

What Every Business Executive and In-House Attorney Should Know About Obtaining and Using Patent Opinions

BY MATTHEW D. THAYNE OF STOEL RIVES LLP

Mr. Thayne is a patent attorney with Stoel Rives. His practice is focused primarily on assisting clients with navigating patent minefields to avoid patent disputes, resolving patent disputes—including enforcing the rights of patent-holders and defending against charges of infringement—and preparing and prosecuting patent applications. He can be reached at (801) 578-6924 or mdthayne@stoel.com.

Properly used, patent opinions can be one of the most cost-effective and valuable tools a company can have to not only shield itself from a willful infringement verdict, but also help it avoid being sued for infringement in the first place. Without fully understanding patent opinions, however—including what they are, why to consider getting one, when to get one, who should provide one, and how to use them—their value can be greatly diminished.

This article will attempt to unveil the intricacies of patent opinions, and particularly those that are most critical to understand in order to maximize the value of a company's portfolio of patent opinions.

WHAT IS A PATENT OPINION?

There are several types of patent opinions, both defensive and offensive in nature. The most common types of defensive patent opinions are non-infringement, invalidity, and unenforceability opinions. A non-infringement opinion might arise, for example, in the context of an infringement allegation made by a patentee. To illustrate, let's assume that a company ("Acme") receives a demand letter from the holder of a patent, in which the patentee asserts that one of Acme's products infringes the patent. In the face of such an allegation, Acme would be well-advised to have a patent attorney conduct an independent analysis of the matter. To the extent the patent

attorney's analysis reveals that the accused product or method *does not* infringe—or at least to the extent there is a good-faith, non-frivolous basis for asserting non-infringement—Acme may decide to obtain a formal write-up of the patent attorney's analysis in the form of a "non-infringement opinion."

If Acme instead believes that the claims in the asserted patent are overly broad, it may decide to conduct a search to identify prior art that might invalidate the patent. If Acme's patent attorney identifies prior art that likely invalidates one or more of the patent's claims, again, it may decide to obtain a formal write-up of the patent attorney's analysis in the form of an "invalidity opinion."

Invalidity opinions may also be combined with non-infringement opinions. For example, if Acme's patent attorney concludes that some of the patent's claims are invalid, and others are not infringed by the accused product, the opinion Acme obtains may be a combination non-infringement/invalidity opinion.

Although less common, there are also other forms of defensive patent opinions. For example, if Acme's patent attorney concludes that the patentee attempted to defraud the patent office during prosecution of the application that ultimately issued as the patent being asserted against Acme, the opinion letter Acme receives from its patent attorney may take the form of an "unenforceability opinion."

Offensive patent opinions are also commonly obtained. For example, let's instead assume that Acme is the patentee and has sent a demand letter to another company ("Beta"), in which Acme accuses Beta of infringing its patent. Before filing a lawsuit against Beta, Acme is obligated to conduct an investigation to verify the presence of a good-faith basis for bringing the lawsuit.¹ To memorialize the results of the pre-filing investigation, Acme may be interested in procuring an infringement opinion. As the counterpart to invalidity opinions, validity

opinions are also common. For example, to the extent that Beta responds to the demand letter with allegations that the patent is invalid, and to the extent that Acme's patent attorney disagrees with these allegations, Acme may decide to obtain a validity opinion before bringing suit. Similarly, to rebut any allegations that Acme's patent is not enforceable, an enforceability opinion might be obtained prior to filing a complaint for infringement of the patent.

Another type of opinion that Acme might have reason to obtain is a "product clearance" or "freedom to operate" opinion. If Acme has a new product that it is preparing to release, it may conduct one or more clearance searches to identify any potentially problematic patents in the field prior to launching the product. A formal write-up of the results of a patent attorney's analysis of the search results may then be obtained in the form of a product clearance opinion. However, to the extent that one or more of the patents identified by the search are particularly troublesome for one reason or another, as discussed below, those patents may be the subject of one or more of the other opinions discussed above. Thus, a full clearance of a particular product may encompass not only a clearance opinion, but also one or more invalidity, non-infringement, and/or unenforceability opinions, each addressing a particular patent.

WHAT ARE THE HALLMARKS OF A GOOD PATENT OPINION?

Not all patent opinions are created equal. Patent opinions may even be worthless if they are not prepared properly. In fact, a poor patent opinion may be *worse* than worthless in some instances because such an opinion may cause its recipient to conduct business in reliance on the opinion in a manner that results in greater harm than would have resulted in the absence of the opinion. Here are some of the things to look for in a competent patent opinion.

First, the opinion should be in writing. Oral opinions, although useful in certain limited circumstances, are generally disfavored.² As one example of a circumstance in which an oral opinion might be useful, let us assume that Acme has an imminent product launch and has come across a patent that is of particular concern for one reason or another. Assuming Acme's patent attorney has conducted a preliminary analysis of the patent vis-à-vis the soon-to-be-released product and has con-

cluded that a good-faith basis for asserting non-infringement exists, Acme may be interested in obtaining an oral opinion of non-infringement from its patent attorney in anticipation of the product launch. An oral opinion in these circumstances may have value to the client in that the client may be reluctant (and for good reason) to proceed with the product launch in the absence of clearance from a patent attorney.

