

## Tendering Advice of Counsel in Patent Litigation: Damned If You Do, Damned If You Don't

M. Patricia Thayer & Elizabeth Brown



---

Recommended Citation: M. Patricia Thayer & Elizabeth Brown, *Tendering Advice of Counsel in Patent Litigation: Damned If You Do, Damned If You Don't*, 3 SEDONA CONF. J. 111 (2002).

Copyright 2002, The Sedona Conference

For this and additional publications see:

<https://thesedonaconference.org/publications>

# TENDERING ADVICE OF COUNSEL IN PATENT LITIGATION: DAMNED IF YOU DO, DAMNED IF YOU DON'T

---

*M. Patricia Thayer & Elizabeth Brown\**  
*Heller Ehrman, White & McAuliffe, L.L.P.*  
*San Francisco, CA*

## INTRODUCTION

The Federal Circuit Court of Appeals has created a body of common law that, as a practical matter, requires a defendant to tender a written opinion of outside counsel to establish its due care in avoiding infringement of a valid patent. As a result, plaintiff's counsel seek increasingly early, invasive and disruptive discovery concerning the full range of legal advice received by a defendant. That discovery, combined with state bar rules regarding witness-advocates, has compelled companies in recent years to select an attorney other than their patent litigation counsel to render these evidentiary opinions. On top of this, the Federal Circuit has adopted exacting standards by which such opinions will be assessed, usually many years after they are composed. The competence criteria established by the Federal Circuit have created an expensive, at times insurmountable, obstacle course for an accused infringer that often bears little relation to the company's state of mind. In sum, while tendering opinions of counsel in patent litigation leads to a broad waiver of privilege for written and oral legal advice, there is no assurance that tendering the evidence will ward off a finding of willful infringement.

Whether any defense ought to be pursued in a given case is a decision that should turn on a critical review of its effectiveness and the alternatives. Is the "advice of counsel" defense an efficient and effective safeguard against a finding of willful infringement? Against an award of increased damages? Does the defense accurately reflect or adequately communicate to the trier of fact the accused infringer's state of mind when certain conduct was undertaken or continued? On the other hand, does requiring a defendant to obtain and tender an opinion of counsel decrease the likelihood that companies will willfully infringe?

At best, we have found conflicting evidence to support the Court of Appeals' directives regarding advice of counsel. Far from establishing a defendant corporation's intent, opinions of counsel have become a costly, unpredictable undertaking that triers of fact often treat with great skepticism. On the other hand, no study we have found suggests that the evidentiary use of opinions of counsel has protected patentholders from willful infringement itself. We therefore posit that, in many cases, it would be better (at least for defendants, and maybe even the litigation process) not to tender opinions of counsel as a defense against willfulness. The tangle of complications that asserting the defense has created may be more burdensome than alternative ways of establishing a *bona fide* intent to respect intellectual property rights. Certainly, in our view, the courts should discard the inference of willfulness that currently is permitted in cases where such an opinion is not tendered. At a minimum, patent infringement defendants, like other litigants, should have the option of preserving the time-honored attorney-client privilege.

---

\* Ms. Thayer is a shareholder in the law firm of Heller Ehrman, White & McAuliffe LLP. Ms. Brown is an associate in the firm specializing in intellectual property litigation.

## I. ORIGINS OF THE ADVICE OF COUNSEL DEFENSE

A potential infringer with actual notice of another's patent has an affirmative duty of care to avoid infringing that patent. In most instances, this duty requires it to obtain competent legal advice before engaging in (or before continuing to engage in) any activity that might infringe the patent. *See, e.g., Comark Communications, Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998). The Federal Circuit has assumed that opinions of counsel can be powerful shields against a charge of willfulness. "Those cases where willful infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed. Cir. 1992).

