

A MATTER OF OPINION: OPINIONS OF COUNSEL REMAIN NECESSARY AFTER *IN RE SEAGATE*

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A tension exists between opinions of counsel, willful infringement, and the attorney-client privilege.¹ Patent infringement defendants face a vexing decision. Entering into evidence an opinion of counsel declaring noninfringement or invalidity of an asserted patent acts as a strong defense to willfulness.² However, asserting this defense requires waiving attorney-client privilege.³ If a defendant chooses not to assert the opinion of counsel defense to preserve the attorney-client privilege, he risks facing enhanced damages if a jury finds willful infringement.

Law regarding willfulness and opinions of counsel changed significantly when the Federal Circuit issued *In re Seagate* in 2007. In this watershed en banc decision, the Federal Circuit overruled its own precedent regarding willful infringement. Prior to *Seagate*, the Federal Circuit explicitly imposed an affirmative duty on potential defendants to obtain an opinion of counsel per *Underwater Devices v. Morrison Knudsen Co.*⁴ The *Seagate* court replaced this duty of care standard with an objective recklessness standard.⁵ This new standard for willful infringement “abandon[ed] the affirmative duty of due care, . . . [and emphasized] that there is no affirmative obligation to obtain opinion of counsel.”⁶

The new two-pronged willfulness test under *Seagate* entails both an objective prong and a subjective prong.⁷ First, the objective standard requires a plaintiff to prove, with clear and convincing evidence, an objectively high likelihood that a defendant’s actions constituted infringement of a valid patent.⁸ Second, under the subjective standard, a plaintiff bears the burden of proof to show that the accused infringer either knew or should have known

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1. *See In re Seagate*, 497 F.3d 1360, 1372 (Fed. Cir. 2007) (en banc) (discussing scope of waiver resulting from advice of counsel defense with regard to willful infringement).

2. *See id.* at 1369 (discussing advice of counsel defense).

3. *Id.* at 1372.

4. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983).

5. *Seagate*, 497 F.3d at 1371.

6. *Id.*

7. *Id.*

8. *Id.*

this objectively defined risk of infringement existed.⁹ Initially, *Seagate* appeared to eliminate the relevance of opinion letters in determining willfulness in infringement proceedings. Indeed, an opinion letter that is asserted should continue to act as a safe harbor from being found willful since it refutes the subjective prong of the *Seagate* standard.¹⁰

However, *Seagate* did not resolve whether a jury may consider the lack of an opinion of counsel in determining willfulness.¹¹ Accused infringers might argue that the new *Seagate* standard for willfulness should prevent a jury from such consideration, since there is no obligation to procure the opinion of counsel after awareness of potential infringement and the burden of proving willful infringement is placed upon the patentee.¹² Patentees will respond, however, that *Seagate* did not overrule *Underwater Devices* in considering the totality of circumstances with regard to willful infringement.¹³ Clarity regarding whether opinion letters remain necessary is desirable because potential infringers are forced to choose between spending significant resources to obtain opinions of counsel and risking enhanced damages from a finding of willful infringement.¹⁴

District court decisions after *Seagate* fall on both sides of this fence regarding whether a jury may consider the lack of an opinion of counsel.¹⁵ These cases have hinged on the application of the totality of the circumstances test, identified in *Read Corp. v. Portec* as a list of factors to be considered in determining willfulness.¹⁶ The second *Read* factor assessed whether the

9. *Id.*

10. In its discussion on the advice of counsel defense, the *Seagate* court acknowledged the historical role of waiving privilege in order to protect against a finding of willfulness. The court overruled the affirmative duty of care in *Underwater Devices*, and removed the obligation to procure an opinion of counsel, but did not negate the benefit that an advice of counsel defense would provide. *Id.* at 1369, 71.

11. Brian Nolan, *Willful Infringement and Attorney Opinions After Seagate – What’s Next?*, Fordham University School of Law Sixteenth Annual Conference International Intellectual Property Law & Policy, March 2008, at 8, available at <http://www.fordhaminstitute.com/pdfs/BrianNolan.pdf>.

12. *Seagate*, 497 F.3d at 1371.

13. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983); see also *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992) (identifying the factors to be considered in analyzing the totality of the circumstances).

14. See Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law’s Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1091 (2003) (explaining that an opinion letter may cost between \$20,000 to \$100,000 per patent).

15. Compare *Dell USA v. Lucent Techs., Inc.*, 464 F. Supp. 2d 620 (E.D. Tex. 2006), with *Order, Energy Transp. Group v. William Demant Holding A/S*, No. 05-422 GMS (D. Del. Jan 4, 2008) 2008 WL 114861.

16. The *Read* factors are:

accused infringer investigated the patent at issue and formed a good faith belief of invalidity or noninfringement. Some district courts have utilized this aspect of the totality of circumstances test to justify allowing a jury to consider the lack of an opinion of counsel. However, the validity of these tests post-*Seagate* is questionable. The new standard of willfulness imposed by *Seagate* overruled presumptions upon which this *Read* factor is based. Some district courts have instead relied upon factors identified in *Cohesive Technologies, Inc. v. Waters Corp.*¹⁷ Though these factors were created post-*Seagate*, their validity is questionable because they cite no authority, and appear contradictory to *Seagate*'s stance on opinion letters.

Additionally, recent cases of indirect infringement have muddled any headway gained by *Seagate* in reducing the negative impact of lacking of an opinion of counsel.¹⁸ In *Broadcom v. Qualcomm*,¹⁹ the Federal Circuit ruled that a jury may consider the lack of an opinion of counsel in determining intent to induce. The *Broadcom* court narrowly distinguished *Seagate* in its decision, drawing an uncertain line between direct infringement and inducement of infringement. The court utilized language closely analogous to the *Seagate* standard, but applied contradictory reasoning.²⁰ Thus, disparate rulings regarding a jury's consideration of the lack of an opinion of counsel exist at both district and appellate levels. Consistency throughout these decisions might have been achieved if the compass of the *Seagate* court's intent guided subsequent courts.

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- (1) whether the infringer deliberately copied the ideas or design of another;
 - (2) 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; and
 - (3) the infringer's behavior as a party to the litigation . . .
 - (4) Defendant's size and financial condition.
 - (5) Closeness of the case.
 - (6) Duration of defendant's misconduct.
 - (7) Remedial action by the defendant.
 - (8) Defendant's motivation for harm.
 - (9) whether defendant attempted to conceal its misconduct.
- Use of these factors in patent cases is in line with punitive damage considerations in other tort contexts.

Read Corp., 970 F.2d at 826–27 (citations omitted).

17. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84 (D. Mass. 2007) (overruled on other grounds by *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351 (Fed. Cir. 2008)).

18. *See Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. 2008).

19. *Id.*

20. *Id.* at 699.

This Note argues that lack of an opinion letter should not be relevant in any litigation proceedings on willfulness because of the importance of the attorney-client privilege to the Federal Circuit in *Seagate*. Section I provides a brief background regarding opinions of counsel in the patent industry. Section II surveys the history of the willfulness doctrine leading up to *Seagate*. Analysis of the doctrine's evolution highlights *Seagate's* distinct departure from the Federal Circuit's traditional view on willful infringement and opinions of counsel. Section III discusses the confusion at the district court level regarding how to treat the lack of an opinion of counsel, and identifies inconsistencies between these decisions and the holdings of *Seagate*. The Note identifies potential solutions to the unsure post-*Seagate* landscape in Section IV.

I. BACKGROUND ON OPINIONS OF COUNSEL

For approximately a quarter-century prior to *Seagate*, potential infringers had an affirmative duty to obtain an opinion letter from counsel.²¹ Thus, obtaining an opinion of counsel was standard procedure when dealing with patent infringement issues. This section examines the functions opinion letters served in a pre-*Seagate* world.