However, even where oral opinions have value, the oral opinion should be followed, as soon as possible, with a formal written opinion. The written opinion should contain a reference to the oral opinion, including the date on which the oral opinion was given and an overview of the information conveyed to the client by way of the oral opinion. If the oral opinion is followed by a thorough, well-reasoned written opinion, it may help establish that the client acted in good faith to ensure that it was not infringing upon another's patent rights prior to releasing its product. If, however, the oral opinion stands alone and is not linked with a written opinion issued shortly after the oral one, the oral opinion is not likely to be of much value to the client.

Second, patent opinions should avoid any conclusory and/or absolute statements. An objective opinion of counsel is much more likely to speak in terms of probabilities than certainties. Accordingly, you should expect to see statements like "it is more likely than not that a court would hold . . ." instead of statements like "product x does not infringe . . ." If there are reasonable counterarguments to the positions presented in an opinion (and there often are), a good opinion will often address these counterarguments and rebut them. Very little in the world of patent law is black and white, and an opinion that ignores this reality may be looked upon with more suspicion than one that acknowledges the shades of grey. Invalidity opinions, however, often speak in terms that are more definitive than those used in non-infringement opinions, due to the greater burden placed upon a party seeking to invalidate a patent relative to one seeking to avoid an infringement ruling.³

Third, patent opinions should be thorough and complete. You will never see a competent opinion that fails to consider and analyze the file history of the patent. In addition, each relevant claim and claim limitation from the patent should be construed. Similarly, in an invalidity opinion, the prior art should be carefully compared and cited with the claim limitations of

any allegedly invalid claims. Finally, all relevant facts and legal theories should be fully developed in the opinion. As a notable example, a competent non-infringement opinion should always consider not only literal infringement, but also infringement under the doctrine of equivalents.

Fourth, the patent attorney and client should work together to make sure that the opinion is meticulously accurate. Any withheld or misstated facts could render the opinion worthless. Moreover, any material facts that change after issuance of the opinion should be considered and reanalyzed in a supplemental opinion. For example, if the product at issue in the opinion changes or is updated as a new version, consideration should be given to whether a supplemental opinion is warranted. To the extent that one or more of the key facts used in the original opinion to form a non-infringement argument changed in some manner, a supplemental opinion is definitely needed. A court is not likely to allow a client to rely on an opinion issued for an outdated product unless the new product is identical to the old one, at least insofar as the analysis of the opinion is concerned. By the same token, to the extent that a new court decision is rendered that overturns or casts doubt upon one or more of the decisions relied upon in an opinion, the opinion should be revisited in light of the new case law and consideration should be given to whether a supplemental opinion may be needed.

WHY GET AN OPINION?

There are several reasons why one might consider obtaining a patent opinion. As alluded to earlier, such opinions are most commonly used defensively—*i.e.*, by a party attempting to avoid infringing another party's patent(s). One of the primary uses for an opinion by such a party is to help avoid a willful infringement ruling.

An infringer who is found to have willfully infringed a patent may be in the unenviable position of being held liable for not only the patentee's lost profits, but up to *three times* the amount of the lost profits. Moreover, attorneys' fees are much more likely to be awarded for willful infringement. Given that attorneys' fees alone exceed \$2 million for a typical patent infringement case, this is no small concern.

The dire consequences associated with a willful infringement finding are rendered all the more concerning by the fact that assertion of willful infringement is routine.

Indeed, rare is the patent infringement case in which infringement is alleged without an accompanying allegation of willfulness.⁴

Similarly, willful infringement rulings by a judge or jury are also anything but rare. In fact, if a jury finds infringement, it is highly likely to find the infringement to have been willful (nearly 70% of the time).⁵ Judges are less likely than juries to tack on a willfulness finding, but the tendency for willfulness to follow an infringement ruling in bench trials is still surprisingly high. Over 50% of the time a judge finds infringement, the infringement is ruled to have been willful.⁶

Whether a company reasonably relied on legal advice is a critical factor in determining if infringement was willful. In fact, in most cases, reliance (or lack thereof) on an opinion is the single factor that gets the most attention.⁷

To illustrate the significance of patent opinions in willfulness inquiries, a recent study found that 84% of the time judges considered willful infringement in the absence of an opinion of counsel, the inquiry ended with a willfulness finding.⁸ By contrast, when the accused infringer presented such an opinion, judges found willful infringement 45% of the time.⁹ So in the cases considered in the study, the presence of an opinion of any kind reduced the risk of willful infringement by nearly one-half. Still, 45% strikes me as a rather high number. However, the Court of Appeals for the Federal Circuit—which is the appellate court that hears all patent appeals—had this to say about cases in which willful infringement is found notwithstanding the fact that an opinion had been presented: "Those cases where willful infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent."¹⁰ As this passage suggests, and as will be discussed in greater detail later, obtaining and relying upon a competent, thorough, and well-reasoned opinion of counsel is likely to render the client completely immune from being liable for willful infringement.

