)
  - The Court granted summary judgment denying willfulness where:
    - 1) The accused infringer acted in a reasonable manner by engaging the services of a patent attorney to analyze the patentee's claims and provide a summary of his opinions.
- *Finisar Corp. v. DirecTV Group, Inc.*, (Fed. Cir. 2008)
  - The Court held that an infringer did not act despite an objectively defined risk where:
    - The infringer obtained an opinion of counsel that concluded it did not infringe the patentee's patent, but did not make a conclusion regarding the validity of the patent-in-suit.
  - The Court then stated that a competent opinion of counsel was sufficient to disprove the 2<sup>nd</sup> prong of the willfulness analysis if:
    - 1) The opinion of counsel concluded the patent-in-suit was invalid; or
    - 2) The accused product did not infringe the patent-in-suit.



## Totally of the Circumstances

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- Under the totality of the circumstances analysis, failure to produce an opinion of counsel is not controlling on whether the infringer acted despite an objectively defined risk.

## No Willfulness and No Opinion of Counsel

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- *Hako-Med USA, Inc., et al. v. Axiom Worldwide, Inc.*, (M.D. Fla. 2009)
  - The Court held that, under the totality of the circumstances, there was no willfulness, where the infringer:
    - 1) Made a legitimate, but failed, attempt to design around a patent; and
    - 2) Had a good faith belief it was not infringing, based on an internal investigation into the scope of the patent.
- *D.R. Sys. Inc. v. Eastman Kodak Co.* (S.D. Cal. 2009)
  - The Court held that a jury could find the infringer did not act willfully where it used “qualified staff,” rather than an attorney, in investigating possible infringement.
    - Specifically, the infringer relied on the opinion of an individual with significant experience in:
      - 1) Project management;
      - 2) Development;
      - 3) Engineering; and
      - 4) Production operations organizations and the IT group.

## Willfulness and No Opinion of Counsel

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- *Creative Internet Adver. Corp. v. Yahoo! Inc., et al.* (E.D. Tex. 2009)
  - The Court held that, under the totality of the circumstances, there was willfulness, where the infringer:
    - 1) Never solicited the advice of counsel even though:
      - A) The patentee sent letters to the infringer accusing them of infringement; and
      - B) There was a substantial degree of similarity between the patentee's patent and the infringer's product.; and
    - 2) Failed to make efforts to design around the patents-in-suit.

## The Impact of a Design Around on Willfulness

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- In addition to opinions of counsel, the presence of a design around can play a significant role in the 2<sup>nd</sup> prong of the willfulness analysis
- *Trading Tech. Int'l, Inc. v. eSpeed, Inc.*, (Fed. Cir. 2010)
  - The Court held that there was no willfulness where the infringer:
    - 1) Immediately began design around efforts after the suit began;
    - 2) Had a design around in place 4 months after the suit began; and
    - 3) Halted sales while developing a design around.
- *Hako-Med USA, Inc. v. Axiom Worldwide, Inc.*, (M.D. Fla. 2009)
  - The Court held that the Infringer's attempted design around could prevent the second prong of the willfulness analysis from being satisfied.

## Opinion by in-house counsel

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- An opinion of counsel created by in-house counsel has the same weight as an ordinary opinion of counsel and only waives privilege to a limited extent.
- *Convolve, Inc. v. Compaq Computer Corp.*, (S.D.N.Y. 2007)
  - Compaq relied on a non-infringement opinion by in-house counsel as a defense to a willfulness claim.
  - Convolve contended that because in-house counsel was used as opinion counsel, Compaq waived all privilege with regards to its in-house counsel.
  - The Court rejected Convolve's argument and held that A-C privilege and work-product are only waived for communications that were relied upon by the in-house counsel when they created their opinion of counsel.
    - The Court further held that there was no basis here for taking discovery of in-house counsel's communications after the litigation was commenced.

## Court treatment of *Broadcom*

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- *SEB S.A. v. Montgomery Ward & Co., Inc.*, (Fed. Cir. 2010)
  - The Court held that a claim for inducement was viable even though the patentee had not produced direct evidence that the accused infringer actually knew of the patent-in-suit
    - "specific intent" in the civil context is not so narrow as to allow an accused wrongdoer to actively disregard a known risk that an element of the offense exists
- *World Wide Stationary Mfg. Co., Ltd. v. U.S. Ring Binder, L.P.*, (E.D. Mo. 2009)
  - The Court held that where the patentee stated it would not assert an induced infringement claim
    - The accused infringer was under no obligation to obtain an opinion of counsel; and
    - The patentee was precluded from mentioning the accused infringer's failure to obtain an opinion of counsel