There are two common types of opinion letters: letters that determine an entity's freedom to operate (clearance opinions), and letters that assess the likelihood of liability when a patent has been asserted (non-infringement or invalidity opinions).²² Each serves a distinct purpose.²³

Clearance opinion letters are most valuable at the beginning of a product development cycle.²⁴ Early notice of potential infringement allows a business to alter the design of a project around problem patents, and thus avoid costly changes late in the design cycle.²⁵ Given their proactive posture, clearance opinion letters may be especially effective as a defense against any willful infringement, but only if the opinion counsel considered the patent(s) asserted in the litigation.

21. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983).

22. Tamsen Valoir, Partner, Baker & McKenzie LLP, *Look Before You Leap: Investing in a Freedom to Operate Patent Review* (Jan. 2005), at 1, http://www.bakernet.com/NR/rdonlyres/96FB7A84-59BE-4383-883E-A1C4AFEFCF5A/38377/FTO_Paper.pdf.

23. *Id.*

24. *Id.* at 4.

25. *Id.*

Though very useful, clearance opinions come at a significant cost due to their scope. A freedom to operate (FTO) survey can easily encompass hundreds of patents, making clearance letters expensive.²⁶ Often, it may be more efficient to narrow the scope of a clearance opinion by focusing upon the patents held by likely competitors within a field of use. Moreover, the landscape of intellectual property is in constant change, and good faith requires follow-up that accounts for newly issued patents as well as any changes in scope of the project in question.²⁷ Thus, clearance opinions are a significant investment and may be impractical for many projects.

Non-infringement opinions, unlike clearance opinions, have a clearly defined scope.²⁸ These opinions respond to a known threat, typically a single patent or family of patents asserted by a patentee.²⁹ The non-infringement opinion process begins with a study evaluating the risk of the patent infringement charge.³⁰ An attorney interprets the scope of the patent's claims by examining the allegedly infringed patent, its file history, and its prior art references.³¹ Each claim is compared to the allegedly infringing device. The attorney applies the same type of analysis a court would in assessing infringement, including application of the doctrine of equivalents.³² This analysis and its conclusion are then incorporated into a formal opinion letter.³³ Similarly, invalidity opinions interpret the asserted patent and apply patent law as a court would in deciding whether a patent was valid.³⁴ These opinions often involve an additional search for previously undiscovered prior art with which to invalidate the patent. An ideal opinion to refute willfulness would contain both non-infringement and invalidity analyses.

Businesses typically consider opinion letters when they learn of a potentially infringing patent, often through receipt of a letter from the patentee.³⁵ While this letter may not threaten a lawsuit, prior to *Seagate* this letter would have

26. *Id.* at 4.

27. *Id.* at 10.

28. David V. Radack, *Understanding Patent Infringement Legal Opinions*, 47 JOM 54 (1995), available at <http://www.tms.org/pubs/journals/JOM/matters/matters-9512.html>.

29. Adam Chernichaw, Partner, White & Case LLP, Will Patents Pose a Problem to Your Company? (Sept. 2003), <http://www.whitecase.com/publications/detail.aspx?publication=427>.

30. Radack, *supra* note 28.

31. *Id.*

32. Jeff Woller, Founder, Draftinghouse P.C., I've Been Accused of Patent Infringement. Now What? (Sept. 2009), <http://www.scribd.com/doc/19409488/Ive-Been-Accused-Of-Patent-Infringement-Now-What>.

33. *Id.*

34. *Id.*

35. Lemley & Tangri, *supra* note 14, at 1090.

required a recipient to seek an opinion of counsel, which can cost anywhere between \$20,000 to \$100,000 per patent.³⁶ This mandate was designed to protect the accused infringer from the willfulness charge that is almost certain to appear if an infringement suit arises.³⁷

For the specific purpose of litigation, savvy accused infringers would request only a favorably written opinion, as opposed to a properly candid and balanced one.³⁸ If a favorable opinion was not available, the savvy accused infringer would elect not to have an opinion letter at all.³⁹ At times, opinion counsel may write one thing and orally inform the client differently.⁴⁰ This allows the recipient to gain accurate legal advice without being exposed to the liability that would otherwise be revealed by the opinion letter.⁴¹ However, since utilization of an opinion letter at trial waives the attorney-client privilege, all the opinion counsel's communications become subject to disclosure.⁴² Thus, the opinion counsel is placed in an ethical quandary where they either must lie regarding the communication, or testify that the opinion letter is inaccurate.⁴³ This scenario occurs often, and its frequency has caused it to become known as the "willfulness game."⁴⁴

Opinions of counsel play a significant role in any patent infringement scenario. Prior to *Seagate*, a non-infringement or invalidity opinion was necessary to rebut claims of willful infringement.⁴⁵ Though *Seagate* eliminated an accused infringer's obligation to procure such an opinion, it maintained utilization of an opinion of counsel as a safe harbor against willfulness.⁴⁶ Opinions of counsel provide value in other ways as well. An accused infringer may choose to license the patent in question based upon the opinion's analysis.⁴⁷ Also, once litigation occurs, an opinion of counsel may form the factual basis for denying infringement when filing a response.⁴⁸

36. *Id.* at 1085.

37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.*

41. *Id.*

42. *In re Seagate*, 497 F.3d 1360, 1372 (Fed. Cir. 2007).

43. Lemley & Tangri, *supra* note 14, at 1104–05.

44. *Id.* at 1085.

45. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983).

46. *Seagate*, 497 F.3d at 1371.

47. Woller, *supra* note 32.

48. *Id.*

II. THE DOCTRINE OF WILLFULNESS

The doctrine of willfulness originally favored patentees, but was gradually adjusted by the courts to reduce the burdens placed upon accused infringers. The Federal Circuit's ruling in *Seagate* significantly updated the law regarding willful infringement in this direction. This Part examines the doctrine of willfulness in caselaw leading up to and including *Seagate*.

A. THE COURTS CREATE WILLFULNESS STANDARDS IN FAVOR OF PATENTEES

The Patent Act of 1793 mandated damages of triple the price of a patentee's invention for any infringement.⁴⁹ However, the Patent Act of 1836 made treble damages no longer mandatory, instead giving judges discretion over enhanced damages.⁵⁰ This enabled the judicial doctrine of assigning enhanced damages to willful infringement. Indeed, the Supreme Court has long held that enhanced damages are available when the plaintiff shows willful, or bad faith, infringement.⁵¹ While a jury determines willfulness, the enhancement is determined by the court, which has the discretion to enhance damages by as little as nothing to as much as three times the awarded amount.

One of the Federal Circuit's first decisions created a standard by which to determine willful infringement of a patent. In *Underwater Devices*, the Federal Circuit placed upon defendants the burden of a duty of due care in order to avoid willfulness.⁵² Upon notice, a potential infringer had an affirmative duty to exercise due care in determining whether or not they actually infringed.⁵³ This affirmative duty included seeking competent legal advice,⁵⁴ which needed to be obtained before the initiation of any potentially infringing activity.⁵⁵ Thus, as soon as a potential infringer became aware that another patent existed, they were required to obtain a legal opinion finding either non-infringement or invalidity, before continuing with any potentially infringing activity.

Whereas *Underwater Devices* only created an affirmative duty for an accused infringer to obtain opinion of counsel upon notice of infringement,

49. Patent Act of 1793, Ch. 11 § 5, 1 Stat. 318.

50. Patent Act of 1836, Ch. 357, § 14, 5 Stat. 117.

51. *See* *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964).

52. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983).

53. *Id.*

54. Factors considered in assessing the competence of an opinion of counsel include whether the attorney was an in-house or independent counsel, was a patent attorney, and had reviewed the file history. *Id.* at 1389–90.

55. *Id.* at 1390.

subsequent cases created an adverse inference if such an opinion was not produced at trial. In *Kloster Speedsteel AB v. Crucible Inc.*,⁵⁶ the Federal Circuit held that absence of an opinion of counsel as evidence against willful infringement warranted one of two conclusions: (1) either the accused infringer did not obtain such an opinion, or (2) the accused infringer obtained an adverse opinion.⁵⁷ This placed a significant burden upon accused infringers with regard to discovery, since disclosure of an opinion of counsel waived the attorney-client privilege with regard to that subject matter.⁵⁸ Defendants were thus forced to choose between either waiving their attorney-client privilege or facing the adverse inference of willfulness.

