

CHANGING OPINIONS ON WILLFUL PATENT INFRINGEMENT

Being sued is never pleasant. And, for most companies, being sued for patent infringement is the worst kind of pain. Losing such a case usually means that the company will no longer be able to sell the infringing product, which for some may be its only product. What is more, many defendants are accused of “willfully” infringing the patent. If a patentee successfully proves willful infringement, it may recover up to three times its actual damages—as well as attorney fees—on top of the typical remedies, such as a permanent injunction.

At the most basic level, the simplest way to avoid willful infringement is to not infringe the patent in the first place. That is, of course, easier said than done. For example, a company may have been unaware of the patent at the time it designed its product. Indeed, it is impossible for any company to be aware of all the patents that could possibly be asserted against it.

In the past, courts imposed on companies an affirmative duty of due care to avoid infringing known patents. That duty burdened a company with an obligation to take steps to avoid infringement once a patent was brought to its attention. To satisfy this obligation, the conventional wisdom had been to obtain an opinion letter from a patent attorney concluding that the patent was invalid, unenforceable, or not infringed. Courts often considered obtaining an opinion letter to be a critical step for a company to avoid infringing activity. Armed with a competent opinion, *i.e.*, one prepared by an attorney versed in U.S. patent law and who properly considered the facts of the case,¹ an accused infringer stood a good chance of successfully defending against an accusation of willful infringement. Without that opinion letter, a finding of willful infringement was much more likely. While obtaining an opinion of counsel might appear to have been the obvious course of action, such a step required a substantial financial investment. For a company concerned with managing its expenses, the decision to engage a patent attorney to prepare an opinion became a difficult one.

Based on recent developments, however, some companies may no longer feel compelled to seek an opinion letter when a patent not previously considered comes to their attention. The Federal Circuit—the appellate court responsible for patent appeals—recently modified its guidelines for determining willful infringement. In the *Seagate* case,² the court raised the bar that a patentee must clear before being entitled to the enhanced damages and attorney fees that may accompany a finding of willfulness.

With its reformulated test, the Federal Circuit held that proving willfulness now requires at least a showing of “objective recklessness.” Under this test, a patentee cannot establish willful infringement by merely proving that the defendant knew about the patent. Instead, the patentee must show that (1) the defendant acted despite an “objectively high likelihood” of infringing a valid and enforceable patent, and (2) the objectively high risk was known, or so obvious that it should have been known, to the defendant. Further, the patentee is not permitted to argue the second prong of the test without meeting the first prong.

Significantly, the Federal Circuit no longer imposes an affirmative duty of due care on potential infringers for the purpose of determining whether or not infringement is willful. On the surface, there is no longer an obligation to obtain an opinion of counsel to avoid willfulness. In fact, under a literal reading of the new test, one might conclude that opinions could actually harm a defendant. Because the first prong of the test is objective, an opinion of counsel should be irrelevant because opinions go to state of mind—*i.e.*, they are subjective rather than objective measures. As for the second prong, an opinion would indicate that the defendant was aware of the patent and a potential risk of infringement it deemed sufficiently high to warrant the expense of an opinion. Why else would a company go through the expense of obtaining an opinion of counsel if it did not believe that there was an objectively high risk of infringement? But realistically, although now more



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optional than mandatory on the spectrum of desirability, an opinion letter remains a potent shield against a willful infringement claim. While the Federal Circuit does not impose an affirmative obligation to obtain one, the court nevertheless acknowledges that a competent opinion, concluding either that the patent is not infringed or that it is invalid or unenforceable, provides a sufficient basis for the defendant to proceed without knowingly engaging in objectively reckless behavior.³

What constitutes an “objectively high likelihood” of infringement is difficult to articulate. Although the Federal Circuit remarked that “the state of mind of the accused infringer is not relevant to this objective inquiry,”⁴ that statement falls short of a clear and concise definition, and leaves much to be interpreted. The Federal Circuit has, however, provided clues as to when an objectively high likelihood of infringement exists. For example, the Federal Circuit recognizes that “both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.”⁵ A patentee is therefore unlikely to establish that the defendant acted with “objective recklessness” if the defendant relied on a reasonable, even if ultimately unsuccessful, non-infringement or invalidity theory when proceeding with its allegedly infringing activity. In one case, the Federal Circuit found that there was no objectively high likelihood of infringement because the defendant’s interpretation of the patent was reasonable, although it was ultimately rejected.⁶ In another case, the court found an objectively high likelihood lacking because the infringement question was a close one, even though it was eventually resolved against the defendant.⁷

Interestingly, a patentee’s own actions in some cases may be considered when determining whether there was an objectively high likelihood of infringement. The Federal Circuit recognizes that willful infringement must generally be based on pre-litigation conduct by the defendant.⁸ So when a defendant’s post-filing conduct is allegedly reckless, a patentee who does not attempt to stop those activities by seeking a preliminary injunction should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct. Similarly, if a patentee seeks injunctive relief but fails, the Federal Circuit notes that the infringement does not rise to the level of recklessness. The end result is that if a patentee does not move for a preliminary injunction, or if it does so unsuccessfully, the patentee’s willful infringement theory should be limited to the defendant’s actions prior to the filing of the complaint. As long as it was unaware of the patent prior to being sued (or, if it was aware of the patent, had a reasonable non-infringement or invalidity theory), a defendant should no longer feel that it is required to obtain an opinion letter after being sued if the patentee fails to seek a preliminary injunction. In those cases, the defendant’s activities after the filing of the complaint may be largely irrelevant to the willfulness determination.

An important result of the revised willful infringement test is that companies now have more, and potentially less expensive, options when formulating an intellectual property policy designed to avoid willfully infringing other companies’ patents. When a company is placed on notice of a patent infringement, obtaining an opinion is no longer mandatory (although doing so is still beneficial, as courts tend to view competent opinion letters favorably). Instead, willful infringement may be avoided as long as the company does not knowingly engage in objectively reckless behavior. And the lack of objectively reckless behavior may be established if the company can articulate a reasonable basis for why the patent is invalid, unenforceable, or not infringed, even if the company’s theories ultimately fail in court.

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¹ *Funai Elec. v. Daewoo Elecs.*, 593 F. Supp. 2d 1088 (N.D. Cal. 2009) (unsuccessfully relied on an opinion written by foreign attorneys without training in U.S. patent law).

² *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

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

⁴ *Id.*

⁵ *Black & Decker v. Robert Bosch Tool*, 2008 U.S. App. LEXIS 207 (Fed. Cir. 2008).

⁶ *Cohesive Techs. v. Waters*, 543 F.3d 1351 (Fed. Cir. 2008).

⁷ *DePuy Spine v. Medtronic*, 90 U.S.P.Q.2d 1865 (Fed. Cir. 2009).

⁸ *Seagate*, 497 F.3d at 1374.