## Future Need for Opinions of Counsel

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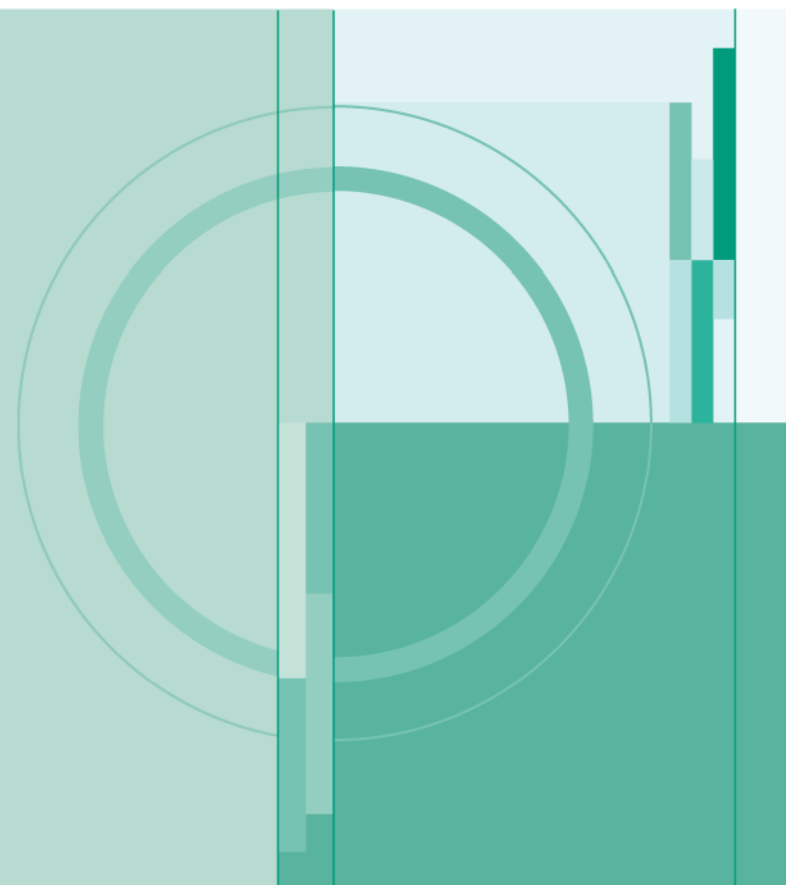
- In cases where the allegation of willfulness is weak, the need for an opinion may be lower:
  - No longer required to refute willfulness.
  - No longer a negative inference for not relying on one.
- But after *Broadcom v. Qualcomm*,
  - May be required if sale to downstream customers.
  - May be required to rebut the lack of good faith or intent.
- In a closer case, the costs/benefits of an opinion may be higher than before as:
  - An opinion of counsel is very helpful in defeating a claim for willfulness;
  - Critical in rebutting the intent element in an inducement claim, since failure to produce is admissible to the jury; and
  - Offers no downside to obtaining an opinion and deciding later whether to disclose it.

# “Best Practices” for Use of Opinions of Counsel Post-*Seagate and Broadcom*



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March 9, 2010



## *Everything* Relating to Opinions of Counsel Has Changed Over the Past Six Years.....

- The process of change began with the *Knorr-Bremse* decision by the Federal Circuit in 2004 eliminating the adverse inference for failure to obtain and use an opinion of counsel.
- The *Seagate* decision established an entirely new approach for assessing willfulness in a patent case and seemed at the time to foreshadow a decline in the importance of opinions of counsel.
- The *Broadcom* decision created an exception to *Seagate* that continues to cause some confusion as to whether *Knorr-Bremse* really meant what it said.
- Recent district court opinions are all over the map regarding the application of the new standards for willfulness.

Except one.

- **No opinion has criticized or implicated the obtaining of an opinion of counsel as a prudent business decision.**

# Opinions of counsel continue to have an important role outside litigation

- Early stage companies seeking investors or financing.
- Freedom to operate opinions.
- Independent verification of “design around” options.
- Development of a patent strategy for established companies.
- Sarbanes-Oxley compliance issues.
- Licensing negotiations.

# The *Broadcom* decision and some recent district court opinions have “revived” the use of opinions in a litigation context

- **Inducement of infringement**
  - ❑ How is this predictable in advance?
  - ❑ We know from *Seagate* that opinions obtained after litigation commenced are of little value.
  - ❑ As a practical matter, a prudent company is going to get an opinion of counsel whenever it is conceivable that an inducement claim could be made e.g. where the company is the manufacturer or supplier of components or application software.

## Other litigation uses for opinions exist as well.

- To establish the existence of a meritorious defense to infringement claims or affirmative claims against patent holder; or to support or defend against a Rule 11 motion.
- To be used by a defendant with indemnity rights.
- To act as evidence of non-willfulness in “the totality of the circumstances”.
- To establish compliance with “standards of fair commerce”.
- To rebut claim on “chicanery”?

# When in doubt.....get an opinion.

- **There is no downside for obtaining an opinion other than that cost.**
- **The benefit of having one is likely to outweigh the cost in almost every instance.**
- **If you are are being told by the client that an opinion is unnecessary in the particular field.....be doubtful.**
- **If the client indicates after counseling that the risk of harm doesn't justify the expenditure..... write a memo to the file.**

## Guidelines to follow for obtaining opinions that will be useful in all contexts.

- Obtain the opinion from qualified patent counsel.
- Avoid the use of anyone who might appear for you in court.
- Keep the potential audience or audiences in mind when preparing.
- Beware of the paper trail you are creating.
- Establish a corporate policy on use of opinions.
- Don't bother with post-filing opinions of counsel.

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