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Patent Opinions, Willfulness, and Inducement

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Before the Federal Circuit's 2007 *en banc* decision in *In re Seagate Technology, LLC*, 497 F.3d 1360, it was common for companies threatened with patent infringement to get a written opinion from experienced patent counsel. These opinions were considered the best way to establish a company's good faith belief that it did not infringe – evidence that could later be used to prove that the company lacked the intent required to willfully infringe or induce infringement.

Seagate held that to avoid liability for willfulness, an accused infringer must not be "reckless" in the sense that it "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent". 497 F.3d at 1371. Although this changed the willfulness standard, the Court did not fully explain how this new standard would be applied in practice. Recent decisions have begun to fill in the gaps left by *Seagate*. They suggest that a competent opinion is still an effective defense to a willfulness charge, and that a jury may consider a defendant's failure to obtain an opinion when determining the defendant's intent for purposes of willfulness and inducement. Also, legitimate trial defenses may be sufficient to establish that a defendant's actions at the time of infringement were not "objectively reckless."

A competent opinion of counsel is still an effective defense

In *Finisar*, although the defendant DirecTV received a non-infringement opinion, the district court found DirecTV's infringement to be willful, in part because it had not obtained an opinion about the patent's validity, which DirecTV had challenged at trial. The Federal Circuit reversed, holding that a competent opinion of counsel on *either* issue would allow a conclusion that the defendant did not engage in objectively reckless behavior:

[A] competent opinion of counsel concluding either that DirecTV did not infringe the '505 patent *or* that it was invalid would provide a sufficient basis for DirecTV to proceed without engaging in objectively reckless behavior with respect to the '505 patent.

Finisar Corp. v. DirecTV Group, Inc., 523 F.3d 1323, 1339 (2008) (emphasis in original).

This says that a competent opinion (one thorough enough to instill a belief that a court might reasonably hold the patent to be invalid, not infringed, or unenforceable) will, by itself, dispose of the willfulness issue. This may not be a *per se* rule, since the *en banc* Federal Circuit had previously said that consideration of several willfulness factors in the "totality of circumstances" is "preferable to abstracting any factor for *per se* treatment..." *Knorr-Bremse GmbH v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed. Cir. 2004). But at a minimum, the Court's decision in *Finisar* confirms that an opinion remains a highly significant factor to consider in a post-*Seagate* willfulness analysis.

The jury may consider the absence of an opinion

The Federal Circuit's 2004 *en banc* decision in *Knorr-Bremse* held that a defendant's failure to produce an opinion should not result in an inference that if an opinion had been obtained, it would have been "unfavorable". But this does not mean that the absence of an opinion is irrelevant. The Northern District of California allows juries to consider the presence or absence of an opinion when deciding whether a defendant's infringement was willful, and the Federal Circuit recently endorsed this approach in *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (2008).

The *Broadcom* decision held that the presence or absence of an opinion is evidence that may reflect whether a defendant accused of inducing infringement knew that its actions would cause another to directly infringe. To be liable for inducement, a defendant must not only have intended to cause another to perform acts of infringement, it must also have known (or should have known) that those acts constitute infringement. The *Broadcom* panel said that opinions remain relevant to the knowledge of infringement portion of the analysis. The Court further held that the *absence* of an opinion may be introduced as evidence of intent to induce:

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.

543 F. 3d at 699.

In reaching this conclusion, the Court acknowledged the *Knorr-Bremse* rule against adverse inferences, and endorsed the following jury instruction as consistent with that case:

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, under the totality of the circumstances, any infringement by Qualcomm was willful.

Id. at 698 (emphasis in original).

Opinions can be used to defeat charges of willful infringement and inducement by proving that the accused did not have the requisite intent. Although *Knorr-Bremse* prohibits an *inference* that if an opinion had been obtained it would have been negative, this is not the same as preventing the absence of an opinion from being *considered* by the jury.

Legitimate trial defenses may defeat a willfulness charge

The *Knorr-Bremse* Court held that presenting a substantial defense to infringement is one factor to consider in the totality of the circumstances willfulness analysis. *Knorr-Bremse*, 383 F.3d at 1347. The Court in *Seagate* went further, saying that this factor "is likely sufficient [] to avoid . . . a charge of willfulness based upon *post-filing conduct*." *Seagate*, 497 F.3d at 1374 (emphasis added).

Two recent cases have confirmed that legitimate but ultimately unsuccessful defenses presented at trial may be sufficient to defeat a willfulness charge, even one based on *pre-filing conduct*. In the non-precedential 2008 *Black and Decker* decision, the Federal Circuit stated that legitimate defenses presented at trial demonstrate that when the defendant acted – for example, by selling an accused product – there was not an objectively high likelihood that those actions infringed:

As we stated in *Seagate*, the patentee must prove the ‘infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.’ Under this objective standard, 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.

Black and Decker, Inc. v. Robert Bosch Tool Corp., 2008 WL 60501 at **7 (citations omitted).

Similarly, in the 2008 *Cohesive Technologies* case, the court ruled that a reasonable non-infringement theory presented at trial (in this case, concerning the meaning of the term “rigid” in the asserted claim) was sufficient to avoid liability for willfulness:

Because ‘rigid’ was susceptible to a reasonable construction under which Waters’ products did not infringe, there was not an objectively high likelihood that Waters’ actions constituted infringement.

Cohesive Technologies, Inc. v. Waters Corp., 543 F.3d 1351, 1374.

A substantial defense presented at trial may therefore be sufficient in some cases to avoid willfulness. But there is a risk in relying on this factor alone to defend against allegations of willful infringement: jurors could be predisposed against finding the trial defenses “substantial” for the same reason that they rejected the defenses in the first instance. A competent opinion hedges against this risk by providing affirmative evidence that the defendant was not objectively reckless and did not know that its actions would likely infringe.

Conclusion

Seagate makes it more difficult for patent owners to establish that infringement was willful. Defendants may now be able to defeat willfulness allegations merely by emphasizing the strength of their defenses, regardless of whether they knew of those defenses when their infringement began. However, relying solely on the merits of trial defenses is an unnecessary risk: jurors are permitted to consider a defendant’s failure to obtain an opinion, and the Federal Circuit’s recent decisions indicate that pre-litigation opinions of counsel remain compelling evidence of good faith that can be used to defeat allegations of willfulness and inducement.