The award of treble damages has interesting historical roots. In the Patent Act of 1793, which revised the country's first Patent Act enacted three years earlier, Congress fixed the amount of damages for infringement at "at least equal to three times the price, for which the patentee has usually sold or licensed to other persons, the use of [the] invention." This treble damages provision applied whether the infringement was deliberate or not. The Patent Act of 1800 reduced the damages provision to "a sum equal to three times the actual damage sustained." The Act was still silent as to any distinction in damages based on the infringer's state of mind. The Supreme Court criticized this as unjust in an 1853 decision (by which time the 1800 Patent Act was obsolete) noting that under the old regime "[t]he defendant who acted in ignorance or good faith, claiming under a junior patent, was made liable to the same penalty with the wanton and malicious pirate." *Seymour v. McCormick*, 57 U.S. 480, 488 (1853).

Congress first gave discretion to the courts with respect to awarding treble damages in the Patent Act of 1836. That Act, which established the basic patent examination system in effect today, provided a maximum of treble damages according to the court's discretion, rather than the mandatory minimum that had existed since 1793. It stated: "It shall be in the power of the court to render judgment for any sum above the amount found by [a] verdict as the actual damages sustained by the plaintiff, not exceeding three times the amount thereof, according to the circumstances of the case, with costs." The treble damages option has been sustained, with fairly minor revisions, in the patent laws ever since. The legislative history of the 1952 Patent Act refers to earlier statutes and contains little discussion of the rationale behind these provisions.

The opinion of counsel defense truly took flight with *Coleman Co. v. Holly Manufacturing Co.*, 233 F.2d 71 (9th Cir. 1956)(liability phase), 269 F.2d 660 (9th Cir. 1959)(damages phase) and *Union Carbide Corp. v. Graver Tank & Manufacturing Co.*, 282 F.2d 653 (7th Cir. 1960). In *Coleman*, the court determined that the accused infringer deliberately copied a patented heater, making only insignificant changes to its design. The court found that the accused had "deliberately pirated" the original heater, and that "although it had notice of plaintiff's patent, defendant did not exercise due care to ascertain whether or not it was infringing plaintiff's patent prior to commencing the sale of the infringing devices . . ." 269 F.2d at 665. Had the defendant exercised "due care," presumably including the consultation of patent counsel, the court might not have affirmed the trial court's award of punitive damages.

In *Union Carbide*, by contrast, the court found no willful infringement in part because of an opinion of counsel. There the accused infringer retained patent counsel in designing around an existing patent and, the court noted, there was legitimate doubt about infringement. Because the defendant had obtained the advice of counsel and acted

accordingly in good faith, the court determined that it was not a “conscious and willful infringer,” and, therefore, increased damages were inappropriate. 282 F.2d at 657-58.

The opinion of counsel reasoning in *Coleman* was reiterated in 1980 in *Milgo Electronic Corp. v. United Business Communications*, 623 F.2d 645 (10th Cir. 1980). In that case, the defendant secretly acquired a patented modem from the plaintiff and reverse engineered it in order to make an infringing copy. The court cited *Coleman* and noted that “[o]nce UBC had actual notice of Milgo’s patent rights, UBC was under an affirmative duty to exercise due care to determine whether or not it was infringing Milgo’s patents.” *Id.* at 666. The court affirmed the award of increased damages.

*Coleman* and *Milgo*, as well as other early district court cases establishing the duty to seek an opinion of counsel, dealt with situations where there was intentional copying (reverse engineering) and infringement. As one article observed, these early cases suggest that the affirmative duty to seek opinions of counsel “only arises when there is clear and convincing evidence that the accused infringer intentionally copied the patented technology.”

When the Federal Circuit took up willful infringement, however, this correlation disappeared. The Federal Circuit adopted the language of *Milgo* (and therefore, indirectly, the principles of *Coleman*) in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). In that case, the defendant had been offered a license for patents covering a method and device for laying underwater pipes. The defendant obtained an opinion of counsel, which the court later deemed conclusory, stating that the patents were probably invalid. The trial court, however, found the patents valid and infringed. The Federal Circuit noted that, once notified of the patents, the defendant had an affirmative duty to investigate its own potential infringement. This duty “includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.” *Id.* at 1390. Thus, in *Underwater Devices*, the Federal Circuit broadened an accused infringer’s duty to seek an opinion of counsel to all circumstances where there is notice of potential infringement, even absent evidence of intentional copying.

