# Patent Infringement Claims: Reassessing the Need for Opinion Letters Post-*Qualcomm*

Part II – Opinions of Counsel After *Seagate*
-- The Courts Respond

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# *Broadcom* v. *Qualcomm* (C.D. Cal. 2007)

- Pre-*Seagate* jury instruction:
  - In considering whether Qualcomm ***acted in good faith***, you should consider all the circumstances, including whether or not Qualcomm obtained and followed the advice of a competent lawyer with regard to infringement. 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. However, you may consider whether Qualcomm sought a legal opinion as one factor in assessing whether, under the totality of the circumstances, any infringement by Qualcomm was willful. (emphasis added)
- Qualcomm procured invalidity opinions for each of the patents-in-suit, but did not produce or rely on them
- Jury: Qualcomm willfully, directly infringes and induces infringement of all patents-in-suit

# *Qualcomm*: District Court Vacated Willfulness Verdict In View Of *Seagate*

- Ten days after Court denied Qualcomm's JMOL, CAFC hands down *Seagate* decision

- Reconsideration: District Court vacated willfulness verdict because pre-*Seagate* willfulness instruction was erroneous

## *Qualcomm*: District Court Instructed The Jury That It Could Consider Whether Qualcomm Obtained An Opinion Of Counsel In Determining Whether Qualcomm Induced Infringement

- District Court's instruction re inducement:
  - Inducement requires proof (1) of direct infringement and (2) that alleged infringer knowingly induced infringement
  - "When considering whether Qualcomm knew or should have known that the induced actions would constitute infringement … you ***may consider all of the circumstances, including whether or not Qualcomm obtained the advice of a competent lawyer.***"
- Jury found that Qualcomm induced infringement -- inducement was the basis for the award of damages

# On Appeal, Qualcomm Argued That Opinion-Of-Counsel Evidence No Longer Is Relevant In Inducement Context After *Seagate*

- Qualcomm argued that the District Court erred in allowing the inducement verdicts to stand in light of its instruction that failure to obtain an opinion of counsel may be considered as a factor in determining whether Qualcomm had the requisite level of intent to induce infringement
- CAFC affirms inducement
  - *Seagate* did not alter the state of mind requirement for inducement
  - Lack of culpability for willful infringement does not compel a finding of non-infringement under an inducement theory because they are determined by different standards

# Willfulness – Treatment Of Opinions Of In-House Counsel After *Seagate*

- *Convolve* v. *Compaq Computer* (S.D.N.Y. Nov. 2007) (This is the *Seagate* case on remand)
  - Convolve seeks order to proceed with discovery of Seagate's in-house counsel
  - *Seagate* (CAFC): held that willfulness determination must focus on pre-litigation conduct
  - *EchoStar* (CAFC): waiver does not extend to Work Product that was not communicated to the alleged infringer
- District Court holds that asserting advice of counsel waives privilege for pre-litigation communications relating to the opinions of in-house counsel upon which the defendants now rely in connection with their advice of counsel defense

# Discovery Of Defendant's Subjective Knowledge Need Not Be Stayed Until After The Patentee Establishes That Defendant's Conduct Was Objectively Reckless

- *Convolve (Seagate* case on remand*)* (S.D.N.Y.)
  - Seagate argued that discovery directed to the second prong of willfulness test ("objectively defined risk was either known or so obvious that it should have been known to the accused infringer") should be stayed until patentee obtained a ruling that "objectively reckless" prong was met
- The District Court held that nothing in the CAFC's *Seagate* opinion requires such a procedure, and that the case already had been pending for a long time
  - Courts do have authority to stay discovery on some issues pending a determination of other issues
- Accord *Intervet* (D.D.C.) and *V. Mane Fils* (D.N.J.)
  - District Courts decline to stay discovery regarding subjective knowledge until after a finding of objective recklessness

# Determination Of Objective Recklessness Requires Consideration Of The Totality Of The Circumstances

- *Trading Techn.* v. *eSpeed* (N.D. Ill. Jan. 2008)
  - Granted Defendant's JMOL that infringement was not willful
- "[T]he Court's decision in *Seagate* did not alter the requirement that the totality of the circumstances must be taken into account when determining whether infringement was willful."
  - Generally, only post-patent conduct is relevant. Here, there was no post-patent conduct demonstrating willfulness
  - Placing money in escrow for judgment is prudent, not evidence of willful infringement

