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PERSPECTIVE

Are opinions of counsel on patents still worthwhile?

By Todd W. Wight and Thomas Richardson

With changes in the past several years to standards for proving willful infringement, some people have questioned whether obtaining an opinion of counsel is still worthwhile. In addition to providing benefits with respect to willful infringement, an opinion of counsel can also provide benefits in a variety of situations outside of the willful infringement context. For example, an opinion of counsel may be beneficial in situations where a company is concerned about or aware of one or more patents that cover technology similar to technology sold or used by the company, sells or practices in a litigious field or has a litigious competitor, sells a product or uses a process similar to that of a competitor, is seeking to expand its business into a new market/field, is developing or launching a new product/process, or is attempting to attract potential buyers or investors.

Early Knowledge and Defense in Litigation

Typically, plaintiffs in patent infringement litigation have an advantage — prior to suing, they can take their time to gather information and prepare arguments. The defendant often does not begin looking into the issues until after it receives a copy of the complaint. This advantage can be even more significant in “rocket docket” jurisdictions.

But with an opinion of counsel addressing relevant patent issues prior to any lawsuit, a defendant is in a much better position. Having access to analysis of infringement issues, validity issues, or both at the outset will allow defendants to more readily evaluate the merits of the case and take appropriate action. This saves time and money and improves development of arguments. Also, knowledge of noninfringement and invalidity arguments helps strengthen a party’s position in early settlement or licensing negotiations.

Indirect Infringement

Having a good faith belief in non-infringement or the invalidity of a patent can negate the knowledge or intent requirement necessary for indirect infringement liability, and a relied-upon opinion of counsel is compelling evidence of that belief. Indeed, the U.S. Supreme Court has held that inducement of infringement requires the infringer to have “knowledge that the induced acts constitute patent infringement,” and

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that contributory infringement requires knowledge “that the combination for which his component was especially designed was ... infringing.” *Global-Tech Appliances Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2067-68 (2011) (emphasis added); see also *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc). This knowledge or intent requirement can be negated even where the defendant’s belief is wrong and direct infringement of a valid patent is found.

Opinions of counsel may be particularly effective for a company that can only be accused of indirect infringement, because proving a lack of the requisite knowledge or intent might prevent all infringement liability for the company.

While under *Commil USA LLC v. Cisco Systems Inc.*, 720 F.3d 1361 (Fed. Cir. 2013), the good-faith defense extends to a belief that the patent was invalid irrespective of any belief regarding infringement, the case is currently on appeal to the Supreme Court. This appeal could affect the good-faith defense with respect to belief of invalidity, but the defense of a good-faith belief in noninfringement is not under review.

Willful Infringement

A finding of willful infringement is one of the worst possible outcomes for a defendant. If a defendant is found to have willfully infringed a patent, a judge has discretion to substantially increase the damages that must be paid by the defendant to the patent holder, including up to three times the damages that would otherwise be awarded.

The test for willful infringement requires the patent holder to prove that (1) the defendant acted despite “an objectively high likelihood that its actions constituted infringement of a valid patent”; and (2) the objectively high likelihood was “either known or so obvious that it should have been known” to the defendant. In *re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc). The first factor is objective and commonly turns on how reasonable the infringer’s defenses were. In some cases, where the objective first factor is not established, an opinion of counsel may not play a significant role.

The second factor involves a subjective evaluation of the defendant’s state of mind. While the law makes it clear that an opinion of counsel is not mandatory, a written opinion that a patent is not infringed or is invalid is strong evidence that the defendant did not have the requisite state of mind or knowledge and, thus, remains compelling evidence against willful infringement under the second factor.

Mitigate Damages

If willful infringement is found, one of the factors a judge considers in deciding whether to increase the damages award 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.” See *Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1225 (Fed. Cir.

2006). Accordingly, an opinion of counsel can be considered as a mitigating factor that weighs against increasing damages, even if willful infringement is found.

Additional Benefits Outside of Litigation

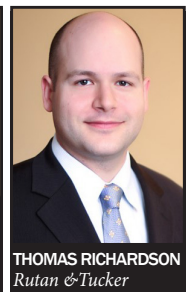
A “freedom to operate” opinion can provide useful competitive intelligence to a company and can aid in the identification of potentially relevant patents in the company’s field. This enables the company to better assess risks associated with doing business and allows the company to take appropriate action to improve their position, for example, by (1) obtaining a license to a relevant patent, (2) purchasing the patent or the company owning the patent, (3) designing or modifying the company’s product or process to avoid issues with the patent, or (4) ceasing practicing in the particular field associated with the patent. Knowledge of the patent landscape and risks can help companies position themselves better for potential investors and buyers.

Lastly, and importantly, becoming familiar with the patent landscape may help the company identify areas for the development of new technology and opportunities for patents.

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