The final nail in the coffin, as far as the choice not to tender an opinion of counsel is concerned, came in *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613 (Fed. Cir. 1985). In that case, the trial court found that the defendant knew of the plaintiff’s patents, but did not seek an opinion of counsel before making and selling its infringing devices. The Federal Circuit noted that a “record devoid of opinions of counsel and silent on [the infringer’s] reaction to the existence of the [patentee’s] patents may indeed lead to negative inferences . . .” *Id.* at 628. This originated the “negative inference” rule, whereby a failure to produce an opinion of counsel will likely have damaging consequences for an accused infringer.

Since *Shatterproof*, the Court of Appeals frequently has affirmed the vitality and reach of the negative inference. *E.g.*, *Advanced Cardiovascular Sys. Inc. v. Medtronic, Inc.*, 2001 U.S. App. LEXIS 19979 (Fed. Cir. Sept. 10, 2001); *Crystal Semiconductor Corp. v. TriTech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1352 (Fed. Cir. 2001); *Comark Communications, Inc.*, 156 F.3d at 1191 (“an important factor in determining whether willful infringement has been shown is whether or not the infringer obtained the opinion of counsel”); *Electro Med. Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994) (“when an infringer refuses to produce an exculpatory opinion of counsel in response to a charge of willful infringement, an inference may be drawn that either no opinion was obtained or, if an opinion was obtained, it was unfavorable”); *L.A. Gear Inc. v. Thom McAn*

*Shoe Co.*, 988 F.2d 1117, 1126 (Fed. Cir. 1993); *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988).

## II. THE BENEFITS OF OBTAINING LEGAL ADVICE REGARDING PATENT SCOPE AND VALIDITY

The opinion of counsel defense is rooted in the parallel notions that patents should be respected by potential competitors and that such competitors should obtain timely advice from a patent attorney about the scope and validity of a patent before copying the invention. Not only are patents quite expensive to obtain in the first place, but pursuing litigation to enforce them is a costly endeavor. Therefore, the threat of treble damages and attorneys fees is designed to promote due regard for intellectual property rights.

No doubt, the body of law that has developed since 1836 has resulted in some “good” behavior on the part of individuals and companies. Many corporations have elaborate procedures for analyzing newly issued patents and responding to charges of infringement, including the now-requisite solicitation of written opinions of outside patent counsel. Thus, the law has encouraged early, diligent analysis of patents when they become known to potential competitors.

Another benefit to timely, expert patent advice is that it can help a company successfully design around a patent. The Federal Circuit has made clear that designing around patents is precisely what the law encourages. See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000); *WMS Gaming Inc. v. International Game Tech.*, 184 F.3d 1339, 1355 (Fed. Cir. 1999); *Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 745 (Fed. Cir. 1993). Of course, the trier of fact must believe that the defendant made substantial and serious efforts to design around the patent in order to avoid a finding of willfulness. See *Stryker Corp. v. Davol Inc.*, 234 F.3d 1252, 1260 (Fed. Cir. 2000).

Third, in some cases the existence of a scholarly, clear opinion of counsel has helped a company either avoid patent infringement liability altogether, or at least avoid treble damages and attorneys fees. E.g., *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 948 F.2d 1573 (Fed. Cir. 1991)(no willfulness or enhanced damages due to good faith reliance on opinion of counsel); *Read v. Portec*, 970 F.2d 816 (Fed. Cir. 1992). However, the extent of this benefit is open to question given the frequency with which defendants are found to be willful infringers despite the existence of an opinion of counsel. See, e.g., *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462 (Fed. Cir. 1997); *Amsted Industries Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178 (Fed. Cir. 1994).

In sum, there are extremely good reasons for companies who want to sell goods and services in this country to obtain expert legal advice when analyzing patents. Most of those reasons remain valid whether or not the legal advice is ever tendered as a defense in subsequent litigation. The following sections describe some of the serious drawbacks to reliance on counsel's advice as a defense in litigation. Given these pitfalls, it is wrong to assume either that waiving the privilege is always the best litigation strategy or that proper conduct will cease if defendants no longer are compelled to tender the advice of counsel in litigation. Regrettably, however, the Federal Circuit's permissible inference rule essentially obviates any rational consideration of the alternatives.