Although use of an opinion as insulation against the extremely harmful ramifications of willful infringement is often the primary reason for seeking an opinion, there are numerous other reasons why an opinion might be sought. For example, some opinions might be obtained by a party seeking to enforce its patents, rather than by those seeking to avoid infringement of another's

patent. Such offensive patent opinions are valuable for a variety of reasons.

First, an offensive patent opinion may be used to satisfy a plaintiff's pre-lawsuit infringement investigation obligations. The Federal Rules of Civil Procedure mandate that every representation made to a court be made in good faith. Claims set forth in a complaint therefore must have been formed after a reasonable investigation under the circumstances. In the context of a patent infringement lawsuit, this requires "that an attorney interpret the asserted patent claims and compare the accused device with those claims before filing a claim alleging infringement."¹¹ Failure to conduct an adequate investigation before filing a patent infringement lawsuit can lead to sanctions, including attorneys' fees. A competent, well-reasoned infringement opinion provides compelling evidence of a proper pre-filing investigation.

Moreover, seeking an opinion from competent patent counsel prior to bringing a lawsuit will provide a roadmap of the issues that are likely to come up, and the issues that are likely to be most closely contested, during litigation. This is also a benefit to defensive patent opinions. A party who has thoroughly investigated infringement allegations—whether that party is looking to make or defend against the allegations—and has memorialized that investigation as a formal opinion is likely to have an upper hand on one who has failed to do so. The opinion-holding party is more likely to fully understand the strengths and weaknesses of its case (and those of its opponent's), and is more likely to be able to conduct its litigation strategy to exploit its knowledge of the case.

Seeking and/or obtaining a patent opinion can also provide a roadmap for avoiding future infringement of the patent at issue. To illustrate, an opinion on an original product can be used to design other products, such as new versions of the original product, so as to avoid the patent at issue in the opinion. Similarly, even if an opinion that is sought ultimately cannot be provided, the knowledge gained during the opinion investigation might provide valuable guidance in designing a new product around the patent.

Several other benefits may be derived from patent opinions. For example, patent opinions may be used to instill confidence in investors, partners, directors, etc., during a new product launch. As another example, a patent opinion may provide a strong lever-

aging tool during licensing negotiations. Having an opinion that sets forth good-faith, reasonable positions for non-infringement and/or invalidity of a patent may allow a defensive party to negotiate a lower royalty rate, or other favorable terms, that would not have been possible otherwise.

WHEN TO CONSIDER SEEKING AN OPINION

The timing of a patent opinion can be critical. A number of different circumstances can trigger an inquiry into the need for an opinion, the majority of which involve a company receiving notice of a patent that, for one reason or another, is of concern. To use a common example, let us assume that Acme receives a demand letter from the owner of a patent. The patentee asserts in the letter that Acme's product infringes its patent. Obviously, this would, at the very least, trigger the need for Acme to consider obtaining an opinion regarding the asserted patent. There may be valid reasons why Acme would ultimately choose *not* to obtain an opinion, but any time a demand letter is received, the recipient should thoroughly investigate the accused infringement, and such an investigation would not be complete without assessing the need for an opinion. The factors that go into this decision-making process are discussed in the next section.

Another common circumstance that should trigger an opinion inquiry arises in connection with a product clearance search. As briefly discussed earlier, product clearance searches are often conducted prior to launching and/or developing a new product. These searches can help a company assess the patent landscape of the new product so as to avoid an expensive infringement lawsuit, which could shut down sales of the product and be economically devastating to the company. Obviously, a company will not have the need for obtaining an opinion for each of the patents identified in such a search,¹² but each of these patents will be a candidate for an opinion.

Other circumstances might arise in which the need for an opinion inquiry is less obvious, but no less important. Knowledge of another entity's patents can arise in a variety of ways. For example, one of Acme's employees might come across a patent on her own. The employee may have decided to conduct her own patent search or may have received an informal email from a friend at another company. Regardless of

how the employee came to be aware of the patent, it could be a candidate for a patent opinion. The scary thing about patents that slip under a company's door like this is that they may go unnoticed by the decision makers at the company until it is too late. In a case that underscores this danger, an internal memorandum from an engineer at a company was found to support a willful infringement ruling against the company.¹³ The patent mentioned in the memorandum had not been cited or asserted by its owner against the company as of the date of the memorandum.

Potentially problematic patents may also arise during the course of prosecuting a company's own patent applications. Although identifying such patents is not at all uncommon, their significance from a clearance standpoint is often overlooked under these circumstances. Consequently, this provides an area of potential danger for a company.

