

Are Patent Opinions Again Necessary?

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Patent opinions are no longer necessary to avoid an inference at trial that the opinion would have been unfavorable, but, in view of the recent Supreme Court decisions in *Halo*¹ and *Octane Fitness*² they may be advisable upon becoming aware of possible infringement, as a defense to a claim for treble damages or attorney's fees.

Treble Damages

Pursuant to 35 U.S.C. §284, a court may increase damages up to three times the amount assessed. The court has discretion to determine how much to increase the damage award up to the trebled amount, but it will only do so if there was a determination that the infringement was willful or in bad faith.³

The Federal Circuit in its 1983 *Underwater Devices* decision held that a potential patent infringer knowing of another's patent rights has "an affirmative duty to exercise due care to determine whether or not he is infringing" which includes "the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity."⁴ A failure to rely on advice of counsel at trial in defense of a willful infringement claim resulted in an adverse inference that no such advice was obtained or that the defendant was advised that it infringed a valid patent.⁵

In 2004, the Federal Circuit in its *en banc Knorr-Bremse* decision maintained the "affirmative duty of care," but did away with the adverse inference from the accused infringer's failure to rely on an attorney's opinion.⁶ In 2011, Congress codified this decision as follows:

The failure of an infringer to obtain the advice of counsel with respect to an 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.⁷

In 2007 the Federal Circuit in *Seagate* did away with the affirmative duty of care, and instead created a two prong test for willful infringement, which required the patentee to prove by clear and convincing evidence: (1) whether the infringer acted despite an objectively high likelihood of infringement and (2) whether this risk was known or should have been known to the accused infringer.⁸

Halo has now eliminated the "objective" prong, and has held that "[t]he subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regards to whether his infringement was objectively reckless."⁹ *Halo* also held that enhanced damages are limited to "egregious" cases of willful infringement,¹⁰ and are based on the knowledge of the infringer at the time of the infringement (defenses to infringement first developed in litigation may not be relevant to the defendant's willful conduct at the time of infringement).¹¹

It would thus appear that the law has now come full-circle, and returned to the pre-*Underwater Devices* (1983) standard for enhanced damages; namely, that there is no affirmative duty of care requiring a competent opinion, but egregious conduct, meaning infringement that is intentional or knowing at the time of the infringement, may warrant enhanced damages.¹² Knowledge of the patent alleged to be willfully infringed continues to be a prerequisite for enhanced damages,¹³ but knowledge of the patent without more (e.g., knowledge of the infringement) is not sufficient.¹⁴

Since *Halo*, when making the decision to grant enhanced damages based on willful infringement, courts must consider two questions (1) whether the infringement was willful, and if so (2) whether, considering all relevant factors, enhanced damages should be awarded.¹⁵ The "objective reasonableness of the accused infringer's positions" may still be a factor relevant to the second question.¹⁶ Indeed, courts continue¹⁷ to evaluate the nine factors identified in *Read Corp. v. Portec, Inc.*:

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;
3. the infringer's behavior as a party to the litigation;
4. the defendant's size and financial condition;
5. the closeness of the case;
6. the duration of defendant's misconduct;
7. remedial action by the defendant;
8. defendant's motivation for harm; and
9. whether defendant attempted to conceal its misconduct.¹⁸

An attorney's opinion may be relevant to at least factor No. 2 above (and possibly factors 1, 5 and 8). Because of those factors and because the "objective" prong is no longer a defense to willful infringement, obtaining an attorney's opinion as soon as practicable after learning of a possible infringement (and taking remedial action if necessary) may be advisable to assist in avoiding enhanced damages for willful infringement.