## Heightened Standard Of Willfulness Increases Likelihood That Courts Will Exercise Their Discretion And Not Award Enhanced Damages Even If Willfulness Found

- *Informatica Corp.* v. *Business Objects Data* (N.D. Cal. Oct. 2007)
- JMOL of no willfulness denied
  - Engineer and patent counsel aware of patents and similarity to product
  - Continued to make product throughout lawsuit
- Court, however, declined to enhance damages due to "totality of circumstances"
  - Close case and might have been closer under *Seagate*

# A Jury May Consider Whether A Defendant Obtained Advice Of Counsel As Part Of The Totality Of The Circumstances In Determining Willfulness

- *Energy Trans. Group* v. *William Demant Holding* (D. Del. Jan. 2008)
  - Defendants assert that the CAFC's opinion in *Seagate* changed law so that failure to obtain advice of counsel cannot be considered by the jury
  - The Court held that "nothing in *Seagate* forbids a jury to consider whether a defendant obtained advice of counsel as part of the totality of the circumstances in determining willfulness"
  - Defendants' request to preclude evidence regarding their failure to obtain advice of counsel is DENIED in determining willfulness – same result as *Qualcomm* (CAFC) reached in inducement context

## Credible Defenses Evidence An Absence Of Objective Recklessness Under The "Totality Of The Circumstances"

- *Honeywell* v. *Universal Avionics* (D. Del. Nov. 2008)
  - Universal's prior victory on claim construction and non-infringement before remand by the CAFC and the invalidity of a number of patent claims "validate that Universal had legitimate defenses to Honeywell's infringement claims"
  - Summary judgment of no willful infringement granted
  - "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"

# Credible Defenses Evidence An Absence Of Objective Recklessness (Cont'd)

- *Black & Decker* v. *Robert Bosch Tool* (CAFC Jan. 2008)
  - DICTA because infringement finding was vacated
- CAFC stated that, if willfulness considered on remand:
  - Bosch's lack of knowledge of patents would not necessarily mean no willfulness
  - Jury finding two claims invalid as obvious demonstrated a credible invalidity argument
  - District Court's recognition of legitimate defenses to infringement claims was significant

# Designing Around Is Evidence That Conduct Was Not Objectively Reckless

- *In re Muth Mirror Sys.* (E.D. Wisc. Bank. Dec. 2007)
  - Muth asserted that Gentex willfully infringed
  - Court reasoned that testimony of several Gentex witnesses, Gentex procedures and manufacturing specifications indicated that Gentex was well aware of numerical parameters in patent and was careful to work around them; if infringement found on remand, it likely was not willful (DICTA because infringment was not found)
- *Rhino Associates* v. *Berg Mfg.* (M.D. Pa. Nov. 2007)
  - Berg read patent and designed a ramp with three components to attempt to design around the patented "one piece" ramp
  - Court ruled that Berg's infringement was not objectively reckless; no willfulness

# Opinion Of Counsel Is Evidence That Defendant's Conduct Was Not Objectively Reckless, But Opinion Must Be Well-Reasoned And Actually Relied Upon

- *Cohesive Tech.* v. *Waters Corp.* (D. Mass. Aug. 2007) (affirmed by CAFC)
  - Waters scientists and in-house counsel obtained Cohesive's patent and attempted to design around. In-house counsel consulted extensively with scientists in forming opinion
  - Objectively reasonable to believe non-infringement position; no willfulness
- *VNUS Medical Tech.* v. *Diomed Holdings* (N.D. Cal. Oct. 2007)
  - Diomed relied on two "opinions" of non-infringement, but neither provided details of claim construction or element-by-element analysis
  - Diomed's motion for summary judgment of no willfulness was DENIED

## Conclusions And Best Practices Derived From Cases Regarding Opinions Of Counsel Decided After *Seagate*

- *Knorr-Bremse, Seagate* and *Qualcomm* and their progeny encourage potential infringers to obtain advice of counsel
  - Obtain opinion after the patent issues and before the Complaint is filed
  - Design around, do not copy
  - Use separate opinion counsel and trial counsel