Using Acme to illustrate another hypothetical example, let us assume that Acme has an invention for an improved widget and files a patent application. During prosecution of Acme's patent application, a pre-existing or "prior art" patent owned by one of Acme's competitors is cited by the patent examiner in charge of considering Acme's application. As should be apparent, it might be the case that the prior art patent cited by the examiner is currently enforceable and contains claims that arguably cover Acme's new widget. The danger arises because, for purposes of *Acme's patent application*, the claims in the prior art patent are essentially irrelevant. In determining whether Acme's application should be issued as a patent, the focus—both from the perspective of the examiner and the patent attorney in charge of prosecuting the application—will be on what the prior art patent *discloses*, rather than claims. It is therefore quite possible that what is *claimed* in the prior art patent will go unnoticed. Because the subject matter of the prior art patent is most likely in the same field as that of Acme's widget, patents owned by Acme's competitors are likely to turn up in this way.

Hence the danger. Patents are being cited to Acme's patent attorney. These patents are likely to be related to Acme's product, and may even be owned by one of Acme's competitors. Acme will likely be charged with notice of any patents cited to it during prosecution of its patents, and this notice may support a finding of willful infringement, even if neither Acme nor its

patent counsel ever considered the claims of these patents.¹⁴ Again, the patent attorney in charge of Acme's patent application is not likely to analyze the claims of the prior art patents in attempting to convince the examiner that Acme's claimed invention is patentably distinct from the prior art patents. This is a dangerous combination of facts. Depending on the circumstances, opinions may be needed for patents identified only in connection with prosecution of Acme's own patent applications. Acme would therefore be wise to institute procedures to ensure that all identified prior art is screened for unexpired patents that may be problematic from a product clearance standpoint.

Other circumstances that might lead to the identification of a patent, and thereby lead to a patent opinion inquiry, include license negotiations, patent markings on a competitor's product or product literature, inquiries from suppliers and/or customers, and, of course, being served with a complaint for patent infringement.

WHAT SHOULD A COMPANY CONSIDER WHEN CHOOSING WHETHER TO OBTAIN AN OPINION?

Although they can often be one of the most inexpensive insurance policies available to a company, patent opinions are not cheap. Clearly, a company needs to be judicious in separating out the many patents of which it is aware and that *could* be the subject of an opinion from those that *should* be the subject of an opinion. Moreover, some of the patents in the candidate pool may be, upon further inspection, ruled ineligible. Several factors should be used to determine which patents within a candidate pool are eligible, and which of the eligible patents merit the expense of a formal patent opinion. To provide a sense for how this analysis breaks down, let us consider that Acme, in connection with a planned new product release, has solicited (through its patent attorney) a product clearance or freedom-to-operate search.

Once the search results are available, Acme's patent attorney will likely need to conduct a preliminary analysis in order to separate out the patents for which an opinion would clearly not suit the best interests of Acme. My framework for this analysis is as follows.

For each patent identified in the search, I determine whether a good-faith basis for asserting infringement against the product

exists.¹⁵ If not, a non-infringement opinion is not needed. In other words, if it is very clear that Acme's product does not infringe the patent, Acme would most likely be wasting its money to obtain a formal, written opinion that sets forth the case for non-infringement. In the unlikely event that the owner of such a patent files suit against Acme, a motion may be filed for sanctions against the patentee for having brought a frivolous lawsuit. Even if such a motion is unsuccessful, it is highly unlikely that Acme would ultimately lose the case, let alone be found to have willfully infringed the patent. Hence, an opinion is not necessary.

A caveat is in order here before we move on. Invalidity opinions should not be dismissed as an option as readily as non-infringement opinions. If a conclusion is reached that a product may arguably infringe one or more claims in a patent under consideration—even if some of the claims are clearly not infringed¹⁶—a different analytic framework is needed. The priority of such a patent on the “to opine or not to opine” scale should skyrocket, even if the patent overwhelmingly appears to be invalid. Because of the presumption of validity that accompanies an issued patent, “clear and convincing” evidence is required in order to invalidate a patent.¹⁷ As such, a company should have a much higher level of confidence in its position before choosing to forgo procuring an invalidity opinion than it might be comfortable with in forgoing an opinion that sets forth only non-infringement arguments. Indeed, choosing against obtaining an invalidity opinion on a patent that appears to be infringed is extremely risky and, under almost any conceivable circumstance, inadvisable.

Getting back to our review of the patents identified in a product clearance search, let us assume the polar opposite of clear non-infringement. In other words, a patent is identified for which infringement is so clear that even mounting a good-faith defense would be difficult or impossible. Unless prior art that might invalidate the patent is identified, this presents—like its reflection on the other end of the spectrum—a circumstance in which an opinion should not be obtained. First, no competent and ethical patent attorney would provide an opinion that sets forth only frivolous arguments. Second, such an opinion would almost certainly be worthless in any event, as a well-informed court would likely reject the opinion as incompetent. In fact, receive-

ing incompetent advice of counsel is likely worse than receiving no advice at all.¹⁸

Lying between the two extremes mentioned above is what I like to call the “opinion zone.” The opinion zone includes all the patents of which a company is aware and for which a formal opinion of counsel might benefit the company with respect to a particular product or products. The patents that lie within this zone are those for which reasonable, non-frivolous arguments can be made both ways. If non-infringement opinions are under consideration, patents in the opinion zone will be made up of patents with respect to which good-faith bases exist for asserting both infringement and non-infringement.