### III. EXPENSE, AMBIGUITY AND OTHER COMPLICATIONS ARISING OUT OF THE OPINION OF COUNSEL DEFENSE

#### A. Counsel's Advice Is Subjected To Many Tests Regarding Its Technical And Legal Proficiency.

In theory, the opinion of counsel defense allows a company that wants to prove its diligence in avoiding infringement to do so by enlisting counsel's help. In practice, a host of considerations can come between a well-meaning accused infringer—that is, one who has no malicious intent whatsoever—and a successful “opinion of counsel” defense. The court-announced requirements for opinions of counsel are tantamount to a series of pitfalls, any one of which can thwart a potential opinion of counsel defense, irrespective of the actual intent of the accused infringer.

##### 1) Thoroughness.

It is well established that courts will disregard conclusory analyses. The Federal Circuit has found noninfringement opinions “superficial and conclusory” when they included no analysis of specific claims, no interpretation of claim language, no discussion of means-plus-function claim limitations and no meaningful discussion of the prosecution history. *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1259 (Fed. Cir. 1997). See also *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1572 (Fed. Cir. 1996) (“[t]o reasonably rely on an opinion, it must be authoritative, not just conclusory, and objective”); *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 828 (Fed. Cir. 1989). Notably, the reviewing courts tend to focus on the written product rather than the analysis that may have preceded the writing.

In *Stryker Corp. v. Davol Inc.*, 234 F.3d 1252 (Fed. Cir. 2000), the opinion of counsel concluded that a revised product did not infringe the claims of the asserted patent. The opinion went on to explain that the plaintiff could assert infringement under the doctrine of equivalents, that the defendant therefore would violate any permanent injunction issued by the district court regarding the original device, and that the defendant could be held in contempt. It nonetheless concluded that “the risk in selling the revised [device] is ‘well within acceptable limits.’” *Id.* at 1256. On this record, the jury found willful infringement, the district court found contempt and the Court of Appeals affirmed. “Considering the conclusory nature of the opinion of counsel used by [defendant] to justify selling the revised device and the minor changes made to the original device, the court did not abuse its discretion in awarding treble the compensatory royalty damages, attorney fees, and costs.” *Id.* at 1260.

##### 2) Timeliness.

A defendant must obtain the opinion of counsel near the time that it becomes aware of the relevant patent, or risk finding at trial that the late-obtained opinion will be disregarded. As the Federal Circuit has noted, “[p]rudent behavior generally requires that competent legal advice was obtained before the commencement of the infringing activity.” *SRI Int'l*, 127 F.3d at 1468. Subsequent judicial decisions of noninfringement and/or invalidity, which are later reversed, will not save a defendant from a willfulness finding.

In *Johns Hopkins University v. Cellpro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998), CellPro won a 1995 jury verdict that the patents were invalid and not infringed. Johns Hopkins successfully moved for a new trial and succeeded in its summary judgment motion

on enablement in 1997. *Id.* at 1352. After a later trial, the court found that the opinions of counsel received by CellPro were “untimely, not competent, and not relied upon by CellPro.” *Id.* On appeal, the Federal Circuit ruled that the 1995 jury verdict in CellPro’s favor could have no bearing on a the determination of willfulness. Instead, the court ruled, the proper time for evaluating willfulness was when CellPro first received notice of the university’s patents, four to six years before the 1995 verdict. *Id.* at 1362. *See also Datascope v. SMEC*, 879 F.2d at 828 (reference to prior court decision about liability held irrelevant to willfulness determination because decision was “rendered several years after the date infringement began (i.e., the date employed in determining willfulness under the circumstances of this case.)”).

### 3) Definiteness.

If an opinion is deemed too ambiguous, a court may find that it does not evidence a good faith belief that there is no infringement. In *SRI Int’l*, the defendant produced three opinions of counsel, none of which excused it from a willfulness determination. 127 F.3d at 1465. In one of those opinions, counsel advised that the defendant’s technology might have infringed the patent, but also noted that the patent might be held unenforceable for inequitable conduct. *Id.* at 1466. Counsel also suggested that the defendant conduct a more extensive engineering study on some of the claim language, but the defendant did not provide any more information or otherwise follow up on its counsel’s recommendations. *Id.* Not surprisingly, the Federal Circuit affirmed a finding that “the counsel opinions of record did not merit a reasonable confidence in the noninfringement or invalidity or unenforceability of the ‘750 patent.” *Id.* at 1468.

