

NEWSSTAND

Federal Circuit Forces Juries to Draw Fine Lines when Considering Willfulness Issues

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This past September, a three-judge panel of the Federal Circuit rendered a decision that may have rippling effects on how alleged infringers defend against allegations of willful infringement. The opinion in *Broadcom Corp. v. Qualcomm Inc.* may be a significant step in restoring the opinion of counsel as an important, if not required, defense tool.

First, some background. In 2004, after considerable deliberation in an appeal that included two dozen *amicus* briefs, the Federal Circuit held *en banc* in the *Knorr-Bremse* case that there is no legal duty upon a potential infringer to consult with counsel, such that failure to do so will provide an inference or evidentiary presumption that such opinion would have been negative. This was widely interpreted to mean that the failure of a defendant to introduce an opinion from its counsel that it did not infringe the patent in suit (or that the patent was invalid) could no longer be held against the defendant. In other words, the fact finder would no longer be allowed to infer that the missing opinion was not a favorable one when considering whether the defendant's infringement was willful (the willfulness finding, of course, opening the door to trebled damages). *Knorr-Bremse* relieved defendants of much of the burden of deciding whether to waive privilege and introduce non-infringement/invalidity opinions, or maintain the privilege (or save the cost of securing the opinion) and risk the adverse inference.

Broadcom addresses the standards applicable to an issue – inducement – that may be considered conceptually parallel to willfulness, and the decision offers some significant *dicta* on willfulness along the way. *Broadcom* sued *Qualcomm* for infringing three *Broadcom* patents relating to chips and software used in so-called "third generation" (or "3G") cell phone networks. At trial, *Qualcomm* was found liable for both directly infringing and indirectly infringing (by inducing infringement) the three *Broadcom* patents, as well as for willful infringement. The trial court vacated the willfulness verdict, but the verdicts for direct and indirect infringement remained.

Qualcomm appealed on several grounds; one of them was that the Federal Circuit should overturn the indirect infringement verdicts because *Qualcomm* lacked the specific intent necessary to find inducement. In particular, *Qualcomm* took issue with the trial court's jury instruction that the jury "may consider all of the circumstances, *including whether or not Qualcomm obtained the advice of a competent lawyer*" when considering "whether *Qualcomm* knew or should have known that the induced actions would constitute infringement" (emphasis added).

The trial court also adopted instructions pertaining to willfulness. There the court stated that "[t]he absence of a lawyer's opinion, by itself, is insufficient to support a finding of willfulness, and you may not assume that merely because a party did not obtain an opinion of counsel, the opinion would have been unfavorable. *However, you may consider whether Qualcomm sought a legal opinion as one factor in assessing whether, under the totality of the circumstances, any infringement by Qualcomm was willful.*"

The Federal Circuit noted that the trial court's instruction relating to willfulness "comports with our ruling in *Knorr-Bremse*." While not precedential, this comment draws a very fine line: On the one hand, lack of an opinion "by itself" will not support a willfulness finding, and the jury "may not assume" that a missing opinion "would have been unfavorable." On the other hand, the same lack of an opinion may be "one factor" that the jury "may consider" when assessing whether infringement was willful. The jury, it seems, is only required to disregard the absence of an opinion if there is no other evidence of willfulness. Otherwise, the absence of an opinion becomes "one factor" among several that the jury is allowed to consider.

As for inducement of infringement, the Federal Circuit disagreed with Qualcomm that because the trial court dismissed the willfulness claims, it was also required to find no infringement under an inducement theory. The opinion noted that to prove inducement, the patentee needed to establish more than intent to cause the acts that produce direct infringement; it also needed to show that the infringer “knowingly induced infringement and possessed specific intent to encourage another’s infringement.”

This “specific intent,” the Federal Circuit said “may be inferred from all of the circumstances” and could be shown by establishing both that the defendant “intended to cause the acts that constitute the direct infringement,” and that it “knew or should have known that its action would cause the direct infringement.” The existence or absence of an opinion of counsel, as well as other factors, could indicate whether the defendant “‘knew or should have known’ that its actions would cause another to directly infringe.”

Accordingly, the existence or not of an opinion of counsel was relevant to the “specific intent” prong of the intent analysis of inducement infringement claims.

The Federal Circuit is drawing a very thin line in both the willfulness and the inducement case by telling the jury on the one hand that it is not to make an adverse inference where there is no opinion of counsel, but that lack of such an opinion is “one factor” to consider when determining whether infringement (or inducement) standards have been met. Defendants in particular should walk that line with considerable care.