A company may want to obtain legal opinions for all patents in the opinion zone that it identifies. However, in other circumstances, a company may want to further trim its list of candidates. A number of factors should be considered in doing so. Some of the more notable factors for deciding whether a patent in the opinion zone merits a formal opinion are as follows.

First, which area of the zone are you in? To use the example of non-infringement opinions again, if you are closer to the “frivolous to file” part of the spectrum, you are probably less likely to want an opinion than if you are closer to the “frivolous to defend” part of the spectrum. In other words, if the arguments for non-infringement are *much* stronger than those for infringement, such that a patent infringement lawsuit would be borderline frivolous, an opinion is less likely to be needed in order to defend a willfulness charge. First, you are less likely to be sued if the arguments for infringement are suspect. Second, even if you are sued, you are less likely to lose the suit. Finally, even if you are sued *and* lose, you are less likely to be found to have infringed *willfully*. Still, it is worth noting that courts often refuse to allow even non-frivolous arguments presented only after litigation has commenced—rather than in a pre-litigation opinion of counsel—to be used to avoid willfulness.¹⁹ Due care and consideration should therefore be given before declining to obtain an opinion on this basis.

Another fundamental consideration is how much money may be at stake. To the extent that the product at issue is generating, has generated, or likely will generate substantial profits, the cost for an opinion may be miniscule by comparison. On the other hand, if sales/profits of the product

are on the order of what the opinion might cost, and a substantial increase in sales is not projected or foreseeable, the cost of having an opinion prepared would likely not be justified.

The size and reputation of the party who owns the patent(s) at issue should also be given consideration. Is the patentee a competitor? If so, it is much more likely that the patent could end up being the subject of a patent infringement lawsuit. Does the patentee have deep pockets? Obviously an individual or start-up company is less likely to have the resources to sustain a patent infringement lawsuit than a Fortune 500 company. Of course, the importance of this factor should not be overplayed. It is not unheard of for a small business to “bet the company” on winning a patent infringement claim. The reputation/history of the patentee may also be part of the calculus. The patents of a litigious company with a long history of court filings may warrant heightened scrutiny relative to the patents of a company that has yet to assert any of its patents in court.

HOW CAN A COMPANY MAXIMIZE THE BENEFITS STEMMING FROM ITS PATENT OPINIONS?

Once your company has decided to obtain a patent opinion, how should it be used, and what peripheral actions should be taken to ensure that it remains a valuable and effective tool? There are several issues that may arise in this context.

First, during the process of opinion drafting, drafts of the opinion should not be provided. Opinion drafts are almost certainly discoverable and may open the door for an attack on the opinion as lacking independence. Obviously, the client should read and understand the opinion, and see that any factual errors in the opinion are fixed. However, the client should avoid providing marked-up copies of the opinion to an attorney for revision, at least with respect to the legal arguments and conclusions in the opinion letter.

A company should also be aware of the potential consequences associated with relying upon an opinion during litigation. Normally, communications to and from your attorney are protected by the attorney-client privilege. However, when you use a patent opinion in court to defend against a charge of willful infringement, you waive at least a portion of the privilege as it relates to the opinion.

Courts rationalize this exception to the attorney-client privilege by asserting that a party should not be allowed to use the privilege as both a sword and a shield. In other words, a party should not be allowed to disclose favorable communications while withholding unfavorable ones relating to the same subject matter. In the context of opinions, this rule is said to discourage “opinion shopping,” whereby a company solicits opinions from multiple attorneys until it gets the one that it wants, after which it discloses or relies upon the favorable one and withholds the others.

So relying on an opinion will obviously require the party to disclose the full opinion. What else is waived? Well, the answer might depend, at least in part, on what jurisdiction you find yourself in. The law in this area is not entirely settled. However, generally speaking, any otherwise privileged information related to the opinion will be subject to the waiver.²⁰ This may include, for example, correspondence, notes, and bills prepared by opinion counsel.²¹ However, the Court of Appeals for the Federal Circuit has clarified that the waiver *does not* extend to uncommunicated work product.²² In other words, documents or communications representing or evidencing the work of opinion counsel will not be considered waived unless they were sent or communicated to the client. As a caveat, however, the privilege with respect to any document that references or describes a communication between the attorney and client will be considered waived.²³

Aside from understanding the consequences that may result from relying on an opinion during litigation, there are several other steps a company can take—both during the preparation of an opinion and after it has been rendered—to maximize the usefulness of an opinion and minimize potential problems. Perhaps most importantly, companies should be proactive in establishing and following procedures for addressing potential infringement issues that are facially indicative of good faith and minimize the potential for engaging in infringing acts. A competent opinion of counsel will be stronger when presented in conjunction with evidence of consistently applied and followed practices for avoiding infringement.

