

# Willful Infringement: What Role Does An Opinion Of Counsel Play?

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With the increased importance of intellectual property, it is not surprising that there has been a continual increase in patent infringement suits being filed. One primary catalyst for this renewed interest is the increasing size of verdicts, which may be further amplified in the event of willful infringement. Indeed, when infringement is willful, compensatory damages may be trebled<sup>1</sup> and the prevailing patentee awarded attorney's fees.<sup>2</sup>

To rebut a charge of willful infringement, the accused infringer must demonstrate that – under the given circumstances – he satisfactorily discharged his affirmative duty of exercising due care to avoid patent infringement.<sup>3</sup> Traditionally, an opinion letter was necessary to rebut a charge of willful infringement,<sup>4</sup> and a failure to introduce evidence of an exculpatory opinion of counsel resulted in a negative inference.<sup>5</sup> However, in *Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp.*,<sup>6</sup> the U.S. Court of Appeals for the Federal Circuit (hereinafter Federal Circuit) reversed that long-standing precedent.<sup>7</sup> *Knorr-Bremse*, however, did not answer the question of “whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted (albeit without any inference as to the nature of the advice received) as part of the totality of the circumstances relevant to the question of willful infringement.”<sup>8</sup> Also left unanswered was what role opinions of counsel should play in a patent infringement suit.<sup>9</sup> A very recent Federal Circuit decision provides some guidance.<sup>10</sup>

## General State of Law After *Knorr-Bremse*

*Knorr-Bremse* held that no adverse inference should result from a party's failure to consult counsel or invocation of attorney-client privilege. Of course, 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.”<sup>11</sup>

Patent infringement is willful if, at the time of the infringing activity, the accused infringer has no reasonable basis for believing that he has a right to practice the patented invention.<sup>12</sup> In determining whether there was a reasonable basis, courts apply a “totality of the circumstances” test<sup>13</sup>, taking into account the alleged infringer's conduct, intent and adherence to the duty of care. This requires looking at “exculpatory evidence as well as evidence tending to show deliberate disregard of [the patentee's] rights.”<sup>14</sup> Thus, a court must compare factors rendering the infringer's conduct more culpable with factors that are mitigating.<sup>15</sup> While the relevant factors may vary from case-to-case, the Federal Circuit has suggested

considering the following factors: deliberate copying by the accused infringer, the infringer's investigation and good faith belief of invalidity or non-infringement, litigation conduct by the accused infringer, the duration of the infringer's misconduct, the extent of any remedial actions taken by the infringer, the infringer's motivation for harm and the infringer's attempt to conceal its misconduct.<sup>16</sup>

## *Golden Blount, Inc. v. Robert H. Peterson Co.*

### a. The District Court Findings

In *Golden Blount*, the district court found that the defendant, Robert H. Peterson Co., willfully infringed Golden Blount's patent related to fireplace burners.<sup>17</sup> The district court's finding was based on the fact “that in the two and one-half years after Peterson received notice of the patent, Peterson never obtained a written opinion of counsel.”<sup>18</sup> Instead, Peterson obtained oral opinions which “were rendered without counsel having examined either the patent's prosecution history or the accused device.”<sup>19</sup> The district court was further troubled by Peterson's reliance on its counsel's opinion based on the unproven representation of its employee that the invention had been around for twenty to thirty years, while doing little to determine whether it was truly infringing or not, until after suit was filed.<sup>20</sup> The district court concluded that Peterson was unconcerned about paying damages, because the infringement lawsuit was not “a very meaningful case dollarwise.”<sup>21</sup>

The district court found that the opinions were “to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent.”<sup>22</sup> Based on these facts, Peterson's infringement was found to be willful and Golden Blount was awarded treble damages and attorney's fees.<sup>23</sup>

### b. The Federal Circuit Affirmance

Peterson challenged the district court's finding of willful infringement on two grounds. First, Peterson argued that the district court improperly drew an adverse inference prohibited by *Knorr-Bremse*. Second, Peterson argued that contrary to the district court's finding, it did not act in reckless disregard of the patent despite its failure to obtain a written opinion of counsel, because it held a reasonable, good-faith belief that it did not directly infringe or induce infringement.

Regarding its first argument, Peterson contended that “it had no duty to seek an opinion of counsel (let alone

a competent opinion), and that the district court could not consider whether it obtained an opinion of counsel in evaluating whether it discharged its duty of due care.”<sup>24</sup> Thus, while the lack of a competent opinion might leave it at a disadvantage in disproving willfulness, Peterson contended that this fact could not help Golden Blount make out a *prima facie* case that Peterson acted willfully. That is, because the district court must disregard the opinion-related evidence, the only affirmative evidence of willfulness—that Peterson was motivated by a desire to avoid paying attorney’s fees to Golden Blount if found to willfully infringe—could not prove reckless conduct.<sup>25</sup> The Federal Circuit disagreed.

