

THE EVOLVING ROLE OF OPINIONS OF PATENT COUNSEL IN FEDERAL CIRCUIT CASES

by

Lynda J. Oswald*

Over the past few years, an unlikely intersection has emerged in U.S. patent jurisprudence in cases addressing the role of opinions of counsel. On the one hand, the U.S. Court of Appeals for the Federal Circuit has indicated that opinions of counsel play a lesser role in determining willful infringement and the appropriateness of enhanced damages than lower courts, commentators, and practitioners had previously thought. On the other hand, the Federal Circuit has suggested that patent opinions play a critical role in evaluating whether the requisite intent to establish inducement of infringement is necessary. The Federal Circuit almost certainly did not deliberately set out to create this dichotomy; rather, the distinction arose gradually and incrementally and was impelled by differing scenarios and contexts, but it poses interesting unintended implications for businesses planning their intellectual property strategy.

Willful patent infringement and liability for inducement of infringement by another are separate inquiries. However, both inquiries raise an issue vitally important to businesses who are trying to manage their exposure to patent infringement liability: when and under what circumstances is opinion of counsel needed? Businesses need to be able to predict what behaviour will lead to liability so that they can plan their activities accordingly. Thus, rules regarding the role of patent opinions in infringement cases directly affect the legal and strategic planning of businesses. If these rules are unclear or inconsistent, they make it difficult for businesses to operate effectively and efficiently.

The “territoriality” of patent law makes this issue particularly critical for foreign businesses operating in the U.S., who may not face similar rules in their domestic legal regimes and so who may not understand the implications of these U.S. legal rules until it is too late and liability has already arisen.¹ Any business, whether U.S.-based or not, that makes, uses, sells, offers for sale, or imports into the United States an invention patented by the U.S. Patent and Trademark Office (“PTO”)² needs to understand when and why to seek the advice of U.S. patent counsel in order to avoid or minimize the effects of infringement liability.

Part I briefly describes the types and functions of patent opinions most commonly used in U.S. transactions. Part II describes the evolution of patent opinion rules in cases addressing willfulness and enhanced damages. Part III analyzes the role of patent opinions in inducement cases. Part IV discusses the implications of these rules for business decision-making and contains concluding remarks.

I. OPINIONS OF PATENT COUNSEL IN GENERAL

Patent opinions can take many forms, both offensive and defensive.³ The Federal Circuit’s recent decisions have focused on defensive opinions, as the cases have addressed the potential liability of a defendant in the face of allegations that it infringed upon valid, existing patents of the plaintiff. Two common types of defensive opinions are non-infringement and invalidity opinions.

Non-infringement opinions are often used in response to an allegation of infringement by a patentee. The accused infringer may ask a patent attorney to perform an independent analysis of the issue and, if the attorney’s investigation reveals a non-frivolous, good-faith basis for finding no infringement, the accused infringer may seek a formal non-infringement opinion from the patent attorney to bolster its decision to continue its allegedly infringing activities.⁴

By contrast, if the client believes that its intended actions are blocked by an existing patent with overly broad claims, the client may ask a patent attorney to search for prior art that would invalidate the patent. If the attorney finds such prior art, the client may request an *invalidity opinion* upon which the client may choose to rely in proceeding with its plans.⁵

* Michael R. & Mary Sue Hallman Fellow, Professor of Business Law, Stephen M. Ross School of Business at the University of Michigan. Copyright 2011 Lynda J. Oswald.

A somewhat less common type of defensive opinion is the *unenforceability opinion*, which is used when patent counsel concludes that the patent at issue is unenforceable (e.g., because the patentee defrauded the patent office during prosecution).⁶

A fourth type of patent opinion is the *product clearance* or *freedom to operate* opinion. This opinion is typically sought by a company about to launch or develop a new product. Before committing itself to action, the company may ask patent counsel to search for patents that might potentially be infringed by the new product and to provide an analysis in the form of a product clearance opinion. To the extent that problematic patents are identified, the company may then ask for a non-infringement, invalidity, or unenforceability opinion.

II. PATENT OPINIONS IN WILLFULNESS / ENHANCED DAMAGES CASES

The role of opinions of counsel in willfulness/enhanced damages cases is a complicated one, arising out of both the intricacies of the Patent Act⁷ and the evolution of Federal Circuit case law. The topic also has important implications for the attorney-client privilege and the work-product doctrine, two important cornerstones of the American adversarial system.

The Patent Act provides for enhanced damages (i.e., the court may award up to treble damages⁸ and/or reasonable attorney fees).⁹ Although the statute provides no standard for determining when enhanced damages are appropriate, the courts have determined the enhancement of damages requires a showing of willful infringement.¹⁰ Such a showing permits, but does not require, an award of enhanced damages;¹¹ ultimately the determination to award such damages lies in the discretion of the trial court.¹²

Defendants face a significant risk of enhanced damages in patent infringement cases. The plaintiff alleges willfulness on the part of the defendant in the vast majority of complaints.¹³ In cases where a jury is the fact-finder and finds that infringement exists, the jury also finds that the infringement was willful in over 70% of the cases.¹⁴ If the judge is the fact-finder, infringement is found to be willful in over 50% of the cases in which infringement is found.¹⁵

The role of patent opinions in establishing willfulness, and hence the availability of enhanced damages, has changed dramatically over the past several years. While superficial analysis suggests that the role of such opinions has been greatly diminished, a more nuanced analysis indicates that opinions of counsel continue to play an important role in the willfulness setting.

A. *Underwater Devices*

For almost three decades, the leading case on patent opinions in willfulness cases was *Underwater Devices Inc. v. Morrison-Knudsen Co.*,¹⁶ a 1983 decision of the Federal Circuit. The court there held that a party with actual notice of another's patent had an affirmative duty of care to avoid infringement. This included "the duty to seek and obtain competent legal advice from counsel before the initiation of any possibly infringing activity."¹⁷ In fact, the court stated that opinion of counsel is "crucial to the analysis" of willfulness, although not dispositive.¹⁸

The *Underwater Devices* rule flowed from a concern by the Federal Circuit that patent rights were not being adequately respected. The Federal Circuit itself had been created by Congress just a year prior, in 1982, "at a time when widespread disregard of patent rights was undermining the national innovation incentive."¹⁹ This disregard was exemplified in the facts of *Underwater Devices*, where the infringer's (non-patent) attorney did not seek review from patent counsel but merely advised the client to refuse to discuss the payment of a royalty to the patentee once the existence of the patent was brought to its attention. The attorney's memorandum to the client noted that "[c]ourts, in recent years, have—in patent infringement cases—found the patents claimed to be infringed upon invalid in approximately 80% of the cases."²⁰

Two aspects of *Underwater Devices* were particularly troubling. First, the *Underwater Devices* court explicitly created an affirmative duty of due care in patent willfulness cases, stating:

Where . . . 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.²¹

Second, the *Underwater Devices* court expressly created a negative inference—i.e., a failure to obtain a patent opinion was presumed to show infringement. Although the attorney-client privilege was not directly implicated in *Underwater Devices*, it soon arose in other cases. In *Kloster Speedsteel A.B. v. Crucible, Inc.*,²² the court stated that the accused infringer's "silence on the subject [of whether opinion of counsel has been sought], in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its importation and sale of the accused products would be an infringement of valid U.S. patents."²³

Likewise, in *Fromson v. Western Litho Plate & Supply Co.*,²⁴ decided in 1988, the Federal Circuit held that if a defendant failed to produce an opinion of counsel, “a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer’s desire to initiate or continue its use of the patentee’s invention.”²⁵ This adverse inference disturbed courts and commentators, who feared that patent case law was inappropriately eroding the attorney-client relationship that is at the heart of the U.S. adversarial system. In addition, the inference led to significant increased costs for businesses, who felt that they were required to obtain a patent opinion in all or most instances, lest they face automatic enhanced damages in the event of infringement.