As an initial step in establishing such practices, whenever a patent is identified that relates to a product or service being offered by the company, the patent should be given to a patent attorney for an infringe-

ment analysis. As part of this analysis, guidance may be provided to the company by the patent attorney as to how the product might be re-designed to reduce the risk of infringement. Depending on the circumstances, it may be desirable to keep careful records of the steps and efforts made to design around the patent. Design-around efforts are often seen as indicative of good faith. In fact, it is not unheard of for a court to deny or reduce enhanced damages for willful infringement due to good-faith, yet unsuccessful, design-around efforts.²⁴

It is also very important to educate and train employees regarding actions they are to take—and those they should avoid—with regard to other companies’ patents. Most notably, employees should be taught to avoid creating “smoking gun” documents. Such documents can arise in numerous contexts, but they are often unwittingly created by employees lacking knowledge and training in patent law. Unfortunately, statements made in internal memoranda or emails can be incredibly damaging in court, regardless of whether their authors are authoritative on the topic, and perhaps even regardless of the veracity of the statements. To cite one example, in *SRI International, Inc. v. Advanced Technology Laboratories, Inc.*,²⁵ a memorandum from an in-house engineer that stated a subjective belief of potential infringement was found to be supportive of a willful infringement holding. The engineer’s training (or lack thereof) in patent law did not mitigate the damage. To avoid such circumstances, employees should be taught to avoid preparing documents, including emails, that opine on or otherwise discuss patents issued to, or pending patent applications filed by, others. To the extent that an employee somehow becomes aware of a patent and believes it may be of concern to the company, the patent should be brought to the immediate attention of the legal department or another appropriate high-level executive of the company. Ordinarily, this should be done without (written, at least) comment.

WHO SHOULD PROVIDE AN OPINION?

First and foremost, the opinion must be rendered by a patent attorney—not *just* an attorney and not *just* a person with patent expertise. To elaborate, the opinion must be rendered by someone who has patent expertise, and preferably someone registered to practice before the U.S. Patent & Trademark Office (“USPTO”). In addition,

this person must be an attorney. Patent agents—*i.e.*, those registered to practice before the USPTO, but not as attorneys—are not qualified to render opinions of non-infringement, invalidity, or unenforceability. Preferably, the patent attorney also will have a technical background that has pertinence to the subject matter of the opinion.

Second, although opinions rendered by in-house attorneys are not *per se* ineffective, courts have consistently expressed a preference for opinions rendered by outside counsel. In-house opinions are generally looked upon with an eye of skepticism and are typically disfavored.²⁶

Another factor to consider in choosing counsel is whether to use the same firm that is typically used, or may be used, for patent litigation. There are advantages and potential risks to using the same firm for both litigation and opinion work. The advantages are fairly obvious. An attorney or law firm acquires specialized knowledge about a client and its operations over time, which is likely to facilitate effective representation. Along these same lines, intimate knowledge of the technology at issue is desirable, if not necessary, in order for a patent attorney to prepare a competent opinion. Obviously, it takes time and money for an attorney to become familiar with the relevant technology, so choosing an attorney who is already up to speed may be desirable. Moreover, a company may be more comfortable using a firm/lawyer with which it has developed a longstanding relationship of trust and respect.

However, there are significant risks associated with using an existing firm that is likely to represent the company during any future litigation of the matter. For example, there is a risk of attorney disqualification. The rules of professional conduct typically prohibit an attorney from serving as litigation counsel if that attorney is likely to be a necessary witness. Many courts have held that authors of opinions are *not* necessary witnesses and therefore need not testify. However, there has been a case in which an *entire firm* was disqualified as litigation counsel because lawyers at the firm had also prepared an opinion for the client on the same matter.²⁷ Although it appears that this case is an outlier, it underscores the potential concerns associated with intermingling litigation counsel and opinion counsel.

In addition, using the same firm for litigation and opinions regarding the same mat-

ter may result in a broader scope of waiver of the attorney-client privilege. The Court of Appeals for the Federal Circuit recently clarified in *In re Seagate Technology, LLC* that, absent some sort of bad-faith conduct, the privilege waiver that accompanies reliance on a patent opinion does *not* extend to trial counsel.²⁸ However, to the extent that the *same attorneys* from the same firm participate in drafting the opinion and in litigating the patent at issue in the opinion, a court may not be able to sufficiently differentiate the two endeavors so as to prevent the waiver from impacting, if not fully destroying, the privilege as it relates to litigation counsel.

Indeed, *Seagate* itself made particular note of the fact that, in that case, there was no dispute that opinion counsel “operated separately and independently of trial counsel at all times.”²⁹ This statement strongly implies that the waiver ruling with regard to trial counsel would have been different had the trial attorneys also participated in preparing the opinion. It is therefore critical that separation be maintained between trial counsel and litigation counsel regarding the subject matter of the opinion.