These cases created an environment in which opinion letters were considered absolutely necessary. However, due to the costs involved with obtaining an opinion of counsel, companies that received many infringement notices found obtaining an opinion letter in response to each notice infeasible. Thus, an accused infringer was likely often forced to make judgment calls. Typically, upon receiving a letter from a patent holder asserting their patent, in-house counsel was likely to obtain an independent opinion letter upon determining that a reasonable possibility of infringement existed.⁵⁹ Additionally, *Underwater Devices* produced an incentive for businesses to refrain from performing searches of the patents surrounding their product, out of fear that knowledge of a potentially infringed patent may trigger this affirmative duty.⁶⁰

At trial, this affirmative duty, combined with an adverse inference, placed severe pressure upon defendants to utilize the opinion of counsel as a defense to willfulness, thus waiving their attorney-client privilege with regard to the opinion.⁶¹ Plaintiff's attorneys naturally pressed their advantage of this waiver in discovery, and forced the disclosure of more than just opinion

56. *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565 (Fed. Cir. 1986).

57. *Id.* at 1580; *see also* *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572–73 (Fed. Cir. 1988).

58. *In re Seagate*, 497 F.3d 1360, 1371–72 (Fed. Cir. 2007) (“[T]he proper legal standard for willful infringement informs the relevance of evidence relating to that issue and, more importantly here, the proper scope of discovery.”). Prior to *Seagate*, the scope of the attorney-client privilege waiver was not clearly defined. *Seagate* clarified that the scope of such waiver does not extend to trial counsel. *Id.* at 1374.

59. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 227–28 (2004).

60. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1351 (Fed. Cir. 2004) (Dyk, J., dissenting) (“[D]ue care requirement has fostered a reluctance to review patents.”).

61. *Seagate*, 497 F.3d at 1369 (“In light of the duty of due care, accused willful infringers commonly assert an advice of counsel defense.”).

counsel's communication. Indeed, in cases such as *Informatica Corp. v. Business Objects Data Integration, Inc.*, plaintiff's counsel successfully convinced the court to extend the scope of such waiver to trial counsel.⁶²

Furthermore, in persuading the jury that a defendant had infringed willfully, plaintiff's counsel could utilize the adverse inference argument.⁶³ Plaintiff's counsel could argue to the jury that the absence of an opinion meant only one of two things: either the accused infringer chose not to get an opinion, or the opinion was unfavorable.⁶⁴ A typical jury instruction would emphasize the affirmative duty of *Underwater Devices* and highlight the duty to obtain a competent opinion of counsel.⁶⁵ Consideration by the jury of these matters likely impacted defense counsel decisions regarding the introduction of an opinion letter into evidence. Even if the defendant had significant reservations about utilizing the defense of an opinion letter, the tremendous consequence of an adverse inference made it very likely that it would do so.⁶⁶ Cynicism regarding opinion letters infected the patent field.⁶⁷ It was commonly understood that these opinions of counsel would be used as evidence to defend against willfulness.⁶⁸ There existed within the patent industry a concern that these opinions did not embody the sound, candid advice that an opinion of counsel should provide.⁶⁹ Opinions of counsel

62. *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 454 F. Supp. 2d 957, 959 (N.D. Cal. 2006) (“Such waiver applies to opinion counsel and trial counsel alike.”).

63. *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986).

64. *Id.*

65. *See, e.g.*, Jury Instruction at 78–79, *On Demand Mach. Corp. v. Ingram Indus.*, No. 4:01CV1668 (E.D. Mo. 2004) 2004 Jury Instr. LEXIS 467:

Once Defendants had actual notice of ODMC's Patent, each Defendant had an affirmative duty to determine whether or not it infringed the Ross Patent upon introducing the accused methods of manufacturing books. In determining whether Defendants fulfilled their duty to avoid infringement, the test is whether, under all the circumstances, a reasonably prudent person would conduct himself with any confidence that a court would hold the patent invalid or not infringed. That duty will normally entail the obtaining of competent legal advice before engaging in any potentially infringing activity or continuing such activity. The fact that such an opinion of counsel was obtained by Defendants does not guarantee that the infringement will not be willful.

66. Economic decision makers seek more knowledge only when they believe the cost of acquiring it is less than the disadvantages due to uncertainty. FRITZ MACHLUP, *THE ECONOMICS OF INFORMATION AND HUMAN CAPITAL* 25–26 (1984).

67. Podcast: Wolf Greenfield Second Annual IP Webinar, held by Wolf, Greenfield & Sacks, P.C., (Sept. 23, 2009), available at http://www.wolfgreenfield.com/newsstand/events_seminars-212.

68. Lemley & Tangri, *supra* note 14, at 1104; Wolf, *supra* note 67.

69. Lemley & Tangri, *supra* note 14, at 1104; Wolf, *supra* note 67.

began to earn disparaging names such as “whitewash opinions” or “window-dressing opinions.”⁷⁰

B. THE COURTS EASE THE BURDEN PLACED UPON ACCUSED
INFRINGERS

The Federal Circuit removed the adverse inference from *Kloster Speedsteel* in its en banc decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*⁷¹ Respecting the importance of attorney-client privilege, the *Knorr-Bremse* court held that a defendant who either does not obtain, or refuses to disclose, the opinion of counsel in reliance upon attorney-client privilege, does not suffer from an adverse inference.⁷² While the *Knorr-Bremse* decision was a victory for accused infringers in its removal of the adverse inference, the affirmative duty from *Underwater Devices* remained intact.⁷³ Furthermore, *Knorr-Bremse* also followed *Underwater Devices* in considering the “totality of circumstances” when determining willful infringement.⁷⁴ Therefore, it remained necessary for accused infringers to seek opinion letters from competent counsel upon notice of potential infringement. And reliance upon opinion of counsel as a defense to willful infringement still required a waiver of attorney-client privilege.⁷⁵ Thus, the tension between waiving attorney-client privilege and facing an adverse inference was reduced but not eliminated.

The scope of the attorney-client privilege waiver was a central issue since it was not clearly defined. The Federal Circuit dealt with this matter in *In re EchoStar* and established that the waiver extended to all communications relating to the same subject matter, including communications with attorneys unassociated with the opinion letter.⁷⁶ As a result, some courts extended the scope of such a waiver to encompass even trial counsel.⁷⁷

70. Lemley & Tangri, *supra* note 14, at 1104; Wolf, *supra* note 67.

71. *Knorr-Bremse Sys. Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed. Cir. 2004) (en banc).

72. *Id.*

73. *Id.* at 1345–46 (“Although there continues to be ‘an affirmative duty of due care to avoid infringement of the known patent rights of others,’ the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable.”) (citations omitted).

74. *Id.* at 1347.

75. *Id.* at 1345 (“A defendant may of course choose to waive the privilege and produce the advice of counsel. However, the assertion of attorney-client and/or work-product privilege and the withholding of the advice of counsel shall no longer entail an adverse inference as to the nature of the advice.”).

76. *In re EchoStar Commc’ns. Corp.*, 448 F.3d 1294, 1297 (Fed. Cir. 2006).

77. *See, e.g., Informatica Corp. v. Bus. Objects Data Integration, Inc.*, 454 F. Supp. 2d 957 (N.D. Cal. 2006).

Knorr-Bremse worked to reduce the burden of defending against willful infringement.⁷⁸ However, its impact upon defendants in seeking the advice of counsel was diluted, since it reaffirmed the *Underwater Devices* duty of care.⁷⁹ Just as it did prior to *Knorr-Bremse*, the unchanged affirmative duty of care continued to prompt accused infringers to obtain opinions of counsel.⁸⁰ However, with the removal of the adverse inference, defendants likely felt slightly less pressure to enter an opinion letter into evidence and waive attorney-client privilege. Whereas before *Knorr-Bremse* it spelled certain injury to withhold an opinion letter as a defense to willfulness, after *Knorr-Bremse* defense counsel was likely able to better balance the drawbacks of waiving privilege with the chances of a willfulness finding.