Finally, after a decade of uncertainty and disarray in the lower courts, the Federal Circuit sat en banc in 2004 to address this issue in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*²⁶

B. *Knorr-Bremse*

In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*,²⁷ the adverse inference created in *Underwater Devices* was explicitly overruled. The *Knorr-Bremse* en banc court held that a defendant has an affirmative duty to avoid infringement, but that no adverse inference could be drawn from the defendant either failing to get opinion of counsel or invoking the attorney-client privilege when asked about the issue. The court noted that the adverse inference had evolved from a “focus . . . on disrespect for the law”²⁸ and not from a specific judicial intent to disregard the attorney-client relationship. However, the court found, the pendulum had swung too far, and the inference was placing too great a strain upon the attorney-client relationship.

In *Knorr-Bremse*, three defendants had been found liable for infringement and willful infringement at trial. No damages were awarded, because there had been no sale of the infringing products, but the trial court did award the patentee, Knorr-Bremse, partial attorney fees.²⁹ One defendant had consulted European and U.S. legal counsel about Knorr-Bremse’s patents, but declined at trial to either produce the opinions or to reveal the advice received, citing the attorney-client privilege. Another defendant stated that it did not seek its own legal counsel but rather depended upon the advice received by the first defendant.³⁰ The defendants argued on appeal that the trial court should not have drawn an adverse inference from either one of these situations.

As the *Knorr-Bremse* court discussed, the attorney-client privilege plays an important role in the American legal system. The U.S. Supreme Court discussed the privilege extensively in a 1981 case, describing it as the “oldest of privileges for confidential communications known to the common law,”³¹ and stating that its purpose is “to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and the administration of justice.”³² The privilege, the Supreme Court said, “recognizes that sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer’s being fully informed by the client.”³³

Only the client may waive the attorney-client privilege. If the privilege is waived (so that the client may offer into evidence relevant information from the relationship), *all* related information comes into evidence. This is viewed as a fairness issue. In the words of the Federal Circuit, the privilege cannot be used as both “a sword and a shield,” permitting favourable information to come into evidence, but keeping out unfavourable information.³⁴

“Work product protection,” a related doctrine, is “designed to balance the needs of the adversary system: promotion of an attorney’s preparation in representing a client versus society’s general interest in revealing all true and material facts to the resolution of a dispute.”³⁵ Unlike the attorney-client privilege, which is absolute, work product protection is “qualified and may be overcome by need and undue hardship,”³⁶ but in most instances, the client may prevent the admission into evidence of the attorney’s work product.

Knorr-Bremse made two important rulings regarding the role of opinion of counsel in willfulness/enhanced damages case. First, it is *not* appropriate to draw a negative inference from invocation of the attorney-client and / or work-product privilege with respect to willfulness,³⁷ because doing so “distort[s]” the attorney-client relationship.³⁸ Second, it is *not* appropriate to draw a negative inference from a defendant’s failure to obtain legal advice with respect to willfulness.³⁹ The court found that there was no basis for applying a special adverse inference rule in patent cases when such a rule did not apply generally within the law.⁴⁰

Although the *Knorr-Bremse* court continued to recognize the “affirmative duty of due care to avoid infringement of the known patent rights of others,”⁴¹ thus preserving one critical aspect of *Underwater Devices*, the court held that no longer would “the failure to obtain an exculpatory opinion of counsel” create an adverse inference or a presumption that the opinion would have been unfavourable.⁴² Rather, determinations of willful infringement were to be evaluated based on “the totality of circumstances, but without the evidentiary contribution or presumptive weight of an adverse inference that any opinion of counsel was or would have been unfavourable.”⁴³

Knorr-Bremse left several important issues unanswered. For example, in 2006, the Federal Circuit addressed the scope of waiver that resulted from assertion of the advice of counsel defense in willfulness cases in *In re Echostar Commun. Corp.*⁴⁴ The *Echostar* court held that if an accused infringer relied upon in-house counsel’s advice to refute a charge of willfulness, that reliance constituted waiver of the attorney-client privilege.⁴⁵ Moreover, the waiver also operated to waive product protection and the attorney-client privilege on all communications involving that subject

matter, as well as any documentation of such attorney-client communications.⁴⁶ The impact of these successive decisions upon the attorney-client relationship was substantial and so, ultimately, the Federal Circuit held yet another en banc sitting in 2007, this time address specifically the intersection between willfulness and the attorney-client privilege and work product protection.

C. *Seagate*

In Re Seagate Tech. LLC,⁴⁷ a 2007 en banc decision of the Federal Circuit, radically changed the law regarding the impact of obtaining / not obtaining patent opinions in willfulness cases. Although at first glance *Seagate* seemed to diminish the role of patent opinions in infringement cases, a closer look suggests that the decision, at least in some respects, actually enhances the attractiveness of seeking such opinions as a strategic matter.

The accused infringer, *Seagate*, had obtained three invalidity and nonenforcement opinions from its patent counsel.⁴⁸ The trial court ruled that if *Seagate* relied upon any of those opinions in its defense, it waived the attorney-client privilege for all communications between it and any of its counsel, including trial counsel and in-house counsel, concerning the subject matter of those opinions.⁴⁹

The Federal Circuit used this case an opportunity to revisit both the affirmative duty of care that was articulated in *Underwater Devices* and reaffirmed in *Knorr-Bremse*, and to clarify the rules regarding waiver of attorney-client privilege and work-product protection. The *Seagate* court identified several decisions that had noted the “practical concerns” arising from *Underwater Devices*, particularly in the context of the attorney-client privilege and the work-product doctrine.⁵⁰

The *Seagate* court also emphasized the important role that the attorney-client privilege and work-product doctrine play in the American adversarial system of justice. Although an accused infringer must waive the attorney-client privilege in order to introduce exculpatory patent opinions, that waiver extends only to patent counsel, and does not require waiver of the attorney-client privilege with respect to trial counsel. As the Supreme Court has noted, trial counsel needs “a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel.”⁵¹ The *Seagate* court thus announced a “general proposition” that “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.”⁵² The *Seagate* court found that the same rationale should apply to the work-product doctrine, and that “as a general proposition, relying on opinion counsel’s work product does not waive work product immunity with respect to trial counsel.”⁵³