Still, it is an open question as to whether different attorneys at the same firm can prepare an opinion and still serve as litigation counsel without unduly sacrificing the attorney-client privilege. It is certainly possible to prepare two teams of attorneys at the same firm—one for an opinion and another for litigation—without intermingling the two teams. If a wall of separation is maintained between trial counsel and opinion counsel, the justification for refusing to extend the privilege waiver to trial counsel stands largely undiminished. So long as there is a clear and distinct line between the actions of opinion counsel and those of trial counsel, courts should have no trouble cutting off the scope of privilege waiver before it reaches into trial counsel’s files, regardless of whether the two teams are from the same firm or different firms.³⁰ However, there has not been a definitive ruling on this issue yet and different courts may reach different conclusions in the meantime.

THE VALUE OF PATENT OPINIONS, POST-SEAGATE AND BEYOND

The *Seagate* decision mentioned in the previous section resulted in some major changes to the legal standards associated with willful infringement, and the implica-

tions and considerations associated with obtaining and using patent opinions. First, *Seagate* abolished the “affirmative duty of care,” which previously compelled acquiring an opinion of patent counsel before engaging in, or continuing to engage in, potentially infringing conduct.³¹ Still, as discussed below, although it is no longer considered an affirmative duty to obtain an opinion before the initiation of any activity that might be considered infringing, the practical reasons for seeking an opinion were not seriously diminished by *Seagate*. In fact *Seagate* enhanced the value of patent opinions more than it weakened them, rendering the motives for seeking patent opinions all the more compelling.

Seagate also heightened the standard for proving willful infringement. The standard pronounced by the *Seagate* court is one of recklessness and requires a two-part showing. First, the infringer must be found to have acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.³² Second, the risk must be shown to have been either known, or so obvious that it should have been known, to the accused infringer.³³

Although the “duty of care” and “willful infringement standard” holdings of *Seagate* both appear to diminish the need for patent opinions generally, the third major holding from the case pushes the pendulum in the opposite direction, and does so with far greater impetus than the other two. Prior to *Seagate*, reliance on a patent opinion could result in waiver of the attorney-client privilege with respect to communications with not only opinion counsel, but trial counsel as well. The potential for being forced to reveal critical litigation documents and files was often seen as too high a price to justify reliance on an opinion. Moreover, the extent of the waiver associated with reliance on an opinion used to depend at least as much on the location of the court as on the facts of the case. This uncertainty in the law, coupled with the potentially dire consequences associated with finding yourself as a defendant in the wrong court (*i.e.*, one with a broad view of the scope of waiver), greatly reduced the value of patent opinions.

Seagate clarified that waiver cannot extend to trial counsel, absent some sort of bad faith conduct.³⁴ This protection was extended both to the attorney-client privilege and to attorney work product immunity.³⁵ By removing this uncertainty in the law and limiting the scope of waiver that

might result from use of an opinion, *Seagate* greatly enhanced the incentive to rely upon (and therefore greatly enhanced the incentive to obtain) patent opinions.

Although the standard for providing willful infringement was tightened by *Seagate*, and the affirmative duty to obtain opinions was removed by *Seagate*, *Seagate*'s ruling on waiver is far more tangible and is likely to have far greater practical impact to opinion holders and would-be opinion holders. Juries, and even judges to a lesser extent, are prone to finding willful infringement.³⁶ This is not likely to be radically changed by the shifting legal standards set forth in *Seagate*. The fact remains that failing to produce an opinion during defense of a patent infringement claim is likely to be viewed with suspicion by a trier of fact. Further, not only does the absence of an opinion leave a defendant more vulnerable to a willfulness charge, in some cases, it may even have an impact on the underlying infringement claim itself. Having a strong opinion of counsel in hand from the outset is likely to color a judge's (or jury's) perception of not just whether the defendant willfully infringed, but whether the defendant infringed at all.

The bottom line in a post-*Seagate* world is that opinions are still the best defense to a willfulness charge. In fact, even the *Seagate* decision itself states that, "[a]lthough an infringer's reliance on favorable advice of counsel, or conversely his failure to proffer any favorable advice, is not dispositive of the willfulness inquiry, it is crucial to the analysis."³⁷ Moreover, the concurring opinion in *Seagate* cites a Supreme Court opinion that leaves open the possibility that "'good-faith reliance on legal advice should render [a defendant] immune to claims of willfulness."³⁸ It is clear that courts still intend to give great weight to the presence of an opinion in performing a willfulness analysis, irrespective of the fact that parties are no longer formally obligated to obtain opinions.

The importance of patent opinions is not likely to change anytime soon. In fact, there are signs that patent opinions are likely to only become *more* important to businesses in the future. For example, although Congress has yet to pass either of the two recent "Patent Reform Acts," both the 2005 and the 2007 versions of these bills contained provisions that prevent a court from finding willful infringement where there has been "reasonable reliance on advice of counsel" by the accused infringer.