Reasons why counsel might choose not to utilize an opinion letter vary. Since patent prosecution counsel often writes opinion letters, the prosecutor may not have been wary of the pitfalls in trial when writing the letter. For example, the language used within the opinion letter might shed negative light upon other issues at trial, even if the conclusion of the letter is favorable. Alternatively, the language used within the letter may contradict the court's claim construction. By removing the adverse inference, *Knorr-Bremse* served to equalize the tradeoffs of using an opinion of counsel, but still resulted in a catch-22 situation.⁸¹ The defense is forced to choose between maintaining attorney-client privilege for purposes of defending against liability, and waiving attorney-client privilege to defend against willfulness.⁸² *In re EchoStar* worsened the situation by being unclear as to whether the waiver of privilege extended to either the communication or work-product of trial counsel.⁸³

C. THE FEDERAL CIRCUIT ATTEMPTS TO CLEAN THE SLATE

Recognizing the severe implications of extending the scope of waiver to trial counsel, the Federal Circuit tackled the issue en banc in *Seagate*.⁸⁴ As part of

78. *Knorr-Bremse*, 383 F.3d at 1345.

79. *Id.* at 1345–46 (“there continues to be an affirmative duty of due care to avoid infringement of the known patent rights of others”) (citations omitted).

80. *Id.* at 1351 (Fed. Cir. 2004) (Dyk, J., dissenting) (“the majority opinion does not address whether a potential infringer can satisfy the requirement of due care without securing and disclosing an opinion of counsel, or, if such an opinion is not absolutely required, whether an adverse inference can be drawn from the accused infringer's failure to obtain and disclose such an opinion”).

81. *Id.* at 1345.

82. *In re Seagate*, 497 F.3d 1360, 1369 (Fed. Cir. 2007).

83. *Id.* at 1370 (“*Echostar* did not consider waiver of the advice of counsel defense as it relates to trial counsel.”).

84. *Id.* at 1360.

its analysis of the scope of waiver issue, the *Seagate* court overhauled the standard of willfulness established by *Underwater Devices*.⁸⁵ While the new *Seagate* standard provides that an opinion of counsel may act as a safe harbor from willfulness, it left unclear whether a jury should be permitted to consider the lack of an opinion of counsel.

The *Seagate* court revisited the doctrine of willfulness, stating that it governed the scope of discovery for the issue at hand.⁸⁶ In examining the standard, the court drew upon cases involving the Copyright Act and other civil liabilities, which all held that willfulness equated to reckless behavior.⁸⁷ The court thus concluded that willful infringement required proof of objective recklessness.⁸⁸

The *Seagate* court established a new two-part objective standard for proving willful infringement in place of the *Underwater Devices* standard.⁸⁹ First, the patentee must show that the accused infringer “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”⁹⁰ The second component requires the patentee to show that the risk was “either known or so obvious that it should have been known to the accused infringer.”⁹¹ The patentee must prove both elements by clear and convincing evidence.⁹² The *Seagate* court recognized that by leaving behind the affirmative duty of care imposed by *Underwater Devices* and placing the burden of proof upon the plaintiff, there would no longer be any obligation for a potential infringer to obtain opinion of counsel.⁹³

In analyzing the scope of waiver issue, the *Seagate* court was concerned by the policy implications of a party simultaneously using waiver as both a sword and a shield.⁹⁴ That is, a party should not be allowed to disclose favorable material while maintaining the privilege of confidentiality on unfavorable matters. The court recognized that the events relevant to willfulness would ordinarily occur prior to litigation.⁹⁵ The court also noted that trial counsel

85. *Id.* at 1371.

86. *Id.* at 1371–72.

87. *Id.* at 1370–71; *see also* *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 52 (2007) (holding that reckless action is covered by willful failure); *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112 (2d. Cir. 2001) (“Willfulness . . . means that the defendant ‘recklessly disregarded’ the possibility . . . [of] infringement.”).

88. *Seagate*, 497 F.3d at 1371.

89. *Id.*

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*

94. *Id.*

95. *Id.* at 1373.

and opinion counsel serve distinctly different purposes.⁹⁶ Thus, since communications of trial counsel have little relevance in light of the new willfulness doctrine, the court held that this risk of a waiver acting as both sword and shield no longer exists.⁹⁷ Accordingly, the court generally held that waiver of the attorney-client privilege for opinion counsel does not constitute a waiver of trial counsel, but left final discretion to the trial courts.⁹⁸ Following a similar line of reasoning, the court further held that waiver of work product as a result of relying upon opinion counsel does not extend to the work product of trial counsel.⁹⁹

The *Seagate* decision seems clear on its face with regard to the use of opinions of counsel. There are three initial conclusions. First, the burden of proving willfulness has been shifted onto the accuser.¹⁰⁰ This might reasonably relieve at least some of the pressure upon accused infringers to utilize an opinion of counsel as a defense to willfulness. The catch-22 situation in which defendants had often found themselves would thus be removed. Secondly, the *Seagate* court specifically emphasized that there is no affirmative obligation to obtain opinion of counsel.¹⁰¹ And finally, entering a competent opinion of counsel into evidence as a defense should act as a safe harbor with regard to willfulness since it refutes knowledge of infringement.¹⁰²

Seagate's new standard for willful infringement can be framed into the objective prong of whether there existed high likelihood of infringement, and the subjective prong of whether the infringer knew, or should have known they were infringing.¹⁰³ Since opinion letters are an assessment of the risk of infringement upon an asserted patent, their relevance is tied to the second, subjective prong of the new willfulness standard.¹⁰⁴ An opinion letter serves as evidence of what the accused infringer knew or should have known. Thus, an opinion of counsel declaring non-infringement or invalidity refutes knowledge of any objectively high likelihood of infringement. Further, since

96. *Id.* at 1372.

97. *Id.*

98. *Id.* at 1371.

99. *Id.* at 1374.

100. *Id.* at 1371.

101. *Id.*

102. *Id.* (“to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”). Thus, a favorable opinion letter would refute the objectively high likelihood that an accused infringer’s actions constituted infringement.

103. *Id.*

104. *Id.* at 1373 (explaining that opinion counsel serves to provide an objective assessment for making informed business decisions).

Seagate removed the *Underwater Devices* duty of care,¹⁰⁵ an act satisfying the former, and stricter, duty of care should serve as a greater defense under the *Seagate* standard.

This safe harbor was demonstrated in *Finisar Corp. v. DirecTV Group, Inc.*¹⁰⁶ DirecTV was accused of willful infringement.¹⁰⁷ While they had commissioned a non-infringement opinion, the district court held that DirecTV willfully infringed, partly because DirecTV had not obtained an invalidity opinion.¹⁰⁸ However, the Federal Circuit reversed the ruling of the district court, and held that a competent opinion of counsel of either form would enable a conclusion that the accused infringer did not act willfully.¹⁰⁹

While the three initial conclusions remain true, analysis of the case law proceeding *Seagate* shows that many unanswered questions remain. The question most pertinent to opinion letters is demonstrated by the converse of the third conclusion: while having an opinion of counsel should act as a safe harbor to the subjective prong of the new willfulness standard, should lack of an opinion letter have an impact upon the assessment of willfulness? Since a jury determines the second, subjective prong of the *Seagate* standard, the question thus becomes whether it is appropriate for a jury to consider the lack of an opinion of counsel in determining willfulness.¹¹⁰

III. A JURY SHOULD NOT CONSIDER THE LACK OF AN OPINION LETTER UNDER THE TOTALITY OF THE CIRCUMSTANCES

Historically, a jury decides willfulness.¹¹¹ A reasonable reader of the *Seagate* decision would conclude that the court intended to remove any negative impacts associated with the lack of an opinion letter, as evidenced by its express removal of any duty to obtain one. Thus, a jury should not be permitted to consider the lack of an opinion of counsel when deciding willfulness.

105. *Id.* at 1371.

106. *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323 (Fed. Cir. 2008).

107. *Id.* at 1326.