More importantly, *Seagate* expressly rejected the affirmative duty of due care announced in *Underwater Devices*, a duty that had been defined in *Underwater Devices* as including “inter alia, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.”⁵⁴ The *Seagate* court framed the issue as one of the proper standard for determining willfulness. The duty of care standard of *Underwater Devices*, the court found, set an inappropriately low threshold for willful infringement, something “more akin to negligence.”⁵⁵ The correct standard, the *Seagate* court found, “required at least a showing of objective recklessness.”⁵⁶

Thus, the affirmative duty of due care, and the concomitant affirmative obligation to obtain a patent opinion, was expressly overruled.⁵⁷ Rather, to show willful infringement, the patentee now 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.”⁵⁸ Pre-litigation opinion of counsel may well be relevant in showing there was (or was not) such “objectively high likelihood” of infringement.⁵⁹ In addition, “the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.”⁶⁰

This raises the question, of course, of what a patentee knew or should have known. Patent opinions play an important role in answering this inquiry. While neither an accused infringer’s reliance on favourable advice of patent counsel nor an accused infringer’s failure to produce a favourable opinion is “dispositive of the willfulness inquiry,” it is, the *Seagate* court noted, “crucial to the analysis.”⁶¹

Thus, *Seagate* creates an interesting split regarding the role of patent opinions in willfulness cases. On the one hand, the case could be read as diminishing the role of such opinions, as there is no longer an affirmative duty to seek them. On the other hand, by reiterating the importance of the attorney-client privilege and work-product doctrine, and by emphasizing the distinct roles of patent counsel and trial counsel, the *Seagate* court created an incentive for potential infringers to seek such opinions. No longer will accused infringers have to worry that by relying upon a patent counsel opinion in their defense will they be opening up their entire trial strategy to opposing counsel; however, obtaining and relying upon such opinions may well decrease the likelihood that the accused infringer will face enhanced damages. Thus, the net effect of *Seagate* may well turn out to be an increase in the frequency with which potential infringers seek such opinions, and that could well translate into increased respect for patent rights.

D. Post-*Seagate* Judicial Developments

Although *Seagate* seemingly limited the role of patent opinions in willfulness cases, it did not obviate their role⁶² and such opinions remain important to willfulness determinations. In evaluating willfulness, the courts consider the “totality of the circumstances.”⁶³ As one post-*Seagate* trial court noted:

Case law post-*Seagate* is split as to whether lack of opinion of counsel is still a valid factor that can be considered by the jury in determining willfulness of infringement. Many courts seem to have concluded that, while there is no longer any “adverse inference” from the failure to obtain opinion of counsel, it is still a factor to be considered in the “totality of the circumstances” approach.⁶⁴

The court went on to note, however, that “[a] number of courts . . . have interpreted *Seagate* differently, concluding that lack of opinion of counsel cannot be considered by the jury at all.”⁶⁵

Once the fact-finder has established willfulness, the court must determine whether to enhance damages. The presence or absence of opinion of counsel is relevant to this determination as well. In *i4i Ltd. Partnership v. Microsoft Corp.*,⁶⁶ for example, the Federal Circuit emphasized that the factors considered in evaluating whether enhanced damages were appropriate were “separate and distinct” from the factors considered in the willfulness determination.⁶⁷ Enhancement of damages is considered under the nine factors set forth in *Read Corp. v. Portec, Inc.*,⁶⁸ the second of which is “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.”⁶⁹ Thus, in *i4i Ltd.*, the court affirmed a 20% enhancement (\$40 million) because the accused infringer learned of the patent but failed to obtain a patent opinion before continuing with its allegedly infringing activity.⁷⁰

Similarly, in *I-Flow Corp. v. Apex Med. Tech., Inc.*,⁷¹ the trial court enhanced a \$6 million damage award by \$1 million in large part because the accused infringer had failed to seek an opinion of counsel until after the infringement suit had been filed. The accused infringer had relied upon conclusions of its technical staff that the company had successfully designed around the asserted patent. The court considered the *Read* factors and found that only two, the closeness of the case and the failure to adequately investigate the patent, supported enhancement of damages.

In *Seagate*, the Federal Circuit had emphasized the distinction between seeking a pre-litigation opinion and a post-litigation opinion. The trial courts’ decisions are indeed influenced by the timing of the decision. In both *Wordtech Systems, Inc. v. Integrated Networks Solutions, Inc.*⁷² and *Minks v. Polaris Indus., Inc.*,⁷³ the trial courts enhanced damages because the accused infringer waited until after it been accused of infringement to investigate the patent and seek opinion of counsel.

III. PATENT OPINIONS IN INDUCEMENT CASES

Under U.S. law, parties can be held liable for assisting others to directly infringe a patent. U.S. law also provides for liability for indirect patent infringement in the form of contributory infringement and inducement of infringement. Liability for indirect infringement exists only where this is direct infringement by another.⁷⁴ Inducement liability typically arises when a defendant sells an article to another party, who uses it to directly infringe a patent, or when a defendant makes extra-territorial sales of an item covered by a U.S. patent that is then imported into the United States. Inducement liability raises issues regarding the need for and use of opinion of counsel.

Inducement is a form of secondary liability and so finds its roots in tort law. It is, in effect, a mechanism for holding liable a defendant even though he or she did not directly cause the harm at issue. On theoretical grounds, secondary liability is viewed as both more efficient (i.e., it provides a mechanism for shifting costs to those best able to prevent future harm) and more moral (i.e., it provides a mechanism for holding liable those who intended to cause a harm, even if another party was the direct cause of the harm inflicted upon the plaintiff).⁷⁵ Courts and commentators have also articulated pragmatic reasons for imposing secondary liability in patent infringement cases:

[S]econdary liability provides a means of affording intellectual property rights holders relief in situations where suing the direct infringer is impracticable (e.g., because the direct infringer is financially incapable of compensating fully for the damages or is a customer of the intellectual property rights holder) or where actual infringement by each direct infringer is so small that the costs of litigation would greatly exceed the recovery, even though the aggregate damages caused by the direct infringer might be larger.⁷⁶

In the patent law arena, secondary liability developed first in the common law, and then was codified in the Patent Act of 1952. Although early case law focused only on direct infringement, by the late 1800s, the courts had begun recognizing that direct liability allowed parties whose culpability in the infringement might be even greater than that of the direct infringer to escape liability. As a result, the courts developed common law doctrines that held liable those parties who did not directly infringe another’s patent, but who (1) assisted others in infringing by supplying a component

part specially adapted to infringement,⁷⁷ or (2) supplied a component that had noninfringing uses but was used for infringing purposes.⁷⁸ Although the courts hesitated to adopt a rule that would impose automatic liability upon a defendant who sold a component that had both infringing and noninfringing uses, the courts did impose liability upon defendants who actually encouraged—i.e., induced—direct infringement by others.⁷⁹

The Patent Act of 1952 codified these notions of direct and indirect liability. Section 271(a) of the Patent Act imposes direct liability upon those who make, use, sell, or offer for sale in the United States inventions patented by others, as well as upon those who import patented inventions into the United States.⁸⁰ Direct patent infringement is, in effect, a form of strict liability.⁸¹ The Patent Act divided the common law notion of indirect liability into two distinct causes of action: (1) contributory infringement, which imposes liability for supplying parts or services that are specially suited to infringe,⁸² and (2) inducement of infringement.⁸³

Section 271(b), which addresses inducement liability, has very simple language: “Whoever actively induces infringement of a patent shall be liable as an infringer.”⁸⁴ The Patent Act left it to the courts to flesh out the parameters of this sparse language. In particular, the courts were faced with the issue of identifying *intent* for inducement, an issue that almost inevitably implicates the role of opinion of patent counsel.