Attorney's Fees

Attorney's fees, pursuant to 35 USC §285, may be awarded in "exceptional cases." Prior to 2005, courts looked at the totality of circumstances when making fee determinations. In 2005, the Federal Circuit in *Brooks Furniture*¹⁹ held that fees may be imposed only if both (1) there is subjective bad faith and (2) the litigation is objectively baseless. But in 2014, the Supreme Court in *Octane Fitness* overruled *Brooks Furniture*, and held that "objectively baseless" is not a requirement; "a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award."²⁰

Thus, just as with treble damages, the Supreme Court has eliminated the "objective" requirement, and returned the attorney's fees law to the pre-*Brooks Furniture*, "totality of circumstances" standard.²¹

Willful infringement may be a sufficient basis for finding the case exceptional for purposes of awarding attorney fees.²² Indeed, a district court must normally explain why it decided that a case is not exceptional under 35 U.S.C. §285 when a finding of willful infringement has been established, and if exceptional, why it decided not to award attorney fees.²³ On the other hand, courts have been reluctant to award attorney's fees based solely on a finding of willful infringement, without any finding of litigation misconduct or a meritless case.²⁴ See, e.g., *Stryker Corp. v. Zimmer, Inc.*, wherein the Federal Circuit remanded the district court's award of attorney's fees based solely on its finding of willful infringement.²⁵ Nevertheless, because willful infringement is a factor in the court's determination as to whether to award attorney's fees, it may be advisable for a potential infringer to obtain a competent legal opinion upon learning of the patent and potential infringement.

Conclusion

In cases where a potential infringer has reason to know of the patent, obtaining an opinion of counsel (and if necessary, taking remedial action), as soon as reasonably practicable after becoming aware of a possible infringement, will assist the alleged infringer defend against a claim for treble damages and attorney's fees.

Endnotes

¹ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S.Ct. 1923 (2016).

² *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S.Ct. 1749 (2014).

³ *Halo*, 136 S.Ct. at 1932.

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

⁵ See, e.g., *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-3 (Fed. Cir. 1988).

⁶ *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004).

⁷ 35 U.S.C. § 298.

⁸ *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

⁹ *Halo*, 136 S. Ct. at 1933.

¹⁰ *Id.* at 1926 and 1934.

¹¹ *Id.* at 1926.

¹² The standard for proving enhanced damages is a preponderance of the evidence; not clear and convincing evidence. *Halo*, 136 S. Ct. at 1934. The standard for appellate review is abuse of discretion. *Id.*

¹³ *WBIP, LLC v. Kohler Co.*, No. 2015-1038, 2016 WL 3902668, at *15 (July 19, 2016).

¹⁴ See *Halo*, 136 S. Ct. at 1937.

¹⁵ See *WesternGeco, LLC v. Ion Geophysical Corp.*, Nos. 2013-1527, 2014-1121, 2014-1526, at 9-11 (Fed. Cir., Sept. 21, 2016).

¹⁶ *Id.* at 8.

¹⁷ See, e.g., *Finjan, Inc. v. Blue Coat Sys.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at *16 (N.D. Cal. July 18, 2016); *Trustees of Boston Univ. v. Everlight Electronics Co., Ltd.*, No. 12-11935-PBS, 2016 WL 3976617, at *2 (D. Mass. July 22, 2016); *Imperium IP Holdings, Ltd. v. Samsung Electronics Co., Ltd.*, No. CV 4:14-CV-371, 2016 WL 4480542, at *6 (E.D. Tex. August 24, 2016).

¹⁸ *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

¹⁹ *Brooks Furniture v. Dutailier*, 393 F.3d 1378, 1381 (Fed. Cir. 2005).

²⁰ *Octane Fitness*, 134 S.Ct. at 1751.

²¹ *Id.* at 1758.

²² See *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1340 (Fed. Cir. 2004).

²³ See *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1349 (Fed. Cir. 2011); *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1379 (Fed. Cir. 2002).

²⁴ *Spectralytics*, 649 F.3d at 1349 (“[A]ttorney misconduct or other aggravation of the litigation process may weigh heavily with respect to attorney fees, but not for enhancement of damages”).

²⁵ *Stryker Corp. v. Zimmer, Inc.*, No. 2013-1668, 2016 WL 4729504, at *8 (Fed. Cir. Sept. 12, 2016).

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