108. *Id.* at 1339.

109. *Id.*

110. *Seagate* did not discuss the role of the jury with respect to finding willfulness, or whether the objectively-defined risk is a question of law or fact. Donald S. Chisum, *Donald S. Chisum on Willful Infringement, Objective Recklessness and the Trial Attorney-Client Privilege*, 2008 Emerging Issues 527, Sept. 27, 2007, at 4.

111. *Id.*

However, the issue has generated controversy because plaintiffs have an interest in allowing a jury to consider the lack of an opinion of counsel in considering willfulness. If a jury were permitted to consider the lack of an opinion, plaintiff's counsel would undoubtedly argue that such an omission implies bad faith. The plaintiff's counsel may suggest to the jury that lack of an opinion letter suggests either intentional ignorance, or a negative opinion. Even if an accused infringer possessed a favorable opinion letter but chose not to utilize it, opposing counsel is still able to imply to the jury that defendants either do not possess an opinion letter, or that it is unfavorable. Plaintiff's counsel can easily ask the jury: if they had a favorable opinion letter, don't you think they would have shown it to you? This line of argument to the jury, coupled with permission for the jury to consider lack of an opinion of counsel in deciding willfulness, may result in a *de facto* existence of the adverse inference standard from *Kloster Speedsteel AB*. Even though a jury cannot be instructed to draw an adverse inference, under this scenario a jury is nonetheless likely to draw one on its own.¹¹²

A. THE *READ* FACTORS IN POST-*SEAGATE* DISTRICT COURT CASES

After *Underwater Devices*, subsequent case law evolved a “totality of the circumstances” approach containing several enumerated factors for determining willfulness.¹¹³ In arguing that the jury ought to consider lack of an opinion of counsel in deciding willfulness, plaintiffs relied upon factors identified in *Read Corp. v. Portec, Inc.*,¹¹⁴ developed under the old willfulness standard.¹¹⁵ The *Read* court identified nine factors to be considered when

112. See *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 434 F. Supp. 2d 810, 812 (E.D. Cal. 2006) (“It is inescapable that the jury would likely conclude that [defendant] received an unfavorable opinion, otherwise [defendant] would reveal it. This is precisely the negative inference *Knorr* prohibits.”).

113. The “totality of the circumstances” are embodied in the *Read* factors. Donald Chisum explains:

On the standard for willful infringement, *Underwater Devices* announced the affirmative duty-of-care standard soon after the Federal Circuit's creation. At that time (that is, circa 1983), there was “widespread disregard of patent rights,” which undermined the “national innovation incentive.” Decisions evolved a “totality of the circumstances” approach and listed pertinent factors The court noted: “Over time, our cases evolved to evaluate willfulness and its duty of due care under the totality of the circumstances, and we enumerated factors informing the inquiry. *E.g.*, *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992).”

7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03 (2009).

114. *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992).

115. See, e.g., Order Granting Plaintiff's Application Under Fed. R. Civ. P. 55(b) and Local Rule 55 for Default Judgment Against All Defendants, *U.S. Philips Corp. v. KXD Tech. Inc.*, No. CV 05-8953 ER (C.D. Cal. Sept. 7, 2007) 2007 WL 4984150; Order, Energy

determining whether the bad faith of an infringer merits enhanced damages, commonly referred to as the “*Read* factors.”¹¹⁶ The second factor listed by the court 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.”¹¹⁷

Decisions after *Seagate* have been split as to whether the totality of the circumstances test applying the *Read* factors remains applicable. This, in turn, has had direct bearing upon whether courts have found it appropriate for a jury to consider the lack of an opinion of counsel with regard to willfulness.¹¹⁸ However, closer analysis reveals that the second *Read* factor is no longer applicable given that *Seagate* overruled assumptions upon which the second *Read* factor relied. District court holdings have fallen across the entire spectrum with regard to whether a jury may consider the lack of an opinion of counsel under the totality of the circumstances.

In *Philips v. KXD Technology*, the district court relied upon the totality of the circumstances test when issuing default judgment against the defendants.¹¹⁹ While this case did not specifically address whether it was appropriate for a jury to take into consideration the lack of an opinion of counsel, the federal rules for default judgment require that the truth of the allegations be established by evidence.¹²⁰ Philips alleged willful infringement in the complaint.¹²¹ To support willfulness, one of the pieces of evidence the court considered was that none of the defendants had sought or obtained an

Transp. Group v. William Demant Holding A/S, No. 05-422 GMS (D. Del. Jan 4, 2008) 2008 WL 114861.

116. *Read Corp.*, 970 F.2d at 826–27. For a full listing of the read factors, see *supra* note 16.

117. *Id.* at 827.

118. See *Rhino Assocs., L.P. v. Berg Mfg. & Sales Corp.*, 531 F. Supp. 2d 652, 658 (M.D. Pa. 2007) (“To determine whether an infringement is willful . . . the court must look at the totality of the circumstances.”); see also *Depomed, Inc. v. Ivax Corp.*, 532 F. Supp. 2d 1170, 1177 (N.D. Cal. 2007) (“It is unsettled whether the Federal Circuit’s prior ‘totality of the circumstances’ test is now abrogated, or whether the factors identified in *Read Corp.* . . . remain relevant to the willfulness inquiry.”). Furthermore, the totality of the circumstances analysis has at times led to a favorable outcome for an accused infringer. See *Trading Techs. Int’l. v. eSpeed, Inc.*, No. 04 C 5312 (N.D. Ill. Jan. 3, 2008) 2008 WL 63233 (holding that *Seagate* did not alter the requirement for the totality of the circumstances to be taken into account to determine willfulness, and finding that the plaintiff did not meet its burden in demonstrating the willfulness test under *Seagate*).

119. Order Granting Plaintiff’s Application Under Fed. R. Civ. P. 55(b) and Local Rule 55 for Default Judgment Against All Defendants, *U.S. Philips Corp. v. KXD Tech. Inc.*, No. CV 05-8953 ER (C.D. Cal. Sept. 7, 2007) 2007 WL 4984150.

120. Fed. R. Civ. P. 55(b)(2).

121. Order, *supra* note 119, at *2.

opinion of counsel regarding Philips' patents.¹²² Thus, as the finder of fact in a default judgment action, the *Philips* court determined that the totality of the circumstances test applied, and that lack of an opinion of counsel may be considered as evidence of willful infringement.¹²³

The court in *Energy Transportation v. Demant*¹²⁴ directly considered whether a jury may be informed by a plaintiff of the lack of an opinion of counsel by the defendant.¹²⁵ The defendants relied upon the change in willfulness standard in *Seagate*, and argued that the new standard for willfulness meant that a jury could not be allowed to consider the lack of an opinion of counsel.¹²⁶ They suggested that the change from the affirmative duty of care to an objective recklessness standard, informs the totality of the circumstances standard such that the jury cannot consider lack of an opinion of counsel.¹²⁷ The court disagreed with this argument and denied the request by defendants to preclude lack of an opinion of counsel from the willfulness evidence allowable for consideration by the jury.¹²⁸ The court concluded that nothing in *Seagate* forbids a jury to consider lack of an opinion of counsel as part of the totality of the circumstances in determining willfulness.¹²⁹

The court in *Lucent Tech. v. Gateway*¹³⁰ never reached the issue of whether a jury may consider the lack of an opinion of counsel.¹³¹ However, when the

122. *Id.*

123. While the plaintiff provided the evidence evaluated by the court, in a default judgment action the court decides whether the truth of the allegation is established by evidence, and thus decides the appropriateness of any evidence brought before it.