It is likely that statutory patent reform will take place at some point in the near future and, because the "advice of counsel" provisions in these bills were relatively non-controversial, it is likely that whichever bill passes will contain such a provision. Should this take place, a competent patent opinion will likely provide nearly bullet-proof protection against charges of willful infringement.

CONCLUSION

Recent case law has fundamentally altered the landscape upon which those who seek to obtain and/or use patent opinions must navigate. Nevertheless, the foundation for patent opinions remains strong. In fact, some of the recent changes in the law greatly enhance the value of patent opinions and the enticements to seeking them. Despite the shifting legal winds, a timely, thorough, and competent opinion of counsel remains the best defense to, and insurance policy against, a charge of willful infringement. **IP**

ENDNOTES

1. *See, e.g., Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1300-01 (Fed. Cir. 2004).
2. *See Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992).
3. Patents are presumed valid. 35 U.S.C. § 282. "Clear and convincing" evidence is required to overcome this presumption. *See, e.g., Magnivision, Inc. v. Bonneau Co.*, 115 F.3d 956, 958 (Fed. Cir. 1997).
4. According to one study, willfulness was alleged in well over 90% of all patent infringement complaints. *See* Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 232 (2004).
5. *See id.* at 237.
6. *See id.*
7. *See, e.g., SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).
8. Moore, *supra* note 4, at 239.
9. *Id.*
10. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed. Cir. 1992).
11. *Q-Pharma*, 360 F.3d at 1300-01.
12. However, as discussed previously, each of the patents identified in the product clearance search (or each of those patents that is not the subject of a separate opinion of its own) may be discussed and analyzed in a product clearance or freedom to operate opinion.
13. *SRI*, 127 F.3d at 1465.
14. *See Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*, 166 F. Supp. 2d 1008, 1037-38 (D. Del. 2001).
15. In other words, would filing a claim for patent infringement against the product be a violation of Rule 11 of the Federal Rules of Civil Procedure? If not, there exists at least a good-faith basis for asserting infringement against the product.

16. As previously discussed, patent opinions often combine invalidity and non-infringement defenses. For example, the opinion might conclude that a subset of the claims in a patent is invalid, and the remaining claims are not infringed.
17. *See supra* note 3.
18. *See Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1369 (Fed. Cir. 2006) (suggesting that evidence of the receipt of incompetent legal advice may support a finding of willfulness).
19. *See Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1352-53 (Fed. Cir. 2001) (indicating that presenting non-frivolous arguments for non-infringement during litigation, rather than in formal non-infringement opinion, does not preclude liability for willful infringement).
20. *See W.R. Grace & Co. v. Viskase Corp.*, No. 90 C 5383, 1991 WL 211647, at *4 (N.D. Ill. Oct. 15, 1991).
21. *See Dunhall Pharms., Inc. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1211 (C.D. Cal. 1998).
22. *In re EchoStar*, 448 F.3d 1294 (Fed. Cir. 2006).
23. *Id.* at 1304.
24. *See Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 372 F. Supp. 2d 833, 852-53 (E.D. Va. 2005) (citing failed design-around efforts in denying attorneys' fees for willful infringement).
25. 127 F.3d at 1465.
26. *See, e.g., Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983) ("[Defendant] knew that the attorney from whom it sought advice was its own in-house counsel. While this fact alone does not demonstrate [defendant's] lack of good faith, it is a fact to be weighed."). *But see Gaus v. Conair Corp.*, No. 94 Civ. 5693 (FM), 2003 WL 223859, at *17 (S.D.N.Y. Feb. 3, 2003) ("Although written opinions from outside counsel naturally are preferred, it is permissible in some circumstances for a party to rely on . . . one written by an in-house counsel.").
27. *Crossroads Sys. Inc. v. Dot Hill Sys. Corp.*, 82 U.S.P.Q.2d 1517 (W.D. Tex. 2006).
28. 497 F.3d 1360 (Fed. Cir. 2007).
29. *Id.* at 1366.
30. *See Novartis Pharms. Corp. v. EON Labs Mfg., Inc.*, 206 F.R.D. 396, 399 (D. Del. 2002) (noting that opinion counsel was not only from the same firm but "actually entered an appearance" in the litigation and granting motion to compel "[b]ecause the Court cannot differentiate between opinion and trial counsel").
31. 497 F.3d at 1371.
32. *Id.*
33. *Id.*
34. The court was clear that it was not enunciating an absolute rule and specifically stated that trial courts "remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery." *Id.* at 1374-75.
35. *Id.* at 1374 ("[A]sserting 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."); *id.* at 1376 ("[R]elying on opinion counsel's work product does not waive work product immunity with respect to trial counsel.").
36. *See supra* notes 5-6 and accompanying text.
37. 497 F.3d at 1369 (emphasis added).
38. *Id.* at 1384 (quoting *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2216 n.20 (2007)).