A. *DSU Medical Corp.*

In many ways, *DSU Medical Corp. v. JMS Co., Ltd.*⁸⁵ set the stage for examining the role of patent opinions in inducement cases, although it did not discuss the issue directly. *DSU Medical* was a 2006 en banc decision by the Federal Circuit. The plaintiff, DSU Medical Corp., had sued the defendants for direct infringement, inducement to infringe, and contributory infringement of two patents. The Federal Circuit, sitting en banc on this issue alone, addressed the issue of intent in the context of induced infringement.⁸⁶

In earlier cases, the Federal Circuit had made it clear that inducement required: (1) direct infringement by another; (2) actual or constructive knowledge of the patent by the inducer; and (3) intent to induce infringement.⁸⁷ It was unclear, however, what “intent” meant in this context. In fact, there was a split of authority in Federal Circuit precedent on this point. In *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*,⁸⁸ decided in 1990, a three-judge panel of the Federal Circuit held that Section 271(b) inducement liability required only an intent to cause the acts that constitute infringement. Just three months later, another panel of the Federal Circuit decided *Manville Sales Corp. v. Paramount Systems, Inc.*⁸⁹ Although rules of precedent would dictate that the *Manville Sales* panel follow the rule articulated earlier by the *Hewlett-Packard* panel, the *Manville Sales* court articulated a different, higher, standard for inducement liability: “It must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement.”⁹⁰

The difference between the two standards is stark: under the lower *Hewlett-Packard* standard, the alleged inducer need only intend to cause the acts of the third party that lead to direct infringement. Under the higher *Manville Sales* standard, the alleged inducer must actually intend to induce direct infringement by another. These conflicting standards generated considerable uncertainty for parties and courts. Some courts adopted the lower *Hewlett-Packard* standard,⁹¹ some the higher *Manville Sales* standard.⁹² Some avoided the issue by noting the split in authority but finding that the facts of the particular case at issue would dictate the same result regardless of which standard was applied.⁹³

The *DSU Medical* en banc court resolved the confusion by adopting the higher *Manville Sales* definition of intent. Proof of inducement under Section 271(b) of the Patent Act requires that the patentee show “the alleged infringer’s actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.”⁹⁴ This decision had the (perhaps unintended) effect of heightening the incentive to seek a patent opinion.

The patentee in *DSU Medical* sued two defendants, JMS and ITL, for infringing patents on a needle guard assembly. ITL made “open” needle guard assemblies abroad, and sold them to JMS for distribution in the U.S. The open needle guard assemblies had to be “closed” in order for patent infringement to occur. JMS closed the guards around the assemblies before importing them and selling them to U.S. customers. Evidence at trial showed that ITL knew of the patent and intended that JMS complete the assembly by closing the guards. ITL, however, presented evidence that it did not intend to infringe. The jury found JMS liable for direct infringement (a strict liability offense), but did not find ITL liable for inducement because of lack of intent.

The Federal Circuit affirmed this finding, noting several facts that evidenced a lack of intent on ITL’s part to induce infringement by JMS: (1) ITL had consulted an Australian attorney, who had opined that the product did not infringe; (2) ITL had obtained letters from U.S. patent counsel opining that the product did not infringe; and (3) one of the owners of ITL had participated in the design of the product and testified that ITL had no intent to infringe.⁹⁵ The court concluded that “on 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.”⁹⁶

Thus, although *DSU Medical* did not directly address the role of patent opinions in determining the intent necessary to support a finding of inducement liability,⁹⁷ the decision implicitly suggested that the presence of such opinions could negate the finding of the requisite intent to support imposition of inducement liability. This suggestion, combined with the heightened standard of intent adopted by the en banc court, elevated the role of patent opinions in inducement cases,

although the extent of this elevation was uncertain. One subsequent lower court held that non-infringement opinions of counsel are probative, but not dispositive, regarding lack of intent to infringe.⁹⁸ Another found that the presence of a non-infringement opinion of counsel was sufficient evidence of lack of intent to overcome a patentee's motion for summary judgment.⁹⁹

A more critical question remain unresolved by *DSU*, however. While obtaining a patent opinion could obviate inducement liability, would failure to obtain such an opinion imply such liability (i.e., was there a "negative inference" in this area)? The issue was explored further by the Federal Circuit in 2008, in *Broadcom Corp. v. Qualcomm Inc.*,¹⁰⁰ which addressed the intersection of *Seagate* and *DSU Medical*.¹⁰¹

B. *Broadcom Corp.*

In *Broadcom Corp v. Qualcomm Inc.*, a panel of the Federal Circuit held that a jury can consider failure to obtain an opinion of counsel in deciding whether the defendant had the necessary intent to induce infringement.¹⁰² The timing of the case is significant. Qualcomm was found liable at trial for direct and induced infringement of Broadcom's patent and was assessed damages of \$20 million. Ten days after the trial court denied all of Qualcomm's post-trial motions, the Federal Circuit issued its opinion in *Seagate*. *Broadcom* was thus being considered by the trial and appellate courts during a period in which the rules regarding patent opinions were in flux.

Qualcomm's position on appeal was that *Seagate* made patent opinions irrelevant in the context of inducement as well as in the context of willfulness. Qualcomm argued that it had not sought non-infringement opinions because it had already received invalidity opinions for each patent.¹⁰³ However, Qualcomm elected not to waive the attorney-client privilege and rely upon those invalidity opinions during litigation.¹⁰⁴ Rather, Qualcomm argued that the opinion of counsel was no longer relevant to inducement. It contended that the specific intent for proving inducement under *DSU Medical* was higher than the willfulness standard under *Seagate*, and so opinion of counsel, which is irrelevant to willfulness, should be irrelevant to specific intent as well.¹⁰⁵ Broadcom countered that patent opinions were one factor to consider among many and that *Seagate* did not address the standard of intent for inducement, much less rule that the presence or absence of such letters was irrelevant to the intent inquiry.¹⁰⁶

The *Broadcom* panel explained that while Qualcomm was correct in asserting there is no affirmative duty to seek a patent opinion and that no adverse inference may be drawn from failure to obtain an opinion with regard to determinations of willfulness, Qualcomm was incorrect in arguing that *Seagate* altered the intent standard for inducement.¹⁰⁷ *DSU Medical* required specific intent to encourage another's infringement. Specific intent, in turn, means "knew or should have known that [the] actions would induce actual infringements."¹⁰⁸ Opinion-of-counsel evidence is relevant to whether a defendant knew or should have known his actions would lead to direct infringement, although the court emphasized such evidence should be considered "along with other factors."¹⁰⁹ Moreover, the court stated, failure to obtain an opinion may also be "probative of intent in this context."¹¹⁰ The court explained: "It would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function, . . . and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe."¹¹¹

The *Broadcom* panel in effect created an adverse inference (albeit a perhaps weak one) for patent opinions in the inducement context, even though the *Knorr-Bremse* en banc court had rejected such an adverse inference in the willfulness context. The explanation for this seeming dichotomy might lie in the role that enhanced damages play in patent law. In his dissent in *Knorr-Bremse*, Judge Dyk argued that enhanced damages are a form of punitive damages and punitive damages, under Federal Circuit precedent, require "reprehensible behaviour."¹¹² Although Judge Dyk did not carry the day on that point with the *Knorr-Bremse* majority, Federal Circuit precedent does take a cautious view of punitive damages. To the extent that a willfulness determination carries such overtones, it is not surprising the court is wary. Inducement, however, carries no such punitive damages connotations, and so might make the court more amenable to the creation and application of adverse inferences.