124. Order, *Energy Transp. Group v. William Demant Holding A/S*, No. 05-422 GMS (D. Del. Jan 4, 2008) 2008 WL 114861.

125. *Id.*

126. *Id.*

127. *Id.*

128. *Id.*

129. *Id.* Note that *SEB, S.A. v. Montgomery Ward* utilized the same rationality as *Energy Devices*, but operated under the guidance of *Knorr-Bremse*. *Montgomery Ward* moved for a new trial based upon improper arguments by SEB's counsel at closing arguments. SEB argued to the jury that *Montgomery Ward's* failure to seek and obtain an opinion of counsel is evidence of willful infringement. The court initially held that nothing in *Knorr-Bremse* forbids a jury to consider the lack of an opinion of counsel in considering willfulness under the totality of the circumstances. *SEB, S.A. v. Montgomery Ward*, No. 99 Civ. 9284 (S.D.N.Y. Oct. 9, 2007) 2007 WL 3165783. The *Montgomery Ward* court did not consider the impact of *Seagate* upon the totality of circumstances test in issuance of that order. Upon reconsideration, the *Montgomery Ward* court held that the jury was not properly instructed under the new *Seagate* standard and vacated the enhanced damages amount. However, the *Montgomery Ward* court did not directly comment upon whether it would be appropriate for the jury to consider the lack of an opinion letter under *Seagate*. *SEB, S.A. v. Montgomery Ward*, No. 99 Civ. 9284 (S.D.N.Y. Oct. 1, 2008) 2008 WL 4540416.

130. *Lucent Techs., Inc. v. Gateway, Inc.*, No. 03-CV-1108-B (S.D. Cal. Oct. 30, 2007) 2007 U.S. Dist. LEXIS 95934.

Gateway court granted summary judgment it commented upon the new willful infringement standard under *Seagate*.¹³² In its discussion, the *Gateway* court declared that the *Seagate* court did not intend to jettison the approach of evaluating the totality of the circumstances.¹³³ But the *Gateway* court took a view that is favorable to an accused infringer with regard to the totality of circumstances test.¹³⁴ In considering the new *Seagate* standard, the court acknowledged that *Seagate* abandoned the affirmative obligation to seek an opinion of counsel, but went on to state that the advice of counsel may “remain relevant, at least as a defense to willfulness.”¹³⁵ Thus, the court supported the notion that having an opinion of counsel may serve to help an accused infringer, but the absence of one should not harm the defendant.

In contrast with the holdings of *Philips* and *Energy Transportation*, some district courts have held that under the new standard of *Seagate*, a jury cannot be allowed to consider lack of an opinion of counsel in determining willfulness. In *Memry Corp. v. Kentucky Oil*,¹³⁶ the defendant filed a motion in limine to exclude evidence regarding opinions of counsel.¹³⁷ The court granted this motion and stated that since none of the parties were relying upon an advice of counsel defense, “no party should be allowed to ask whether any other party sought or obtained legal advice regarding issues in this case.”¹³⁸

The Federal Circuit affirmed this sentiment in *Dell USA v. Lucent*.¹³⁹ Lucent filed a motion in limine to preclude mention of Lucent’s lack of an opinion of counsel in trial.¹⁴⁰ They argued that since *Seagate* abandoned the affirmative duty of due care, a defendant’s decision not to obtain an opinion of counsel is no longer relevant to willfulness, and is thus inadmissible at trial.¹⁴¹ In its motion, Lucent expressed concern that discussion by Dell regarding Lucent’s decision not to obtain advice of counsel would unduly prejudice the jury.¹⁴²

131. *Id.*

132. *Id.* at *11.

133. *Id.*

134. *Id.*

135. *Id.*

136. Order on Motions in Limine, *Memry Corp. v. Kentucky Oil Tech.*, No. C-04-03843 (N.D. Cal. Nov. 27, 2007) 2007 WL 4208317.

137. *Id.* at *1.

138. *Id.* at *9.

139. *Dell USA L.P. v. Lucent Techs.*, 464 F. Supp. 2d 620 (E.D. Tex. 2006).

140. Lucent’s Motion in Limine No. 6 to Preclude Dell from Mentioning Lucent’s Decision Not to Rely on Opinion of Counsel in Defense of Dell’s Willful Infringement Allegations, *Dell USA v. Lucent Tech. Inc.*, No. 4:03cv347 (E.D. Tex. Nov. 16, 2007) 2007 WL 5272290.

141. *Id.* at *2.

142. *Id.* at *3.

Dell's response to this motion argued that *Seagate* never adopted a per se rule that made failure to obtain an opinion of counsel irrelevant to willfulness.¹⁴³ With regard to the new *Seagate* standard for willfulness, the plaintiff argued that the lack of an opinion of counsel is relevant to the second prong of the *Seagate* test.¹⁴⁴ Dell further suggested that any risk of confusing the jury can be mitigated through proper instructions regarding willfulness.¹⁴⁵ The court adopted a firm stance on the matter and stated that since *Seagate* established an objective test for willfulness, whether or not a defendant obtained an opinion of counsel had become irrelevant to willfulness.¹⁴⁶ Moreover, since failure to obtain an opinion of counsel is irrelevant to the willfulness inquiry, it would be inadmissible at trial.¹⁴⁷

B. *SEAGATE* INVALIDATES THE *READ* FACTORS

With district court rulings on both ends of the spectrum, further analysis regarding the post-*Seagate* validity of the second *Read* factor is warranted. The *Read* factors enforced the old willfulness standard. The language of the second *Read* factor, whether the accused infringer investigated the scope of the patent and formed a good faith belief that it was invalid or not infringed, implies the existence of an affirmative duty, which existed under case law at the time.¹⁴⁸

The authority for the second *Read* factor originated in *Lam v. Johns*.¹⁴⁹ *Lam* asked whether possession of an opinion of counsel was enough to exculpate a party from willfulness.¹⁵⁰ The *Lam* court took existence of the opinion letter for granted and instead focused upon the opinion letter's sufficiency and the bad faith behavior surrounding it.¹⁵¹ The court never considered the issue from a perspective in which no affirmative obligation to obtain opinion of counsel exists.¹⁵² Thus, in creating what eventually became the second *Read* factor, the lack of an opinion of counsel was not within the court's purview.

143. Plaintiff Dell USA L.P.'s Response to Lucent's Motion in Limine No. 6, Dell USA v. Lucent Tech. Inc., No. 4:03cv347 (E.D. Tex. Dec. 3, 2007) 2007 WL 5272294.

144. *Id.* at *2.

145. *Id.* at *1–2 n.1.

146. Eileen McDermott, Cohen Pontani Lieberman & Pavane LLP, How *Seagate* Has Reshaped Patent Litigation Practices (Feb. 2008), <http://www.cplplaw.com/pdf/Managing%20Intellectual%20Property%20-%20How%20Seagate%20has%20reshaped%20patent%20litigation%20practices%20with%20William%20Alper.pdf>.

147. *Id.*

148. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

149. *Lam v. Johns-Manville Corp.*, 668 F.2d 462 (10th Cir. 1982).

150. *Id.* at 475–76.

151. *Id.* at 476.

152. *Id.*

Rather, it assumed the existence of an opinion letter and created the factor to ask whether or not the opinion letter alone may suffice as a defense.

Further, the *Read* court's discussion of the factors regarded the enhancement of damages and not a finding of willfulness by a jury.¹⁵³ This is shown by the *Read* court's statement that "a finding of willful infringement does not mandate enhancement of damages, the . . . factors taken together assist the trial court in . . . determining whether to exercise its discretion to award enhanced damages and how much the damages should be increased."¹⁵⁴ This creates another disjunction in using the totality of circumstances as justification for a jury to consider the lack of an opinion of counsel with regard to willfulness.

The second *Read* factor was applicable under the prior willfulness standard because the existence of an opinion of counsel was expected. Since *Seagate* removed the affirmative duty of due care that made opinions of counsel mandatory, it is reasonable to conclude that *Seagate* has, at the very least, altered the totality of the circumstances test.

C. THE COHESIVE FACTORS

Another application of the *Seagate* standard was carried out in *Cohesive Technologies Inc. v. Water Corp.*¹⁵⁵ As was done with the *Read* factors, courts have made questionable use of the factors outlined by *Cohesive* to allow a jury to consider the lack of an opinion of counsel in determining willfulness.