The Federal Circuit noted that the district court did not infer—as prohibited by *Knorr-Bremse*--that if Peterson had obtained a competent opinion regarding the asserted patent, such opinion would have been unfavorable to Peterson. Instead, the district court’s finding of reckless disregard of Golden Blount’s patent rights by Peterson was based on all of the facts presented by Golden Blount which included evidence regarding “the legal infirmities of the several oral opinions that Peterson obtained.”<sup>26</sup> The Federal Circuit concluded that the competence of those oral opinions and the surrounding facts were relevant to the willfulness issue and properly considered by the district court in addition to the other evidence.<sup>27</sup>

Regarding its second argument, Peterson contended that it did not act in reckless disregard of the patent because it held a reasonable, good-faith belief that it did not directly infringe and that its user instructions did not induce infringement. The Federal Circuit rejected this argument, in part, because “Peterson made little-to-no effort to assess whether it infringed or whether the patent was invalid after receiving notice of the patent.”<sup>28</sup> It noted that the district court did not “clearly err” in (1) according little weight to the first two oral opinions because Peterson’s patent attorney did not review the prosecution history or the accused device when the opinions were given, (2) criticizing Peterson’s reliance on the unproven representation of its employee that the invention had been around for twenty to thirty years, and (3) in inferring that Peterson demonstrated a cavalier attitude toward Golden Blount’s patent rights by failing to respond substantively to Golden Blount’s notice letters and seeking a thorough opinion of counsel only after suit was filed for the sole purpose of avoiding a willfulness finding.<sup>29</sup>

### Where Do We Stand Now

After *Knorr-Bremse* and *Golden Blount*, a potential infringer with actual notice of a patent still has an affirmative duty to exercise due care to determine whether or not he is infringing.<sup>30</sup> Because this duty of care is premised on a “totality of the circumstances,” *Golden*

*Blount* makes it clear that there are plenty of reasons for accused infringers to worry about willful infringement.

The accused infringer’s state of mind at the time of the alleged infringement or the date on which he becomes aware of a patent remains highly relevant.<sup>31</sup> Thus, as a practical matter, written opinions are still very helpful in avoiding willful infringement liability.<sup>32</sup> Indeed, evidence of an infringer’s reliance on a well reasoned and timely opinion of counsel remains the best way to establish one’s belief that his actions were lawful. Moreover, while no adverse inference results from failure to consult counsel after becoming aware of a patent, a plaintiff may nevertheless inform the factfinder about the infringer’s failure to consult counsel as part of evidence evincing infringer’s lack of due care.<sup>33</sup> Thus, despite *Knorr-Bremse*, an accused infringer fails to obtain a written opinion of counsel at his own peril.

Merely obtaining an opinion of counsel is not sufficient, however. In the authors’ view, the result would have been the same in *Golden Blount* if Peterson’s counsel’s opinion had been written instead of oral, given the fact that the prosecution history was not consulted and the accused device was not reviewed. The opinion letter must be “thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable.”<sup>34</sup> A district court judge has succinctly summarized the factors to examine:

when the infringer sought counsel’s advice (before or after commencing the infringing activities); the infringer’s knowledge of the attorney’s independence, skill and competence; the infringer’s knowledge of the nature and extent of analysis performed by counsel in providing the opinion; and whether the opinion contains sufficient internal indicia of credibility, including a validity analysis predicated on a review of the file histories, and an infringement analysis that compares and contrasts the potentially infringing method or apparatus with the patented inventions.<sup>35</sup>

Furthermore, as highlighted by *Golden Blount*, the opinion letter must be obtained as soon as one becomes aware of a patent potentially being infringed. This is because courts are likely to be skeptical of an opinion that suggests that the accused infringer intended to use it only to fight a charge of willful infringement rather than as a good faith attempt to avoid continued infringement.

It goes without saying that if an opinion of counsel is unfavorable, it can still be beneficial to the accused infringer. During litigation and at trial, the accused infringer remains free to invoke attorney-client privilege and refuse to reveal the contents of an unfavorable opinion of counsel from which no inference can

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be drawn. Thus, at the very least, having an opinion of counsel gives the accused infringer an important choice in litigation strategy.

## Conclusion

After *Knorr-Bremse* and *Golden Blount*, while no adverse inference results from a party's failure to consult counsel, such failure can still be revealed to the trier of fact. Therefore, where an accused infringer is charged with willful infringement, a timely opinion of counsel remains a strong piece of evidence in refuting the charge.