Ambiguity, however, may be unavoidable, particularly before the claims of a patent have been construed. What patent attorney has not been confronted with ambiguous claims, prior art references and specifications? In light of this, it is unrealistic to demand that patent counsel render black and white advice regarding claim scope and validity, typically many years before litigation is launched and with the benefit of only a few weeks or months of study of the art, patent files, and accused products. Nevertheless, giving realistic, tempered advice can be tantamount to aiding the plaintiff in its proof of willfulness of a client’s alleged infringement.

### 4) Inclusiveness.

Accused infringers must be careful to give the best available information to the counsel preparing its opinion. *E.g., Goodwill Constr. Co. v. Beers Const. Co.*, 991 F.2d 751 (Fed. Cir. 1993)(defendant copied patented process and then attempted to conceal information from patent attorney). This in itself requires tremendous coordination within a sizable company since material that might affect the opinion of counsel will be attributed to the company as a whole, regardless of who possesses it.

In *Comark*, 156 F.3d at 1191, the Federal Circuit refused to overturn a finding of willfulness despite the existence of an opinion of counsel letter because of the defendant’s failure to provide the best information to counsel. The defendant had directed its patent counsel to prepare an opinion in conjunction with an engineer other than the one who had designed the device at issue. It also failed to tell its opinion counsel about a certain combination of devices it had tested which would have infringed the plaintiff’s patent. Moreover, after the opinion was complete, the defendant switched to a different type of device but failed to get a revised opinion of counsel. *Id.* In the Federal Circuit’s ruling, all of these factors supported a conclusion that the defendant was hiding possibly damaging

information from counsel. Under the circumstances, the opinion of counsel “was thereby rendered incompetent and unreliable by [defendant]’s own actions.” *Id.*

#### 5) Consistency.

There are incentives and risks for obtaining multiple opinions. Courts sometimes reward companies who seek out multiple opinions of counsel. For example, in *Read v. Portec*, the Federal Circuit held that the accused infringer’s failure to give a first lawyer’s written opinion to a second, unrelated lawyer who later prepared a separate opinion was “a plus, not a minus” because the second lawyer was not influenced by the first opinion and was able to make his own independent evaluation. 970 F.2d at 830. What is seen as caution by one court, however, may be viewed as opinion shopping by another. Yet, it is not at all unusual for a company to seek advice about its patents or possibly infringing activities from a number of in-house and outside attorneys, especially on an informal basis. Whether these views about the alleged infringement are consistent with those provided by patent counsel are likely to have nothing to do with willfulness. All such advice, however, will be discoverable and any inconsistencies will be trumpeted at trial.

One source of inconsistency that may come to light if waiver decisions continue to expand the scope of discovery into the files of litigation counsel, is the fact that patent opinion counsel may well reach different conclusions from subsequent litigation counsel. Patent law has many gray areas, and takes sometimes radical turns. Patents themselves often contain ambiguous language. Opinion counsel typically spends weeks or months rendering an opinion, and is required by Federal Circuit law to work at arms’ length from the client, so as to avoid the appearance of undue influence. Litigation counsel, by contrast, tends to be involved with a case for several years and is assisted by numerous experts as well as the technical and legal staff of the client. That the two attorneys might form different views is hardly surprising and not at all indicative of a defendant’s bad motive.

#### 6) Objectivity.

The Federal Circuit has expressed a clear preference that opinions of counsel be rendered by outside patent counsel. See *Underwater Devices*, 717 F.2d at 1390. This is because of a perception that an employee of a company (e.g., in-house counsel) will be too result-oriented in the analysis. See *SRI Int’l*, 127 F.3d at 1467. Another example of this preference appears in *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998). There, a member of the Board of Directors of Cellpro (Mr. Kiley) was in charge of obtaining opinions of counsel regarding several patents. He turned to a former partner at Lyon & Lyon, Mr. Bloomberg. Both the district court and Court of Appeals found the Bloomberg opinions lacking in thoroughness (the two asserted claims were not even discussed) and objectivity. In finding that CellPro could not have relied on the opinions, the Court of Appeals noted that insider Kiley was highly sophisticated in patent matters, being a former patent examiner and partner at Lyon & Lyon. He should have known, according to the Court, that the opinions were inadequate. Perhaps most important to the Court, CellPro used the first letter to raise \$7.5 million from investors. Thus, from every perspective, the opinions seemed to lack the requisite rigor and objectivity.