The *Cohesive* court began its analysis of willful infringement by citing *Seagate's* language. The court then proceeded to outline a six-factor test to be considered in determining willful infringement:

- (1) whether there was a bona fide disagreement regarding patent invalidity or infringement,
- (2) whether the infringer solicited or followed the advice of counsel,
- (3) whether there was continued infringement after notice of probable infringement was received,
- (4) whether there was a degree of similarity between the patented and accused devices,
- (5) whether the infringer took efforts to avoid infringement, and
- (6) whether the infringer was indemnified against infringement costs.¹⁵⁶

153. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992).

154. *Id.* at 828.

155. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84 (D. Mass. 2007) (overruled on other grounds by *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351 (Fed. Cir. 2008)).

156. *Id.* at 103–04.

The *Cohesive* court did not cite any authority for these factors.¹⁵⁷ In applying this test, the court found that the defendant had obtained an opinion of counsel in good faith, and that there existed a bona fide disagreement over the infringement of plaintiff's patents.¹⁵⁸ Thus, the plaintiff was unable to prove willful infringement by clear and convincing evidence.¹⁵⁹

Whereas the court in *Cohesive* applied the test as a matter of law, in *Creative Internet Advertising Corp. v. Yahoo! Inc.*,¹⁶⁰ the same six factors were incorporated into the jury instructions as factors to be considered under the totality of the circumstances.¹⁶¹ One of the factors listed was "whether or not [defendant] sought or followed advice of counsel."¹⁶² The defendant, Yahoo!, did not obtain a formal opinion of counsel.¹⁶³ The jury found that the plaintiff's patent was willfully infringed.¹⁶⁴ Yahoo! filed a motion for judgment as a matter of law arguing that the plaintiff had failed to meet its burden of proving willfulness.¹⁶⁵ The *Yahoo!* court denied the motion. It began by citing the *Cohesive* factors.¹⁶⁶ After reviewing evidence pertinent to these factors, the *Yahoo!* court found that the jury could have reasonably arrived at conclusions supporting willful infringement.¹⁶⁷ The first of the five conclusions listed was that Yahoo! did not solicit advice of counsel.¹⁶⁸ Based upon these conclusions, the court decided that the jury could have reasonably found that Yahoo's behavior satisfied the objectively reckless *Seagate* standard.¹⁶⁹

The *Cohesive* factors improperly authorize a jury to consider a lack of an opinion of counsel in deciding willfulness. Unlike the *Read* factors, the *Cohesive* factors were created post-*Seagate*.¹⁷⁰ Incorporation of these factors into jury instructions clearly allows a jury to consider the lack of an opinion of counsel. However, the soundness of this practice rests upon shaky ground. The test's validity is questionable at best since the *Cohesive* court made no

157. *Id.*

158. *Id.* at 104.

159. *Id.* at 103.

160. *Creative Internet Adver. Corp. v. Yahoo! Inc.* at *1, No. 6:07cv354 (E.D. Tex. July 30, 2009) 2009 WL 2382132.

161. Charge of the Court at 13, *Creative Internet Adver. Corp. v. Yahoo! Inc.*, No. 6:07cv354, (E.D. Tex. May 15, 2009), available at <http://lexmachina.com/cases/19545/documents/2000008708.pdf>.

162. *Id.*

163. *Creative*, 2009 WL 2382132, at *4.

164. *Id.* at *1.

165. *Id.*

166. *Id.* at *2.

167. *Id.* at *4.

168. *Id.*

169. *Id.*

170. *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84 (D. Mass. 2007).

attempt to link the factors with any authority, let alone the *Seagate* decision. Also, the *Cobesive* court's intended application of the second factor is difficult to discern. In *Cobesive*, the court applied that factor favorably on behalf of the defendant. Such an application is equivalent to the safe harbor discussed, *supra*, and is clearly consistent with the holding of *Seagate*. How the court would have applied this factor had there been a lack of an opinion letter, or if any consideration were even given to this matter, is unknown.

In August, 2009, the defendants filed an appeal to the *Yahoo!* decision.¹⁷¹ The Federal Circuit's analysis will reach the validity of the *Cobesive* factors only if it is found that the plaintiffs met their burden regarding the objective prong of the *Seagate* standard. It is likely that a court would find the *Cobesive* factors to be invalid given both the lack of any authority for the factors and *Seagate*'s clear stance against any obligation to procure an opinion of counsel.

D. INDIRECT INFRINGEMENT

While the Federal Circuit has not yet directly addressed the issue of whether it is appropriate for a jury to consider the lack of an opinion letter in finding willfulness, it has approached the topic tangentially in an issue regarding induced infringement. In *Broadcom v. Qualcomm*, the Federal Circuit addressed Qualcomm's concern that it was improper for the jury to consider the lack of an opinion of counsel in determining indirect infringement.¹⁷² The jury instruction stated that, "in the totality of the circumstances, you may consider all of the circumstances, including whether or not Qualcomm obtained the advice of a competent lawyer."¹⁷³ Relying upon *Seagate*'s elimination of the affirmative duty of due care, Qualcomm argued that this new standard impacted the test for establishing the intent element of inducement, making opinions of counsel irrelevant in such a context.¹⁷⁴ *Broadcom* addressed the new willfulness standard by distinguishing *Seagate*, since the decision neither specifically addressed whether lack of an opinion letter was admissible as evidence, nor whether the intent standard for inducement had changed.¹⁷⁵

The *Broadcom* court held that *Seagate* did not alter the state of mind requirement for inducement.¹⁷⁶ *Broadcom* encouraged the court to rely upon the specific intent standard adopted by *DSU Medical Corporation v. JMS Corporation*, which governs the intent standard for inducement of

171. Notice of Appeal, *Creative Internet Adver. Corp. v. Yahoo! Inc.*, No. 6:07cv354 (E.D. Tex. Aug. 28, 2009).

172. *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. 2008).

173. *Id.* at 698.

174. *Id.* at 698–99.

175. *Id.*

176. *Id.*

infringement,¹⁷⁷ and allows specific intent to be proven by circumstantial evidence.¹⁷⁸ In its analysis, the court drew upon case law directly applicable to specific intent of inducement, and concluded that it was proper for the jury to consider all of the circumstances, including the lack of an opinion letter, in determining Qualcomm's intent to induce infringement.¹⁷⁹ The court declared that the opinion of counsel remains relevant to whether the defendant knew or should have known that their actions would cause direct infringement of the patent.¹⁸⁰

Broadcom dealt with indirect infringement, and thus did not directly address the question of whether it is proper for a jury to consider the failure of an accused infringer to obtain opinion of counsel in a willful infringement case.¹⁸¹ However, *Broadcom* provided a chance for the Federal Circuit to provide guidance on the subject and its silence could indicate hesitation to alter the standard of considering the totality of circumstances.

The *Broadcom* decision is at odds with the new willfulness standard of *Seagate*. In arriving at its conclusion that *Seagate* did not change the state of mind requirement for inducement, the *Broadcom* court states, "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."¹⁸² The court essentially stated that if an opinion of counsel could exonerate an accused infringer, then the opposite must also be true. That is, lack of an opinion letter should incriminate the accused infringer. This goes directly against the holding and intent behind *Seagate*. The court in *Seagate* specifically emphasized that there is no affirmative obligation to obtain opinion of counsel.¹⁸³ *Seagate* removed the affirmative duty of due care that mandated seeking an opinion of counsel, and this decision is contradicted by the *Broadcom* court's rationale that lack of an opinion letter should carry a negative impact.

177. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc). Prior to *DSU*, there were two lines of cases which took different approaches to the level of intent required for inducement. One line of cases followed the general intent standard of *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464 (Fed. Cir. 1990). The other line of cases followed the specific intent standard of *Manville Sales Corp v. Paramount Systems, Inc.*, 917 F.2d 544 (Fed. Cir. 1990). In *DSU*, the Federal Circuit decided en banc to adopt the *Manville* test of specific intent.

178. *Broadcom*, 543 F.3d at 699.

179. *Id.*

180. *Id.* at 699–700.

181. *Id.* at 699.