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<sup>1</sup> 35 U.S.C. § 284 (“[T]he court may increase the damages up to three times the amount found.”).

<sup>2</sup> 35 U.S.C. § 285 (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”).

<sup>3</sup> See *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001).

<sup>4</sup> See *Vulcan Eng’g Co., Inc. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002) (“The tort of willful infringement arises upon deliberate disregard for the property rights of the patentee. Thus the focus is generally on whether the infringer exercised due care to avoid infringement, usually by seeking the advice of competent and objective counsel, and receiving exculpatory advice.”); *Minnesota Min. and Mfg. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992) (noting that defendant had no reasonable basis to rely on oral opinion because it was oral and not objective, and because oral opinions “carry less weight, for example, because they have to be proved perhaps years after the event, based only on testimony which may be affected by faded memories and the forces of contemporaneous litigation.”).

<sup>5</sup> *Fromson v. Western Litho Plate and Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988) (“Where the infringer fails to introduce an exculpatory opinion of counsel at trial, 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.”).

<sup>6</sup> 383 F.3d 1337 (Fed. Cir. 2004). Because

*Knorr-Bremse* has been amply discussed by legal experts, this article does not provide an in-depth discussion of its facts.

<sup>7</sup> *Id.* at 1341 (holding “that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel.”).

<sup>8</sup> *Knorr-Bremse*, 383 F.3d at 1346-47.

<sup>9</sup> *Id.* at 1352 (Dyk, J., concurring-in-part and dissenting-in-part).

<sup>10</sup> *Golden Blount, Inc. v. Robert H. Peterson Co.*, --- F.3d ---, 2006 WL 335607 (Fed. Cir. Feb. 15, 2006).

<sup>11</sup> *Knorr-Bremse*, 383 F.3d at 1343 (quoting *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)); see also *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993).

<sup>12</sup> See *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1665 (Fed. Cir. 1983).

<sup>13</sup> *Knorr-Bremse*, 383 F.3d at 1342-43.

<sup>14</sup> See *Comark Comm., Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998).

<sup>15</sup> See *Read Corp. v. Portec Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992)

<sup>16</sup> *Id.* at 826-27.

<sup>17</sup> 2006 WL 335607, at \*1.

<sup>18</sup> *Id.* at \*9. <sup>19</sup> *Id.* <sup>20</sup> *Id.*

<sup>21</sup> *Id.* (internal citations omitted).

<sup>22</sup> *Id.* (internal citations omitted).

<sup>23</sup> *Id.* at \*1-2.

<sup>24</sup> *Id.* at \*10.

<sup>25</sup> *Id.* <sup>26</sup> *Id.* at \*12.

<sup>27</sup> *Id.* <sup>28</sup> *Id.* <sup>29</sup> *Id.*

<sup>30</sup> *Knorr-Bremse*, 383 F.3d at 1343; *Golden Blount*, 2006 WL 335607, at \*10.

<sup>31</sup> See *Jurgens v. McKasy*, 927 F.2d 1552, 1562 (Fed. Cir. 1991); accord *Odetics, Inc. v. Storage Technology Corp.*, 185 F.3d 1259, 1276 (Fed. Cir. 1999) (“The proper time to assess willfulness is at the time the infringer received notice.”).

<sup>32</sup> See Ryan H. Coletti, Comment, *Neither Good Knorr Bad: The Federal Circuit’s Decision To Eliminate The “Adverse Inference” In Willful Infringement Determinations Does Not Alleviate The Burden On Accused Patent Infringers*, 1 Seton Hall Cir. Rev. 269, 294-95 (2005); Mark A. Lemley & Ragesh K. Tangri, Ending Patent Law’s Willfulness Game, 18 Berkeley Tech. L.J. 1085, 1115 (2003) (predicting, pre-*Knorr-Bremse*, that while elimination of “adverse inference from failure to disclose an opinion of counsel may be a good idea, . . . [t]he defendant’s best hope of avoiding liability for willfulness is to rely on the advice of counsel.”).

<sup>33</sup> See *Knorr-Bremse*, 383 F.3d at 1346-47 (declining to rule on “the question of whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted (albeit without any inference as to the nature of the advice received) as part of the totality of the circumstances relevant to the question of willful infringement.”); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) (allowing a plaintiff to inform the trier of fact that the accused infringer failed to consult legal counsel).

<sup>34</sup> *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992).

<sup>35</sup> *Thorn EMI North America Inc. v. Micron Technology, Inc.*, 837 F.Supp. 616, 620 (D. Del. 1993).