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Preserving the Exculpatory Value of an Opinion Letter



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I. Introduction

After a finding of patent infringement, a court has discretionary power to award both treble damages and—in “exceptional cases”—attorney fees to a prevailing plaintiff.² Although the statute does not provide specific guidance as to when treble damages should be awarded or which cases are “exceptional,” a finding of willful infringement is usually a prerequisite for both. While the Federal Circuit recently decided that “no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel,” an opinion of counsel typically is an important element in defending against a charge of willfulness.³ However, an opinion must have certain characteristics to serve as an effective defense. This note explores the state of the law regarding the legal sufficiency of an opinion letter as a defense to willfulness.

In *Read Corp. v. Portec*, the Federal Circuit laid out a nine-factor test (the “Read factors”) for making a factual determination of willfulness: “(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) 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; and (9) whether defendant attempted to conceal its misconduct.”⁴ In deciding willfulness, a fact-finder is instructed to use these factors to determine, in view of the totality of circumstances, whether “a prudent person would have had sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.”⁵

II. Exculpatory Features of an Opinion

Exculpatory opinions are relevant to a number of the Read factors. While they clearly are crucial in weighing the second factor, investigation and belief of



non-infringement, opinions also may bear on other factors, such as the first, third, and ninth factors. For instance, an opinion may help distinguish legitimate efforts to design around from impermissible copying, it may show that the defendant considered and foresaw a possible legal defense, and it may show whether or not the defendant concealed information from counsel. However, to have an exculpatory effect, i.e., to serve as a defense to a claim of willfulness, the Federal Circuit has held that an opinion must be sufficiently 1) thorough, 2) competent, and 3) objective.⁶ Although I will discuss these requirements separately below, it should be appreciated that there is substantial overlap in the necessary features of an opinion.

A. Thoroughness

To defend against a claim of willfulness, an opinion of counsel must be “thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable.”⁷ To meet this standard, opinions must not be “superficial and conclusory in nature.”⁸ A conclusory or incomplete opinion can be found “insufficient to meet the standard of due care appropriate to serve as an exculpatory opinion of counsel.”⁹ Thus, an opinion may not be sufficiently thorough if it is “lacking both legal and factual analysis,” or if the “conclusion of invalidity [is] lacking in both substance and analysis.”¹⁰

While each attorney must judge the sufficiency of his own legal and factual analysis, a few guidelines apply universally. First, unless a truly apparent basis for invalidity—such as a newly discovered statutory bar—can be asserted, an opinion should analyze both anticipation and obviousness in light of the known prior art. This is true even if the opinion ultimately asserts invalidity on some other basis, such as lack of sufficient written description or lack of enablement. Next, even if the opinion relates primarily to invalidity, it should make the best available non-infringement arguments. Finally, and perhaps most obviously, the opinion should carefully state the correct, current legal tests supporting its analysis. Failure to include these minimal elements of an opinion may raise an inference of insufficient thoroughness, and at the very least will provide opposing counsel with an opportunity to call the exculpatory value of the opinion into question.

B. Competence

Since the issue of willfulness only arises when an opinion of counsel has already been found legally incorrect, there is no requirement that an opinion be correct to have exculpatory value. However, the courts still have required that legal advice “be compe-

tent such that the client was reasonable in relying upon it.”¹¹ While the client may not be equipped to weigh the merit of the arguments or whether the legal framework used in the opinion is correct, the courts have held that certain features of an opinion may raise an inference of insufficient competence.

More specifically, the Read court held that a particular indication of incompetence is the conclusory nature of an opinion, because “[a]n honest opinion is more likely to speak of probabilities than certainties.”¹² Without a detailed analysis that carefully weighs the arguments on both sides, “[a] written opinion may be incompetent on its face by reason of its containing merely conclusory statements without discussion of facts or obviously presenting only a superficial or off-the-cuff analysis.”¹³ In other words, to be competent, exculpatory opinions must be carefully reasoned, even if the arguments presented are ultimately rejected by the courts.

C. Objectivity

To be reasonably relied upon by a defendant, a legal opinion also must be objective, because even the most apparently thorough and competent opinion should not be relied upon if it is so one-sided as to entirely ignore strong arguments for validity and infringement. Therefore, an exculpatory opinion generally carries less weight if written by a defendant’s own in-house counsel.¹⁴ Furthermore, if a defendant does rely on an opinion from in-house counsel, “[t]he burden lies with [the defendant] to demonstrate it was justified in believing that its in-house counsel was capable of rendering an independent and competent opinion and that he took the steps normally considered to be necessary and proper in preparing an opinion.”¹⁵