Courts also have shown reluctance to accept an opinion of counsel defense when there is some conflict of interest involved in obtaining the opinion - say, when it is produced by a third party with an interest in the technology. In *Minnesota Mining & Manufacturing Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559 (Fed. Cir. 1992), for example, the Court affirmed a finding that the defendant’s reliance on an opinion letter from its in-



house counsel was not reasonable when the opinion was based on facts and a prior art reference provided by a vendor who had an interest in the outcome of the analysis. *Id.* at 1580-81. Moreover, the defendant had reason to know that the factual information on which the opinion was based was false and that the prior art reference relied upon did not teach what the vendor and the in-house attorney claimed it taught. *Id.*

B. The Broad Scope Of Waiver Implied By The Courts Has Few Limits  
And Has Begun To Imperil Litigation Counsel.

Courts have used opinions of counsel as a crowbar to open up a wide range of otherwise privileged material. Once the decision is made to rely on the advice of counsel, the accused infringer is forced to waive its privilege for all materials created by counsel or exchanged between counsel and client on the same subject matter. *See, e.g., Technitrol v. Digital Equip. Corp.*, 181 U.S.P.Q. 87 (N.D. Ill. 1973); *Micron Separations, Inc. v. Pall Corp.*, 159 F.R.D. 361, 363-34 (D. Mass. 1995); *Mushroom Assocs. v. Monterey Mushrooms, Inc.*, 1992 WL 442892, at \*5 (N.D. Cal. May 19, 1992); and *Nitinol Med. Tech., Inc. v. AGA Med. Corp.*, 135 F.Supp.2d 212 (D. Mass. 2000). Once a party waives its privilege claims regarding its opinion of counsel, any communications on that subject that the party might have shielded from discovery become fair game.

What about communications with litigation counsel? Should there be any temporal limit on the scope of waiver, once the defense is tendered? This is a truly problematic, unresolved question. Some courts have adopted limitations to shield the work product of litigation counsel. *See Dunhall Pharm. Inc. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1203 (C.D. Cal. 1998); *Kelsey-Hayes Co. v. Motor Wheel Corp.*, 155 F.R.D. 170, 172 (W.D. Mich. 1991); *Katz v. AT&T Corp.*, 191 F.R.D. 433, 441 (E.D. Pa. 2000). Others have not, however. *See Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer Inc.*, 52 U.S.P.Q.2d 1908 (S.D.N.Y. 1999). At least in theory, the waiver should extend to a situation where a defendant continues to make the product at issue throughout the legal proceedings, defends against willfulness by waiving privilege and relying on the advice of counsel, but receives advice from litigation counsel that contradicts the written opinion received from patent counsel. It remains to be seen where the Federal Circuit ultimately will draw the discovery line, and whether the line will be bright or murky. For now, defendants may face different discovery burdens depending on the court in which they are sued.

Failure to waive the privilege can be even worse. As noted in Section I, the Federal Circuit has made it clear that a jury may infer willfulness where an accused infringer does not waive its privilege and tender an opinion of counsel. The adverse inference rule originally stated that a court *may* reach an adverse conclusion about an accused infringer's state of mind in such circumstances, but recent decisions leave little doubt that those adverse conclusions are all but unavoidable. *See Electro Med. Sys.*, 34 F.3d at 1056 ; *see also Fromson*, 853 F.2d at 1572-73.

