“US Supreme Court Decisions Renew Need for Opinions on Competitor’s Patents,”
August 4, 2017

Whenever a prospective product is known to be similar to a product already disclosed and claimed in a competitor's US patent, obtaining a sound opinion of counsel should be a high priority in your management’s business plan. Halo Electronics Inc. v. Pulse Electronics, Inc. and Octane Fitness, LLC v. ICON Health & Fitness, Inc. renewed the importance of such advice. Opinions assist your entity in assessing the business risks, both economic and practical, of proceeding to develop and market such products, and can help mitigate costly future litigation.

In addition to possibly providing cautionary advice which may result in avoidance of the cost of litigation and possible damages for infringement, (whether direct, induced, or contributory), such opinions may help guard against any assertion of willful infringement and resultant enhanced damages therefor, or judicial findings of “exceptional” case and attorney fee awards, if patent infringement litigation follows a product introduction. Such opinions also may provide guidance or clues concerning how to avoid infringement, or how to resolve an apparent conflict with an adverse patent, by license or otherwise. And importantly, such opinions may provide an important defense against infringement litigations inspired by the availability to patent owners of possible awards of enhanced damages and/or attorneys’ fees.

The need for such opinions is now of renewed importance. Two decisions of the US Supreme Court have motivated many recent requests for such opinions of counsel. Those decisions have demonstrated that an entity possessing and relying upon a timely provided, sound opinion of counsel, may have a strong defense against claims of willful infringement, 35 U.S.C. § 284 enhanced damages, and/or § 285 attorneys’ fees awards.

In Halo Electronics, Inc. v. Pulse Electronics, Inc., US, 136 S. Ct. 1923 (2016), the Supreme Court discarded the Federal Circuit’s test for demonstrating willful infringement. Many entities had been operating under the impression that opinions of counsel were of diminished value under the Federal Circuit’s 2007 opinion in In re Seagate Technologies, LLC, 497 F.3d 1360 (Fed. Cir. 2007)(en banc). Seagate had held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness,” and “there is no affirmative duty to obtain [an] opinion of counsel.” Id. at 1371. The Seagate test for willful infringement had required proof that (a) the infringer had acted despite an objectively high likelihood that it would infringe, and (b) such an objectively defined risk was known, or should have been known, to the alleged infringer. Id.

However, the Supreme Court in Halo held that proof of willful infringement should depend upon the subjective intent of the accused infringer at the time infringement commenced. In Halo the Supreme Court also held that willful infringement may be proved by a mere preponderance of the evidence, rather than the prior clear and convincing evidence standard. And, in Halo the Court made it clear that the decision regarding whether to award enhanced damages is committed to the sound discretion of the District Court. Halo, 136 S. Ct. at 1932.

Earlier, the Supreme Court in Octane Fitness, LLC v. ICON Health & Fitness, Inc., US, 134 S. Ct. 1748 (2014) held that a 35 U.S.C. § 285 “exceptional” case “is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in
which the case was litigated.” Id. at 1756. The Court in Octane also held that a mere preponderance of the evidence may demonstrate such an exceptional case. Id. at 1758.

Both the Octane Fitness and Halo opinions demonstrate that today it is easier to prove willful infringement, “exceptional” case, and/or qualify for an award of enhanced damages or attorneys’ fees. Those decisions also strongly signal that proffering evidence of an opinion of counsel can be useful in rebutting claims of willful infringement, enhanced damages and/or attorneys’ fees.

In addition to your prior knowledge of the Federal Circuit’s opinion in Seagate, you are also likely aware of 35 U.S.C. § 298 (2011) which reads:

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.

§298 was effectively a statutory incorporation of the Federal Circuit’s decision in Knorr-Bremse Sys. Fuer Nutzfahrzeuge v. Dana, 383 F.3d 1337 (Fed. Cir. 2004)(en banc). However, the substance of § 298 is a prohibition only against offering to a court or jury, evidence that an alleged infringer failed to obtain advice of counsel or failed to offer such advice in evidence, as part of a patentee’s proof of alleged willful infringement or induced infringement. Continued reliance upon the pre-2014-2016 era Federal Circuit decisions in Knorr-Bremse and Seagate, and upon 35 U.S.C § 298, is no longer a good excuse for not obtaining a timely opinion of counsel with respect to any possible infringement of a known, relevant patent.

Even after enactment of 35 U.S.C. § 298, and in view of the Supreme Court’s Halo decision, the Federal Circuit has made clear that the objective reasonableness of defenses, supported by evidence of timely advice of counsel, is relevant to the question of whether enhanced damages should be awarded per § 284 (but not for proof of willfulness; see § 298), WesternGeco LLC v. ION Geophysical Corp., 837 F.3d 1358, 1363 (Fed. Cir. 2016). See also PPC Broadband Inc. v. Corning Optical Communications, Case 5:11-cv-761, (N.D.N.Y. Nov. 3, 2016), (after finding willfulness, the court did consider failure to provide evidence of a timely opinion to favor enhanced damages).

However, a cautionary consideration about opinions of counsel is the fact that if such an opinion is offered in evidence in litigation, attorney/client privilege with respect to the communications between the client and the attorney who provided the opinion, will likely be waived, thereby permitting at least limited discovery with respect to all communications between the client and that attorney on the subject matter of the opinion. Therefore, to minimize the extent and effect of any such waiver of privilege, entities seeking opinions of counsel should retain separate counsel for that purpose only (not for other purposes relating to the same subject matter, such as acting as part of the entity’s trial team, or even prosecuting patent applications on related subject matter).

Additionally, the attorney providing the opinion should be one who will be an effective witness if it becomes necessary to present the opinion in evidence, and to defend the opinion on cross-examination. A number of post-Halo district court opinions demonstrate the value of a timely, well-reasoned opinion of counsel.[1]
While competent opinion counsel will have a good understanding of the relevant law, the core of a sound opinion is usually a thorough claim chart comparing facts to every element, step and limitation of each patent claim. Such charts initially facilitate proper construction of the claims. Non-infringement claim charts compare the possibly corresponding elements of the device or process in question to all words of each claim. Invalidity claim charts compare the most relevant known prior art to all words of each claim. The text of the opinion should clearly explain existing differences between the claim language and your device or process, and/or why one skilled in the art would have combined prior art references to find a claimed invention obvious and thus invalid. A sound opinion will persuasively demonstrate why your entity does not infringe such patent claims, and/or why such claims are invalid, thereby providing your entity the desired protection suggested by the Octane Fitness and Halo decisions.

Whenever a prospective product is known to be similar to that disclosed and claimed in a US patent, promptly obtaining a sound opinion of counsel should be high on your management’s business plan.