C. *SEB S.A. / Global-Tech*

In 2010, a panel of the Federal Circuit addressed the issue of the standard of knowledge for inducement of infringement, holding that "deliberate indifference" to potential patent rights is sufficient to satisfy the knowledge requirements for induced infringement. *SEB S.A. v. Montgomery Ward & Co.*¹¹³ involved a dispute over a patented deep fryer marketed by SEB in the United States through a subsidiary. Pentalpha, a manufacturer of household appliances, studied several deep fryers sold in Hong Kong, including a SEB deep fryer that did not carry U.S. patent markings. Pentalpha sought, and received, a "right-to-use" opinion from a U.S. patent attorney that its deep fryer would not infringe any U.S. patent before marketing its product. However, Pentalpha did not disclose to the attorney the deep fryers it had examined or copied in making its own product. Pentalpha then sold its deep fryers overseas to three U.S. retailers, who imported them into the United States. At trial, the jury found that Pentalpha was liable for both willful infringement and inducement of infringement. Pentalpha appealed.

The appellate court affirmed the trial court's decision that Pentalpha was liable for inducement of infringement under Section 271(b), finding that Pentalpha's "deliberate indifference of a known risk" regarding whether its product might infringe a patent satisfied the state of mind element for actively inducing infringement under the Patent Act.¹¹⁴ One issue presented in *SEB* was whether actual knowledge of existing patent rights was required before a party could be liable for inducement to infringe. The Federal Circuit interpreted Section 271(b) as meaning that "the standard of deliberate indifference . . . is not different from actual knowledge, but it is a form of actual knowledge."¹¹⁵ The Federal Circuit explained: "[D]eliberate indifference' is not necessarily a 'should have known' standard. The latter implies a solely objective test, whereas the former may require a subjective determination that the defendant knew of and disregarded the overt risk that an element of the offense existed."¹¹⁶

For purposes of this paper, however, the important question raised by *SEB* is what role does opinion of counsel play in the determination of inducement liability? The *SEB* panel found that "Pentalpha deliberately disregarded a known risk that SEB had a protective patent."¹¹⁷ The court explained that the *DSU Medical* "knowledge of the patent" requirement is met by either (1) actual knowledge of the patent or (2) deliberate indifference" to the existence of the patent.¹¹⁸

Unlike the situation in *DSU Medical*, there was no direct evidence in *SEB* that the accused infringer had actual knowledge of the patent. However, Pentalpha had purchased and copied a SEB deep fryer. Although it hired a patent attorney to conduct a "right-to-use study," it did not inform the attorney that it had copied SEB's product. The Federal Circuit noted: "A failure to inform one's counsel of copying would be highly suggestive of deliberate indifference in most circumstances."¹¹⁹ It certainly suggests that the patent opinion obtained and relied upon by Pentalpha was less than fully-informed. Moreover, Pentalpha's president was knowledgeable about U.S. patent law, and Pentalpha and SEB had had an earlier business relationship involving patented products. Finally, Pentalpha produced no exculpatory evidence indicating that it believed there were no patents covering the accused product other than the fact that the product it purchased in Hong Kong had no U.S. patent markings (and the court apparently saw no reason that a product sold in Hong Kong would carry such markings).¹²⁰ Thus, the court found, there was sufficient evidence in the record that Pentalpha had deliberately ignored the risk that SEB had a patent.

SEB's treatment of patent opinions is instructive. The case does not present an adverse inference scenario as seen in *Broadcom*, because the accused inducer in *SEB* had indeed sought opinion of counsel. However, that opinion was not fully-informed, as Pentalpha had withheld key facts from patent counsel. In effect, the *SEB* appellate court was making the point that obtaining opinion of counsel is not a mere checklist item that will absolve the client of the necessary intent to support inducement liability.

The U.S. Supreme Court granted certiorari and issued its decision in *Global-Tech Appliances, Inc. v. SEB, S.A.*,¹²¹ on May 31, 2011. The Court held that "induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement."¹²² The accused infringer, Pentalpha, was found to have had "knowledge" under the doctrine of willful blindness,¹²³ a doctrine imported by the Court from criminal law that holds "that defendants cannot escape the reach of these statutes by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances."¹²⁴

As the *Global-Tech* Court noted, the accused infringer's failure to fully inform its patent counsel about the inventions it had copied supported the finding of willful blindness. This doctrine requires: "(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning that fact."¹²⁵ Thus, "a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts."¹²⁶

Although the Federal Circuit's test was too lax, requiring only a "known risk" of infringing acts of inducement and a "deliberate indifference" to that risk,¹²⁷ the Supreme Court nonetheless found the evidence supported a finding that the accused infringer, Pentalpha, was liable for inducement under the Court's higher standard. Pentalpha's failure to fully inform its patent counsel about its copying activities before seeking a right-to-use opinion was critical in this regard:

On the facts of this case, we cannot fathom what motive [Pentalpha's CEO and president John] Sham could have had for withholding this information other than to manufacture a claim of plausible deniability in the event that his company was later accused of patent infringement.¹²⁸

The *Global-Tech* Court did not set out to address the role of patent counsel in inducement cases, nor did it set forth a rule that fully-informed patent counsel opinions are needed to overcome a finding of willful blindness in inducement cases. One could easily imagine a scenario in which an accused infringer did not seek a patent counsel opinion and yet nonetheless could not be said to be willfully blind to facts showing knowledge of inducement. However, *Global-Tech* does make it clear that a failure to fully inform patent counsel of the facts before seeking such opinions can create the requisite knowledge needed to support a finding of inducement of patent infringement.