182. *Id.*

183. *In re Seagate*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

While it is true that *Broadcom* relied upon *DSU* rather than *Seagate*, in its analysis it ignored the similarity between the second prong of the *DSU* test and the second prong of the *Seagate* test. Specifically, the *Broadcom* court relied upon this language of *DSU*: defendant “[kn]ew or should have known [that] its action would cause the direct infringement.”¹⁸⁴ Similarly, *Seagate*’s second prong states: “risk was either known or so obvious that it should have been known to the accused infringer.”¹⁸⁵ The *Broadcom* court attempted to separate its decision from *Seagate* by drawing a hairline divide between intent and willfulness. While the *Broadcom* court set aside the *Seagate* decision by holding that it did not change the standard of intent for inducement, they relied upon language very analogous to that of *Seagate* in order to justify a contradictory holding.

The situation that *Broadcom* creates is counterintuitive in practical terms. For example, if company A receives an assertion letter, under *Seagate* there is no need to get an opinion of counsel. However, if company A’s customer, company B, receives an assertion letter for a product that uses company A’s product, then suddenly company A must seek an opinion of counsel for fear of a *de facto* adverse inference on the part of a jury in an inducement claim under *Broadcom*. The notion of having to seek an opinion of counsel regarding another entity’s activities is very disconcerting.

IV. DISCUSSION

Though the en banc Federal Circuit did not directly state its concern, the court was reasonably aware of the unease and cynicism throughout the patent profession regarding sham opinions of counsel. In the *Seagate* decision, the court placed strong emphasis upon the value of the attorney-client privilege as the “oldest of the privileges for confidential communications known to the common law.”¹⁸⁶ The court further stated that the guidance for its analysis was “to encourage full and frank communications between attorneys and their clients.”¹⁸⁷ Taken in light of this context, it may be inferred that one of the court’s motivations for emphasizing that the affirmative obligation to obtain opinion of counsel was eliminated relates to the attorney-client privilege. That is, the court recognized that the old standard of willfulness created a gap in the attorney-client privilege, where clients were not receiving proper advice. Because counsel knew that the

184. *Broadcom*, 543 F.3d at 699.

185. *Seagate*, 497 F.3d at 1371.

186. *Id.* at 1372.

187. *Id.* (quoting *Upjohn Co. v. United States*, 449 U.S. 383 (1981)).

opinion letter was to be used as evidence, these letters would logically conclude in favor of the client; otherwise, they would prove to be worthless. Furthermore, counsel would speak to the client in code, for fear of the waiver of attorney-client privilege. *Seagate* recognized this issue and took a drastic step toward restoring this gap in the attorney-client privilege. By removing the negative impacts of obtaining an honest opinion letter, the *Seagate* decision effectively restored the purpose of an opinion of counsel: to provide useful and candid advice.

Progress toward this goal has been hindered by confusion at the district court level regarding whether it is appropriate for a jury to consider the lack of an opinion of counsel. It has been impeded to an even higher degree by the holding in *Broadcom*. The Federal Circuit has almost brought the practical use of an opinion letter full circle. After *Broadcom*, complainants can easily add a boilerplate indirect infringement claim in their complaint to make the lack of an opinion letter relevant to the jury's consideration. This returns us to the pre-*Seagate* situation, where a defendant is forced to choose between maintaining privilege for defense against infringement, and waiving privilege to defend against intent of inducement. While *Seagate*'s holding at least protects the privilege of trial counsel from being waived, counsel is once again incentivized to produce whitewash opinions. Indeed, though not dispositive, a recent survey indicated that a majority of those polled have seen no change with regard to opinions of counsel since *Seagate*.¹⁸⁸ If the *Broadcom* ruling had been consistent with the holding of *Seagate*, there would have been potential to see the return of opinion letters providing sound, candid advice to clients.

Outside of case law, potential solutions to the confusion surrounding whether a jury should be allowed to consider the lack of an opinion of counsel are found in model jury instructions and patent reform initiatives. The Northern District of California issued new model jury instructions on willful infringement.¹⁸⁹ It provides an optional instruction allowing a jury to consider an opinion of counsel in assessing an alleged infringer's reckless disregard, but only if the alleged infringer relies upon the opinion of counsel.¹⁹⁰ In effect, this model jury instruction embodies the spirit of the

188. The survey results reported 58% seeing no change, 22% seeing formal opinions being replaced with informal opinions, 15% seeing fewer opinions, and 5% seeing more opinions. Wolf, *supra* note 67.

189. Claudia Wilkin, *Model Patent Jury Instructions for the Northern District of California*, in DEVELOPMENTS IN PHARMACEUTICAL AND BIOTECH PATENT LAW 2008, at 335 (PLI Patents, Copyrights, Trademarks, & Literary Prop., Course Handbook Series No. 17180, 2008).

190. *Id.*

Seagate decision. An opinion of counsel entered into evidence by an accused infringer may serve to act as a safe harbor with regard to the second, subjective prong of the *Seagate* standard.¹⁹¹ Lack of an opinion letter is irrelevant to the determination of willfulness, and may not be considered by the jury in determining willfulness.¹⁹²

The Northern District of California model jury instructions are not unique in its treatment of willful infringement. The American Intellectual Property Law Association also included a similar clause within the 2008 update to its model jury instructions.¹⁹³ However, the jury instructions commissioned by Federal Circuit Chief Judge Michel do not include any treatment of opinions of counsel with regard to willfulness.¹⁹⁴ While the Federal Circuit has not yet officially endorsed these instructions, they are likely to provide ammunition for plaintiffs in the form of proposed jury instructions.

The Patent Reform Act of 2009 has been recommended by the Senate Committee on the Judiciary for consideration upon the Senate floor.¹⁹⁵ The bill would amend the standard for willfulness according to the *Seagate* decision.¹⁹⁶ Furthermore, it would create limitations on willfulness in favor of accused infringers. Under the proposed amendment, an accused infringer may not be found willful if they reasonably relied upon advice of counsel.¹⁹⁷ Moreover, the amended statute would dictate that lack of an opinion of counsel is irrelevant to a determination of willful infringement.¹⁹⁸ Thus, the Patent Reform Act aims to implement the same policy that is established by the model jury instructions of the Northern District of California, where an opinion of counsel serves as a safe harbor to willfulness, but lack of one cannot be allowed to generate any kind of negative inference.

While statutory reform garnered by the Patent Reform Act would be the most authoritative method of implementing *Seagate's* stand on opinions of counsel, such legislation is unlikely to occur quickly, if at all. Thus, the most effective means for adopting a policy with regard to a jury's consideration of

191. *Id.*

192. *Id.*

193. American Intellectual Property Law Association, Model Patent Jury Instructions (Mar. 2008), http://www.aipla.org/Content/ContentGroups/Publications1/Publications_available_for_viewing1/2008_03_27_AIPLA_Model_Jury_Instructions.pdf.

194. The National Jury Instruction Project, Model Patent Jury Instructions (June 17, 2009), <http://www.nationaljuryinstructions.org/documents/NationalPatentJuryInstructions.pdf>.

195. S. 515, 111th Cong. (2009).

196. *Id.* at § 284(e)(3).

197. *Id.* at § 284(e)(3)(B).

198. *Id.* at § 284(e)(3)(C).

lack of an opinion of counsel that is consistent with *Seagate* would be adoption of model jury instructions similar to that of the Northern District of California.

V. CONCLUSION

District court decisions have evidenced confusion on whether a jury may consider the lack of an opinion of counsel post-*Seagate*. Thus, an environment where opinion letters are viewed as necessary to defend against willfulness remains. Consequentially, white-wash opinions still permeate the patent industry. The *Seagate* court had a worthy goal of re-establishing the credibility and utility of an opinion of counsel. *Broadcom*, however, has hindered progress toward *Seagate*'s goal because of its reliance upon *DSU*. As an en banc decision, *Seagate* should carry significantly more weight in guiding the district courts. The simplest, most direct route to implementing the intent behind the *Seagate* opinion is widespread adoption of the Northern District of California model jury instructions, which embody the policy underlying *Seagate*.