The most imperiled defendant is the one that has relied on the same counsel to provide its opinion of non-infringement or invalidity and to supervise the litigation. Several states, including New York and Illinois, have rules that prohibit an advocate from appearing on behalf of a client if he or she is going to be a witness at the trial. Such rules may well lead to the disqualification of litigation counsel once discovery confirms that counsel will be called as a witness. *See Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 2000 U.S. Dist. LEXIS 16015 (S.D.N.Y. Oct. 31, 2000)(denying motion to disqualify trial counsel because opinion would not be used as evidence); *Coolsavings.com Inc. v. E-Centives, Inc.*, 2000 U.S. Dist. LEXIS 12985 (N.D. Ill. Sept. 1, 2000)(recommending denial of motion for

disqualification because attorney's testimony not shown to cause substantial prejudice); ABA Model Rules of Prof. Conduct, R. 3.7.

C. It Is Difficult To Overcome The Skepticism Of Judges And Juries About The Objectivity Of Patent Opinions.

A standard means of suggesting that a witness is biased is to show a financial interest in the outcome of the proceeding. Pre- or post-litigation opinions of counsel are inherently infected with this type of bias because companies pay their lawyers to produce the opinions. The content and format of an opinion is heavily dictated by court decisions, as discussed in the preceding section, and most certainly admit no uncertainty as to validity or infringement. Moreover, judges and juries never see or hear about the many times when patent counsel informs a client that there is a real risk of liability under patents; such opinions are neither reduced to writing nor tendered. Therefore, it is easy for the trier of fact to assume that the opinion writer is simply a hired gun reaching preordained conclusions.

Moreover, obtaining such weighty, expensive opinions is no guarantee that the jury will reject the claim of willfulness. Juries and judges are always encouraged by experienced plaintiff counsel to scrutinize, criticize and reject the opinions. "Of course," counsel argues, the lawyer hired by the defendant came out with an opinion of non-infringement. That was what she was paid to do! This perception of bias is enhanced where the company or its counsel "makes the mistake" of retaining the same lawyer multiple times because she is particularly expert in the technology or has great experience in litigating similar cases.

D. The Cost And Proliferation Of Adequate Opinions Creates A Tremendous Burden On Large, Diverse Corporations.

Thoroughness, timeliness, definiteness, inclusiveness, consistency and objectivity come at a very high price. A written analysis of a single patent with a dozen claims, and a single, accused product, will cost \$30,000 or more. For companies with a broad array of technologies in an era where hundreds of thousands of patents are granted each year, the cost of analyzing patents in the required manner is enormous. This is particularly problematic when one considers that the duty to obtain an opinion can be triggered by as little as having in-house counsel notice (but reject as irrelevant) patent claims in an Official Gazette. See, e.g., *Stryker Corp.*, 234 F.3d 1252.

Given the trends of the case law, obtaining one written opinion may not be sufficient. For example, if a patent is reexamined or if a trial court construes the claims of the patent in an unexpected manner, the underpinnings of an early opinion may be swept away, requiring a whole new analysis. Likewise, modifications to the defendant's product will necessitate a new opinion. *SRI Int'l Inc.*, 127 F.3d 1462 (Fed. Cir. 1997). Plaintiff's counsel will certainly argue that any ongoing conduct cannot be shielded by the earlier opinion. Thus, in order to comply with the duty of care, companies may have to arm themselves with multiple written opinions for the day that the jury is empanelled. All such opinions should be prepared independently of one another, thus barring any cost savings by sharing information or analysis. Alternatively, in situations where claim language is ambiguous, it may be necessary to obtain an opinion that takes into consideration different potential *Markman* hearing results.

E. The Case Law Has Lost Sight Of The Real Issue In Willfulness, i.e. The Accuser's Intent.

A final, doctrinal problem with the opinion of counsel defense, at least in its current stage of development, is that it bears a tenuous relationship to the accused infringer's state of mind - precisely the proper focus of a willfulness inquiry. The courts have lost sight of the premise that willful infringement turns on the accused infringer's state of mind, rather than that of its lawyers. For example, requiring production of counsel's otherwise privileged documents even when those documents were never shown to the client cannot reflect very well on the client's state of mind. It is highly unlikely that the client's intent to infringe, or lack thereof, can be inferred from documents it never saw.

