

# WILLFUL PATENT INFRINGEMENT AND EXCULPATORY NON-INFRINGEMENT OPINIONS

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Every individual and business operating within the U.S. is charged with an affirmative duty to use due care to avoid infringing another's patent. This duty includes seeking and obtaining competent legal advice regarding the potential infringement. Because patent infringement is considered a tort (a civil wrong), U.S. law gives a court the discretion to award enhanced damages (up to treble damages) and attorney fees to a patent holder where the infringement was willful. Whether an infringer's acts will be considered willful is determined based on the totality of the circumstances.

Among the major factors a court might consider in evaluating an infringer's culpability and in deciding whether and how much to enhance damages are:

- whether the infringer deliberately copied the idea or design of another;
- whether the infringer knew of the patent, investigated it, and formed a good-faith belief that it was invalid or not infringed; and
- the infringer's behavior as a party to the litigation.<sup>1</sup>

In addition, other factors a court might consider are:

- the infringer's size and financial condition
- the clarity of the case for infringement;
- the duration of the infringer's conduct;
- lack of remedial action by the infringer;
- the infringer's motivation to cause harm; and
- whether the infringer attempted to conceal the infringement.<sup>2</sup>

To avoid a finding of willful infringement, when faced with another's patent that appears to cover a company's product or service, it is common practice for the company to have a registered patent attorney to analyze the patent and, if the analysis so merits, prepare an opinion letter advising the company that its product or service does not violate the patent. Until recently, obtaining a non-infringement opinion was deemed so important to abiding by the duty to use due care to avoid infringing another's patent, courts allowed it to encroach upon the attorney-client privilege and sometimes even the attorney work product doctrine. For a number of years, if the accused infringer failed to produce a non-infringement opinion letter, a judge or jury was entitled to infer either (i) that the accused infringer did not obtain such an opinion because the opinion would have been unfavorable<sup>3</sup> or (ii) that the accused infringer in fact obtained an opinion but the opinion was unfavorable." Such an adverse inference, of course, served as potent evidence that the infringer's conduct was willful and that the patent holder was therefore entitled to enhanced damages and attorney fees.

The former state of the law thus posed a "damned if you do, damned if you don't" dilemma for an accused infringer in possession of an exculpatory non-infringement opinion letter. That is, producing the opinion letter would likely result in a waiver of the attorney-client privilege and allow discovery of other attorney-client documents related to the subject matter of the opinion letter; while not producing the opinion letter would lead to an adverse inference of willfulness

against the accused infringer. In *Knorr-Bremse Systems Fuer Nutzfahrzeuge GmbH v. Dana Corp.*,<sup>4</sup> the United States Court of Appeals for the Federal Circuit sitting en banc rectified the unfairness of this situation by overturning its own precedent and holding that, in the interest of preserving the attorney-client privilege, a judge or jury may not make an adverse inference against an accused infringer based on the accused infringer's failure to introduce an exculpatory non-infringement opinion letter at trial. Currently, therefore, failure to produce a non-infringement opinion at trial can no longer be used to support a finding that the infringement was willful.

In view of *Knorr-Bremse*, should a company faced with another's patent that appears to cover one of its products or services go through the trouble and expense of securing a non-infringement opinion letter? Importantly, although the *Knorr-Bremse* decision reversed the law relating to adverse inference, it did not overturn the long-standing precedent that one has a duty to use due care to avoid infringing another's patent and that if one does not exercise such due care, willful infringement may be found. As before *Knorr-Bremse*, whether infringement is willful is determined by considering the totality of the circumstances. Whether or not the accused infringer obtained a competent non-infringement opinion letter is now simply one of several factors considered.

While certainly the consequences for not producing an exculpatory non-infringement opinion letter during litigation are less deleterious since *Knorr-Bremse*, seeking such an opinion remains a prudent choice for at least a couple of reasons. First, from a legal standpoint, a competent non-infringement opinion remains one of the strongest lines of evidence to prove that an accused infringer met the duty to exercise due care to avoid infringing the patent. Second, from a business standpoint, obtaining advice of patent counsel concerning another's patent might be useful for minimizing the impact of the patent on a company. For example, if, prior to the filing of an infringement action, counsel determines that the patent would likely be found to be valid and infringed, a company might consider taking remedial action, negotiating a license to the patent, and/or attempting to design around the patent. In addition, a competent non-infringement opinion can help a company gauge the risk associated with continuing to offer a particular product or service or with launching a new product or service.

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<sup>1</sup> *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986), *Read v. Portec*, supra

<sup>2</sup> *Read v. Portec*, supra.

<sup>3</sup> See, *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988).

<sup>4</sup> 383 F.3d 1337 (Fed. Cir. 2004).