

# Opinion Letters in the Wake of *In re Seagate Technology*

BY SAINA S. SHAMILOV

Fenwick  
FENWICK & WEST LLP

Patent infringement is a strict liability offense, the nature of which is only considered to determine whether infringement was willful and enhanced damages are warranted. For decades, accused infringers in patent infringement lawsuits relied on opinions of counsel to defend against willful infringement claims that may lead to enhanced damages. An opinion of counsel is a letter written by a patent attorney that either concludes that a patent is invalid, unenforceable and/or is not infringed by the potential infringer's products. Reliance on such letters while developing, manufacturing, using or selling accused technology provided accused infringers with a defense against willful infringement allegations. Indeed, potential infringers, upon receiving notice of another entity's patent rights, had an affirmative duty to seek and obtain competent legal advice from counsel before continuing or initiating any possibly infringing activity. This affirmative duty was imposed on them by their general duty to exercise due care to determine whether they are infringing a patent once they know of its existence.

All of this changed last year, when the Court of Appeals for the Federal Circuit, with appellate jurisdiction over patent law disputes, overruled the affirmative-duty-of-care-standard it originally set out 24 years prior in *Underwater Devices Inc. v. Morrison-Knusdes Co. Inc.*, 717 F.2d 1380 (Fed. Cir. 1983). In its landmark decision in *In Re Seagate Technology*, the Court of Appeals for the Federal Circuit abandoned the affirmative duty of care and the affirmative obligation to obtain opinion of counsel as a defense to willful infringement allegations and set out a new standard for proof of willful infringement permitting enhanced damages. The new standard consists of two parts. First, there must be at least a showing of objective recklessness on behalf of an accused infringer and a showing by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. Second,

after establishing objective recklessness on behalf of the accused infringer, the patentee needs to show that the risk was either known or so obvious that it should have been known to the accused infringer.

The court explained that the new standard is more in line with definitions of willfulness set out in other areas of law. The term "willful" is not unique to patent law, and is used in other civil contexts. The usage of the term in other contexts generally describes reckless behavior. For an act to be willful, it must be reckless. The old standard that was set in *Underwater Devices* was "akin to negligence" and hence, was inconsistent with applications of willfulness theories in other civil contexts. The court explained in its *In Re Seagate Technology* decision that the new standard is in line with Supreme Court precedent equating willfulness to recklessness.

The court provided no specific guidance on how to apply the new standard and specifically reserved further application of it for future cases. The new standard raised several questions, one of which is whether opinion letters, that are not required anymore, can nevertheless be useful in defending against willfulness allegations. Indeed, after the new standard was articulated by the Court of Appeals for the Federal Circuit, predictions were made that opinion letters would not be useful anymore in defending against willfulness allegations and enhanced damages. But, recent decisions suggest otherwise.

The Court of Appeals for the Federal Circuit itself suggests that obtaining opinion letters, although not required, are still strong strategic tools to use to counter willfulness allegations. In one of its recent post-Seagate decisions, the Court of Appeals for the Federal Circuit held that a competent opinion letter of non-infringement or invalidity shows that the accused infringer did not engage in objectively reckless

behavior. *Finisar Corp. v. The DirectTV Group, Inc.*, 523 F.3d 1323 (Fed. Cir. 2008). In *Finisar*, the accused infringer, DirectTV Group, obtained an opinion letter of non-infringement with respect to the accused patent and proceeded to use its accused television broadcast satellite systems while relying on the letter. The Court of Appeals for the Federal Circuit concluded that DirectTV's reliance on the competent opinion letter provided "a sufficient basis for [the accused infringer] to proceed without engaging in objectively reckless behavior with respect to the [accused] patent." Thus, although the court abandoned the affirmative duty to obtain a legal opinion to avoid a finding of willfulness, a competent opinion letter may still negate a claim of an objectively reckless behavior and provide a defense to willful infringement.

Although, opinion letters may still be useful in defending against willfulness, they may not be enough on their own. In *Cohesive Technologies, Inc. v. Waters Corporation*, 526 F. Supp. 2d 84 (D. Mass. 2007), a Massachusetts court based its finding of no willfulness on the fact that the defendant obtained an opinion letter from its in-house counsel. But, in addition to considering the opinion letter obtained by the accused infringer, the court found that the dispute between the parties was bona fide and also supported a lack of objective recklessness. The court found that Waters Corporation, the defendant, engaged in sufficient due diligence in determining whether its accused products infringed the patent at issue in the case prior to manufacturing the accused product. Once Waters Corporation was on notice of the patent, it engaged scientists to evaluate whether the accused product infringed the claims of the asserted patent. The scientists conducted several experiments and independently concluded that the asserted patent was not infringed. The scientists also met with the in-house counsel to discuss their findings and the opinion letter reflected their conclusions. The results of the experiments and conclusions of the scientists were also presented at trial and defendant's positions in the case were consistent with conclusions in the opinion letter. Thus, in addition to the competence of the opinion letter, due diligence in determining whether the patent is infringed prior to commencement of litigation and credibility of defense positions during litigation may be important in defending against willfulness.

Other recent decisions confirm the importance of arguments and positions advocated by accused infringers during litigation to the inquiry of willful infringement. In *ResQNet.com, Inc. v. Lansa, Inc.*, 533 F. Supp. 2d 397, 420 (S.D.N.Y. 2008), although the accused infringer was unsuccessful and lost at trial as to both infringement and invalidity issues with respect to an accused patent, the court refused to find willfulness and enhance damages because defendant's arguments at trial were "substantial, reasonable and far from the sort of easily-dismissed claims that an objectively reckless infringer would be forced to rely on." Positions and arguments advocated by the accused infringer at trial must be competent and establish a bona fide dispute between the parties to defeat a finding of objective recklessness and enhancement of damages. This is confirmed by the Court of Appeals for the Federal Circuit. In its one of a very few post-*Seagate* decisions, *Black & Decker, Inc. v. Robert Bosch Tool Corporation*, 260 Fed. Appx. 284 (Fed. Cir. 2008), the court stated that legitimate and credible defenses to infringement and invalidity arguments presented during litigation will demonstrate lack of objective recklessness on behalf of the accused infringer and negate finding of willfulness. These recent decisions suggest that under the new standard articulated in *In Re Seagate Technology*, similar to the old one established in *Underwater Devices*, the totality of circumstances surrounding infringing activity are still considered in determining whether infringement is willful and warrants enhanced damages. The decisions also suggest that reliance on a favorable opinion of counsel, although not critical to the determination of whether infringement was willful as it was under the old test, is still a factor that courts may consider in determining whether the accused infringer's behavior was objectively reasonable and thus not reckless. The *In Re Seagate Technology* decision did not render opinion letters obsolete. Applications of the new standard, although not vast, still show that competent opinion letters relied on by accused infringers may establish lack of willfulness.

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*Saina S. Shamilov is an associate in the litigation group of Fenwick & West in Mountain View. Her practice focuses on patent litigation.*