IV. THE "AMERICA INVENTS ACT"

Willfulness and enhanced damages have played a large role in the pending patent reform legislation of the 112th Congress. S. 23, the Patent Reform Act, as reported, would have added the following language to the Patent Act:

The court may increase damages up to 3 times the amount found or assessed if the court or the jury, as the case may be, determines that the infringement of the patent was willful. Increased damages under this subsection shall not apply to provisional rights under section 10154(d). Infringement is not willful unless the claimant proves by clear and convincing evidence that the accused infringer's conduct with respect to the patent was objectively reckless. An accused infringer's conduct was objectively reckless if the infringer was acting despite an objectively high likelihood that his actions constituted infringement of a valid patent, and this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer.¹²⁹

This language in effect would have codified the holding of *Seagate*. It also limited the awarding of enhanced damages to cases involving willful infringement—a limitation not explicitly found in existing Patent Act language, which simply provides for the possible increase in damages of up to three times. In practice, however, the Federal Circuit's precedent had evolved a standard that essentially defined "willful infringement" in terms of "objective recklessness," and so this language could be viewed as a mere codification of existing jurisprudence.¹³⁰

However, this language was deleted by amendment from the version reported out from the Senate Judiciary Committee to the full Senate and more subdued language was substituted, in effect proposing a new section 298 to the Patent Act as follows:

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.¹³¹

On March 8, 2011, the Senate passed, in a 95-5 vote, S.23 containing this language. On April 14, 2011, the House Committee on the Judiciary approved identical language in section 16 of H.R. 1249.¹³²

As explained in a Congressional Service Research report on the proposed legislation,¹³³ existing doctrine regarding willful infringement of patents "has proven controversial."¹³⁴ As the report notes:

Some observers believe that this doctrine ensures that patent rights will be respected in the marketplace. Critics of the policy believe that the possibility of trebled damages discourages individuals from reviewing issued patents. Out of fear that their inquisitiveness will result in multiple damages, innovators may simply avoid looking at patents until they are sued for infringement. To the extent this observation is correct, the law of willful infringement discourages the dissemination of technical knowledge, thereby thwarting one of the principal goals of the patent system. Fear of increased liability for willful infringement may also discourage firms from challenging patents of dubious validity.¹³⁵

Although we await adoption and enactment of the final legislation, it is interesting to note that the more subdued language adopted by the Senate and the House Judiciary Committee again codifies the Federal Circuit's rulings barring the use of a negative inference for willfulness cases. The language goes a step further, however, by also barring the weak negative inference created by the *Broadcomm* court in the context of inducement.

IV. CONCLUSION

The Federal Circuit's recent decisions regarding the role of patent opinions are inconsistent. Although the presence or absence of an opinion is no longer conclusive evidence of the presence or absence of willful infringement, the existence of such a letter can be used as evidence to negate the intent necessary to support a finding of willfulness. And, if willfulness is found, the presence or absence of an opinion can affect the imposition of enhanced damages.

By contrast, if the accused infringer is faced with potential inducement liability, the opinion has a heightened value because its presence helps show that the accused inducer is not deliberately indifferent to the existence of the patent. Moreover, the absence of an opinion in this context can create the kind of adverse inference that leads to liability that was rejected by the Federal Circuit in the willfulness arena. Thus, patent opinions now play a larger role in inducement cases than they do in willful cases—but their impact can be substantial in both settings.

In light of these developments, what advice should the legal profession give businesses about the role of patent opinions and their relevancy to business practices? Patent opinions are not cheap. The reported median cost of a validity

opinion in 2008 was \$12,000; the reported median cost of infringement opinion in 2008 was \$10,000.¹³⁶ Complicated opinions can cost in excess of \$100,000, however.¹³⁷ Chief Justice Newman warned in his concurrence in *Knorr-Bremse* of the “disproportionate burdens” that a “per se rule that every possible related patent must be exhaustively studied by expensive legal talent” would place on “otherwise law-abiding commercial enterprise.”¹³⁸ Opinion costs can mount rapidly for a business that is operating in a patent-dense field and is thus faced with a number of potentially infringing patents that must be investigated.

Yet the cost of patent opinions is dwarfed by the monstrous cost of patent litigation in the U.S. courts. Reported median costs of litigation in 2008 where less than \$1 million was at stake was \$650,000.¹³⁹ Where more than \$25 million was at stake, those median costs rose to \$5.5 million.¹⁴⁰ Given these numbers, perhaps the best advice that can be given to businesses operating in the U.S. is to err on the side of caution and to seek a patent opinion whenever reasonable doubt about potential liability exists.

At first glance, this advice smacks of a full-employment measure for the patent bar, rather than sound business and legal strategy. And yet, there is a greater societal good to be had from encouraging potential infringers to seek competent legal advice before proceeding with dubious activities. Patent opinions help ensure that businesses will take a serious look at the potential existence and impact of the patents of others before acting. This practice leads to greater protection for patent holders, and a greater overall respect for intellectual property rights – the same goal espoused by Congress when it created the Federal Circuit in 1982.¹⁴¹

¹ As described by the World Intellectual Property Organization (“WIPO”): “In general, an application for a patent must be filed, and a patent shall be granted and enforced, in each country in which you seek patent protection for your invention, in accordance with the laws of that country.” *Frequently Asked Questions(FAQs)*, “How can a patent be obtained worldwide,” available at www.wipo.int/patentscope/en/patents_faq.html#rights In the United States, 35 U.S.C. § 271 sets forth the parameters of patent-infringing behavior and explicitly limits infringement to activity occurring “within the United States.” See generally Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Laws*, 39 WM. & MARY L. REV. 2119 (2008).

² 35 U.S.C. § 271(a) (setting forth parameters for direct patent infringement liability).

³ For a brief overview, see Matthew D. Thayne, *What Every Business Executive and In-House Attorney Should Know about Obtaining and Using Patent Opinions*, INTELL. PROP. TODAY, June 2009, at 31, 31. A more detailed overview can be found at MARK J. THRONSON, ET AL., *INTELLECTUAL PROPERTY LEGAL OPINIONS* § 1.04 (2d ed. 2010).

⁴ Thayne, *supra* note 2, at 31.

⁵ *Id.*

⁶ *Id.*

⁷ 35 U.S.C. §§ 1-376.

⁸ *Id.* § 284 (“the court may increase the damages up to three times the amount found or assessed”).

⁹ *Id.* § 285 (“the court in exceptional cases may award reasonable attorney fees to the prevailing party”). The Federal Circuit has determined that willful infringement may render a case “exceptional.” See, e.g., *Modine Mfg. Co. v. The Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir.1990).

¹⁰ See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 479, 508 (1961); *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991).

¹¹ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1368 (Fed. Cir. 2007).

¹² Section 284 provides that “the court may increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284.

¹³ See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 232 (2004) (finding that over 90% of patent infringement complaints allege willfulness).

¹⁴ *Id.* at 237.

¹⁵ *Id.*

¹⁶ 717 F.2d 1380 (Fed. Cir. 1983).

¹⁷ *Id.* at 1389-90.

¹⁸ *Id.* at 1369.

¹⁹ *Knorr-Bremse Systeme-Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc) (citing *Advisory Committee on Industrial Innovation Final Report*, Dep’t of Commerce (Sept. 1979)).

²⁰ *Underwater Devices*, 717 F.2d at 1385 (Fed. Cir. 1983) (quoting attorney memorandum to client).

²¹ *Id.* at 1389-90(citations omitted).

²² 793 F.2d 1565 (Fed. Cir. 1986).

²³ *Id.* at 1580.

²⁴ 853 F.2d 1568 (Fed. Cir. 1988).