Recent treatises extend similar skepticism to opinions of outside counsel who have worked for the accused infringer for extended periods of time, or who have been heavily involved in litigation for the defendant. For example, after addressing the reasonableness of relying on in-house counsel opinions, one treatise states that “[t]he ‘captive counsel’ argument can also be applied to outside counsel who has done all the legal work for a client over a period of years, and is intimately connected with the client’s business. A case can be made that the jury must be instructed, or that the court consider, that the opinion was rendered by such a ‘captive’ type outside counsel.”¹⁶ Similarly, a recent litigation handbook warns that “[t]he patent attorney should not have a stake in the outcome of any litigation in which the opinion may serve as evidence.”¹⁷

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9. *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 817 (9th Cir. 2003).
10. *Id.*
11. *Field*, 412 F. Supp. 2d 1106 at 16.
12. *Id.*
13. *Id.* at 17.
14. *Id.* at 20.
15. 17 U.S.C. § 512(b)(1)(B) (2005).
16. *Ellison v. Robertson*, 357 F.3d 1072, 1081 (9th Cir. 2004) (court held 14 days is transient and temporary for section 512(a), it is applicable to section 512(b)(1) purposes).
17. *Id.* at 24.

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Two recent district court cases indicate the same perspective. In *Chiron Corp. v. Genentech, Inc.*, the court declined to grant summary judgment on the issue of willfulness because opinion counsel “regularly consulted with counsel for [defendant], and [defendant]’s lawyers made revisions to a draft of the opinion letter.”¹⁸ The court observed that the jury “may weigh this evidence in favor of a finding of willful infringement.”¹⁹ The court also described as “tenuous” but “not unreasonable” the plaintiff’s argument that objectivity should also be questioned because opinion counsel had prosecuted several other patents for the defendant.²⁰ In *Yamanouchi Pharm. Co., Ltd. v. Danbury Pharm., Inc.*, defendant contracted with outside opinion counsel, but with a fee structure contingent on profits resulting from any successful patent invalidations.²¹ When defendant was found to infringe and sought to rely on one of the opinions to avoid willfulness, the court pointed out that defendant’s attorney had “a stake in the outcome” of the case, and held in a bench trial that defendant had willfully infringed.²²

Finally, regardless of the choice of opinion counsel, the objectivity of an opinion may be affected by the sources of information relied upon in the opinion. Generally, if opinion counsel relies primarily on subjective sources of information, this weighs against the overall objectivity of the opinion. For example, in *Minnesota Mining and Mfg. v. Johnson & Johnson*, the court affirmed that objectivity was compromised when counsel “obtained his information ... not from an independent expert, but from the president of [the company] who had a stake in the outcome.”²³

III. Conclusions

To have exculpatory value, an opinion must be sufficiently thorough, competent, and objective. Thoroughness and competence typically require that at a minimum, an opinion should compare the claims

at issue with both the prior art and any potentially infringing products, state the correct legal tests for the any bases of invalidity asserted, and weigh any obvious counterarguments. Objectivity may be questioned if the opinion is written by in-house counsel, or by outside counsel who gives the appearance of being “captive counsel” by, for example, participating heavily in the litigation, having a financial stake in the outcome of the litigation, or relying on subjective sources of information. If these pitfalls are avoided, the opinion should help to fend off a charge of willfulness by convincing a fact-finder that “a prudent person would have had sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.”²⁴

Endnotes

1. Ph.D. 1996, University of California; M.S. 1990, B.S. 1989 with honors and distinction, Columbia University. Lewis & Clark Law School, J.D. expected 2006. The author would like to thank Elizabeth Tedesco for her research contributions.
2. 35 U.S.C. §§ 284285 (2005).
3. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1341 (Fed. Cir. 2004).
4. 970 F.2d 816, 827 (Fed. Cir. 1992).
5. *SRI Int’l v. Adv.Tech. Laboratories*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).
6. *Id.*
7. *Ortho Pharm. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992).
8. *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1259 (Fed. Cir. 1997).
9. *SRI Int’l*, 127 F.3d at 1466.
10. *Id.*
11. *Comark Communs., Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998).
12. *Read*, 970 F.2d at 829, n. 9.
13. *Id.* at 829.
14. *Underwater Devices, Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983).
15. *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 614 F.Supp. 1278, 1309 (D.C.N.Y. 1985), *aff’d*, 781 F.2d 198, 199 (Fed. Cir. 1986).
16. Ethan & Lester Horwitz, *Patent Litigation: Procedure & Tactics*, § 9.07 (10) (2003).
17. Dr. Marta E. Delsingnore, et al., *Selected Aspects of the Impact of Patent Prosecution on Patent Litigation Issues*, 833 Practising Law Institute 241, 290 (2005).
18. 268 F.Supp.2d 1117, 1125 (E.D. Cal. 2002).
19. *Id.*
20. *Id.*
21. 21 F.Supp.2d 366 (S.D.N.Y. 1998).
22. *Id.* at 377.
23. 976 F.2d 1559, 1581 (Fed. Cir. 1992).
24. *SRI Int’l*, 127 F.3d at 1465.