Similarly, the thoroughness requirement for the opinion of counsel can become quite remote from the client's intent to infringe. Courts will hold an accused infringer accountable if the opinion of counsel fails to recite any one of a host of factors, few of which would be obvious to the managing executives of most companies. For example, an opinion of counsel may be invalidated because it fails to consider all of the prior art in the patent's file history, or because it does not consider sufficient prior art beyond what is contained in the file history. In the *Cellpro* case, the company was held not to have acted reasonably because the Bloomberg opinions were not adequate. But consider this: the person who obtained and endorsed the opinions, Mr. Kiley, was a former patent examiner and a partner in a well-known patent firm. By all appearances to company management (Mr. Kiley sat on the Cellpro Board, but was not part of the company management), the company had fully complied with its duty of investigation and had no intent to violate a valid patent claim.

Analyzing patent file histories, prior art and patent claims are precisely the types of activities that company executives pay counsel to undertake. Most executives will not be able to catch the type of error or omission that becomes paramount in subsequent litigation, under the microscope of the courts. The technical quality of the opinion of counsel, therefore, should not be equated with the accused infringer's state of mind in the manner that courts tend to do.

#### IV. SOLUTION: ELIMINATE THE ADVERSE INFERENCE AND PERMIT DEFENDANTS TO PRESERVE THE PRIVILEGE

Several observers, noting the myriad of problems with the opinion of counsel defense, have suggested limited alterations to address one or another of these problems. For example, one has suggested doing away with any analysis of the substantive competence of a proffered opinion of counsel and focusing instead on the accused infringer's process of obtaining one. Another has recommended that the attorney-client and work-product privileges be waived only for documents produced by counsel before litigation commences. These proposals go only so far in curbing the rapid multiplication of problems posed for both patentholders and those they accuse of infringement. So, what if we eliminate the adverse inference and allow defendants to stop automatically tendering opinions of counsel?

Patentholders might complain that eliminating the inference and making optional the opinion of counsel defense would increase their burden of establishing willfulness. However, as in prior years where opinions of counsel were rarely tendered, there would still be many indicia of willfulness that a court might consider, such as notice of a patent, copying, failed licensing negotiations, improper litigation conduct or concealment of activities. Furthermore, our review of cases in which juries have found the defendant to be a

willful infringer, and yet the trial court has denied any enhancement of damages, suggests that opinions of counsel have not played a major role in obtaining greater recoveries for patentees. Thus, plaintiffs might be well served to spend less time ferreting out privileged communications and more time finding evidence of copying, for example.

The drawbacks for defendants would be negligible. They could still decide to waive privilege and tender an opinion of counsel. However, for all of the reasons discussed above, and so long as the threat of extended waiver and/or disqualification of trial counsel remains, defendants might fare better by identifying other people (scientists, experts, officers) to testify about the corporation's intent, including its knowledge of the prior art, its design programs and its efforts to avoid the asserted claims. Some courts already have determined that alleged infringement was not willful without reviewing opinions of counsel by looking instead to other circumstances surrounding the plaintiff's allegations. For example, in *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538 (Fed. Cir. 1987), the court determined that there was no willfulness despite the fact that the accused infringer had copied the patent because it also subsequently had designed around the patent and because it had communicated in good faith with the plaintiff. See also *WMS Gaming Inc.*, 184 F.3d at 1355 (remand of willfulness issue for trial court to consider that design around is encouraged by the patent law); *Westvaco Corp.*, 991 F.2d at 739-40 (reversal of enhanced damages award where defendant invested large effort in attempt to design around patented invention).

The potential benefits of eliminating the inference of willfulness could be significant. Companies would still have a strong incentive to seek the advice of counsel when notified of possible infringement to evaluate the likelihood of infringement, to assess the value of a license, or to guide a design-around if deemed necessary. Permitting defendants to seek advice from their experienced patent litigators, as well as patent prosecutors, would no doubt enhance the quality and utility of the opinions received. Without the threat of exposure through discovery, counsel would provide more frank and detailed analyses of the factors that affect an infringement determination. And, patent counsel would breathe a collective sigh of relief knowing they could do their job without the constant threat of an unknown, future attorney cross-examining their every word.

Finally, without the "easy out" of examining the opinion of counsel, fact finders would be forced to perform a more pointed assessment of willfulness, focusing on the accused infringer's state of mind rather than whether its opinion counsel has jumped through all of the appropriate hoops and made a good impression as a witness.