²⁵ *Id.* at 1572-73 (quoted in *Knorr-Bremse*, 383 F.3d at 1343).

²⁶ 383 F.3d 1337 (Fed. Cir. 2004) (en banc).

²⁷ *Id.* at 1345.

²⁸ *Id.* at 1344.

²⁹ *Id.* at 1340.

³⁰ *Id.* at 1347.

³¹ *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1980) (quoted in *Knorr-Bremse*, 383 F.3d at 1344).

³² *Id.* (quoted in *Knorr-Bremse*, 383 F.3d at 1344).

³³ *Id.* (quoted in *Knorr-Bremse*, 383 F.3d at 1344).

³⁴ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1372 (Fed. Cir. 2007).

³⁵ *In re Martin Marietta Corp.*, 856 F.2d 619, 624 (4th Cir. 1988) (quoted in *Seagate*, 497 F.3d at 1375).

³⁶ *Seagate*, 497 F.3d at 1375.

³⁷ 383 F.3d at 1344.

³⁸ *Id.*

³⁹ *Id.* at 1345.

⁴⁰ *Id.*

⁴¹ *Id.* (quoting *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993)). Judge Dyk wrote a spirited dissent. *See* 383 F.2d at 1348-52 (Dyk, J., dissenting).

⁴² 383 F.3d at 1346.

⁴³ *Id.* at 1341.

⁴⁴ 448 F.3d 1294 (Fed. Cir. 2006).

⁴⁵ *Id.* at 1299.

⁴⁶ *Id.* at 1299, 1302-03.

⁴⁷ 497 F.3d 1360 (Fed. Cir. 2007).

⁴⁸ *Id.* at 1366.

⁴⁹ *Id.* at 1366-67.

⁵⁰ *Id.* at 1369-70.

⁵¹ *Hickman v. Taylor*, 329 U.S. 495, 510-11 (1947) (quoted in *Seagate*, 497 F.3d at 1373).

⁵² 497 F.3d at 1374.

⁵³ *Id.* at 1376.

⁵⁴ *Id.* at 1368-69 (quoting *Underwater Devices*, 717 F.2d at 1389-90).

⁵⁵ *Id.* at 1371.

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.* at 1374.

⁶⁰ *Id.* at 1371. The *Seagate* court expressed stated that the court left “it to future cases to further develop the application of this standard.” *Id.* Post-*Seagate* courts have considered a number of factors, such as evidence of copying, receipt of cease and desist letters, and knowledge received during licensing negotiations, in determining whether the accused infringers knew or should have known of the objectively high likelihood of infringement. *See* Randy R. Micheletti, Note, *Willful Patent Infringement After In re Seagate: Just What is “Objectively Reckless” Infringement?*, 84 CHI.-KENT L. REV. 975, 994-97 (2010).

⁶¹ 497 F.3d at 1369 (citation omitted).

⁶² *See* *Presidio Components Inc. v. Am. Technical Ceramics Corp.*, 723 F.Supp. 2d 1284, 1324 (S.D. Cal. 2010) (“the Federal Circuit did *not* hold [in *Seagate*] that failure to obtain opinion of counsel was legally irrelevant”).

⁶³ *See* *ACCO Brands, Inc. v. ABA Locks Mfr. Co.*, 501 F.3d 1307, 1312-13 (Fed. Cir. 2007); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992).

⁶⁴ *Presidio*, 723 F. Supp. 2d at 1324-25 (citing *Finjan Software, Ltd. v. Secure Computing Corp.*, C.A. No. 06-369 (GMS), 2009 U.S. Dist. LEXIS 72825, 2009 WL 2524495, at *15 (D. Del. Aug. 18, 2009) (“While there is no longer an affirmative duty of care that requires an accused infringer to obtain an opinion of counsel, the fact that Secure did not seek any such opinion may be considered in the totality of circumstances surrounding willful infringement.”); *Creative Internet Adver. Corp. v. Yahoo! Inc.*, No. 6:07cv354, 2009 U.S. Dist. LEXIS 65690, 2009 WL 2382132, at *5 (E.D. Tex. July 30, 2009) (noting that while it is not determinative, “the lack of opinion of counsel is one factor of many that the jury could have taken into account in determining whether Defendant willfully infringed”); *GSI Group, Inc. v. Sukup Mfg. Co.*, 591 F. Supp. 2d 977, 981 (C.D. Ill. 2008) (“An alleged infringer’s decision not to secure an opinion is relevant to show willfulness, but an alleged infringer is not required to secure an attorney opinion letter before marketing a device to avoid a claim of willfulness.”); *Energy Transp. Group, Inc. v. William Demant Holding A/S*, C.A. No. 05-422 GMS, 2008 U.S. Dist. LEXIS 845, 2008 WL 114861, at *1 (D. Del. Jan. 7, 2008) (denying accused infringer’s motion in limine and concluding 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”); *Cohesive Tech., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 103 (D. Mass 2007) (noting that “whether the infringer solicited or followed the advice of counsel” was one of the

factors to be considered in determining willfulness), *vacated in part & rev'd in part on other grounds*, 543 F.3d 1351, 1374 (Fed. Cir. 2008)).

⁶⁵ *Presidio*, 723 F.Supp. 2d at 1325 (citing *Spectrallytics, Inc. v. Cordis Corp.*, No. 05-CV-1464 (PJS/RLE), 2009 U.S. Dist. LEXIS 114575, 2009 WL 3851314, at *4 (D. Minn. Jan. 13, 2009) (granting motion in limine excluding evidence and argument regarding opinion of counsel, including with respect to the issue of willful infringement); *Anascape, Ltd. v. Microsoft Corp.*, No. 9:06-CV-158, 2008 U.S. Dist. LEXIS 111828, 2008 WL 7182476, at *4 (E.D. Tex. Apr. 25, 2008) (noting that "the failure to obtain opinion of counsel is not a factor supporting willful infringement").

The *Presidio* court ultimately determined that: "Having considered the issue, the Court agrees with what appears to be the majority view post-*Seagate* that lack of opinion of counsel, while not giving rise to an adverse inference, is still a factor that the jury *can* consider when applying the "totality of the circumstances" approach with respect to willfulness of infringement. 723 F. Supp. 2d at 1325.

⁶⁶ 589 F.3d 1246 (Fed. Cir. 2009). The Supreme Court granted certiorari in *i4i* to address the question of whether invalidity must be proven by "clear and convincing" evidence when allegedly invalidating prior art was not before the PTO during prosecution. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 647 (2010) (oral argument held April 18, 2011).

⁶⁷ 589 F.3d at 1273.

⁶⁸ 970 F.2d 816 (Fed. Cir. 1992).

⁶⁹ *Id.* at 827. The remaining factors are: (1) "whether the infringer deliberately copied the ideas or design of another"; (2) "the infringer's behavior as a party to the litigation"; (3) "Defendant's size and financial condition"; (4) "closeness of the case"; (5) "duration of Defendant's misconduct"; (6) "Remedial actions by the defendant"; (7) Defendant's motivation for harm"; and (8) "whether defendant attempted to conceal its misconduct." *Id.* (citations omitted).

⁷⁰ 589 F.2d at 1274-75. *See also* *Finjan Software, Ltd. v. Secure Computing Corp.*, 2009 U.S. Dist. LEXIS 72825 (D. Del. Aug. 18, 2009) (enhancing damages because accused infringer copied the patented product and failed to obtain a patent opinion); *Wordtech Sys., Inc. v. Integrated Network Solutions, Inc.*, 2009 U.S. Dist. LEXIS 31348 (E.D. Cal. Apr., 10, 2009) (same).

⁷¹ 2010 WL 114005, *2 (S.D. Cal. Jan. 6, 2010).

⁷² 2009 WL 113771, *2-*3 (E.D. Cal. Jan.15, 2009).

⁷³ 2007 WL 788418, *1-*2 (M.D. Fla. March 14, 2007), *aff'd*, 546 F.3d 1354, 1380-81 (Fed. Cir. 2008).

⁷⁴ *See* *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) ("Liability for either active inducement or infringement or contributory infringement is dependent upon the existence of direct infringement.").

⁷⁵ Lynda J. Oswald, *International Issues in Secondary Liability for Intellectual Property Rights Infringement*, 45 AM. BUS. L. J. 247, 253-55 (2008).

⁷⁶ *See id.* at 254 (citations omitted).

⁷⁷ *See generally* Charles W. Adams, *A Brief History of Indirect Liability for Patent Infringement*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 369, 371-72 (2006).

⁷⁸ *See* Lynda J. Oswald, *The Intent Element of "Inducement to Infringe" Under Patent Law: Reflections on Grokster*, 13 MICH. TELECOMM. & TECH. L. REV. 225, 227-28 (2006).

⁷⁹ *See* 5 DONALD CHISUM, CHISUM ON PATENTS, § 17.02(1) (2006).

⁸⁰ 35 U.S.C. § 271(a).

⁸¹ *See* *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 n.2 (Fed. Cir. 1996) ("Infringement itself . . . is a strict liability offense . . ."); *Intel Corp. v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 823 (Fed. Cir. 1991) ("[T]here is no intent element to *direct* infringement.").

⁸² *Id.* § 271(c).

⁸³ *Id.* § 271(b).

⁸⁴ *Id.*

⁸⁵ 471 F.3d 1293 (Fed. Cir. 2006 en banc).

⁸⁶ *Id.* at 1304. The other issues in the case were decided in a traditional panel opinion.

⁸⁷ *Insituform Techs. Inc. v. CAT Contracting, Inc.*, 1612 F.3d 688, 695 (Fed. Cir. 1998).

⁸⁸ 909 F.2d 1464, 1469 (Fed. Cir. 1990).

⁸⁹ 917 F.2d 544, 553 (Fed. Cir. 1990).

⁹⁰ *Id.*

⁹¹ *See, e.g.,* *Metabolite Lab, Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1365 (Fed. Cir. 2004); *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1273 (Fed. Cir. 2004).

⁹² *See, e.g.,* *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363-64 (Fed. Cir. 2003); *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1305 (Fed. Cir. 2002).

⁹³ *See, e.g.,* *MEMB Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377-78 (Fed. Cir. 2005).

A good summary of the different impacts that the two standards had in cases involving opinions of counsel is provided in Michael N. Rader, *Toward a Coherent Law of Inducement to Infringe: Why the Federal Circuit Should Adopt the Hewlett-Packard Standard for Intent Under §271(b)*, 10 FED. CIR. B.J. 299, 320-26 (2000-01).

⁹⁴ 471 F.3d at 1306 (quoting *Manville Sales Corp.*, 917 F.2d at 553).

⁹⁵ *Id.* at 1307.

⁹⁶ *Id.*

⁹⁷ For a discussion of *DSU*'s holding on the requisite intent for inducement, as well as a discussion of subsequent lower court opinions on that issue, see Vivian Lei, *Is the Doctrine of Inducement Dead?*, 50 IDEA 875 (2010).

⁹⁸ See *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 531 F. Supp. 2d 1084, 1113 (N.D. Cal. 2007).

⁹⁹ See *Vnus Med. Techs., Inc. v. Diomed Holdings, Inc.*, 2007 U.S. Dist. LEXIS 76499, at *4-6 (N.D. Cal. Oct. 2, 2007) (denying patentee's motion for summary judgment of induced infringement because: (1) "each defendant has offered evidence that it sought and obtained the opinion of counsel, who, in each instance provided an opinion the accused products did not infringe and/or the patents were invalid" and (2) "each defendant has offered evidence that in reliance on the opinion of its counsel, it continued to sell the accused products").

¹⁰⁰ 543 F.3d 683 (Fed. Cir. 2008).

¹⁰¹ *Id.* at 697.

¹⁰² *Id.* at 698.

¹⁰³ *Id.* at 697.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at 698-99.

¹⁰⁶ *Id.* at 697.

¹⁰⁷ *Id.* at 699.

¹⁰⁸ *Id.* (emphasis in original) (quoting *DSU Medical*, 471 F.3d at 1306).

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *Knorr-Bremse*, 383 F.3d at 1348 (Dyk, J., dissenting).

¹¹³ 594 F.3d 1360 (Fed. Cir. 2010), *aff'd sub nom.*, *Global-Tech Appliances, Inc. v. SEB, S.A.*, 563 U.S. ____ (May 31, 2011).

¹¹⁴ *Id.* at 1377. Pentalpha subsequently filed a motion for rehearing en banc, which was denied.

¹¹⁵ *Id.*

¹¹⁶ *Id.* at 1376.

¹¹⁷ *Id.* at 1377.

¹¹⁸ *Id.* at 1376-77.

¹¹⁹ *Id.* at 1377.

¹²⁰ *Id.* at 1378.

¹²¹ 563 U.S. ____ (May 31, 2011).

¹²² *Id.*, slip op. at 10.

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ *Id.* at 13 (footnote omitted).

¹²⁶ *Id.* at 14.

¹²⁷ *Id.*

¹²⁸ *Id.* at 15.

¹²⁹ Patent Reform Act of 2011, S. 23, 112th Cong., 1st sess., sec. 4 (as introduced) (proposed language to modify 35 U.S.C. § 284).

¹³⁰ See, e.g., *Seagate*, 497 F.3d 1360; *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991).

¹³¹ S. 23, 112th Cong., 1st Sess. (2011).

¹³² H.R. 1249, 112th Cong., 1st Sess., sec. 16 (2011).

¹³³ U.S. Congressional Research Service. Patent Reform in the 112th Congress: Innovation Issues (R41638; March 9, 2011), by Wendy H. Schacht & John R. Thomas, *available at* http://ipmall.info/hosted_resources/crs/R41638_110309.pdf; Accessed: April 17, 2011.

¹³⁴ *Id.* at 14.

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ See Moore, *supra* note 13, at 228 n.5.

¹³⁸ *Knorr-Bremse*, 717 F.2d at 1385.

¹³⁹ AIPLA, REPORT OF THE ECONOMIC SURVEY 2009, at p. 29

¹⁴⁰ *Id.*

¹⁴¹ *See supra* note 19 and accompanying text.