

# Importance of opinions of counsel following Halo

**Donald Heckenberg** explains that counsel opinions may be some of the strongest evidence that a defendant can introduce against a charge of wilful patent infringement

**The Supreme Court of the US' (SCOTUS) decision in *Halo Electronics v Pulse Electronics* radically changed the standards by which courts will decide whether to award enhanced damages for wilful patent infringement.** Previously, a defendant could often escape liability for enhanced damages by simply establishing an objectively reasonable defence during the litigation. But, post-*Halo*, courts will now review the defendant's conduct at the time the defendant became aware of the risk of patent infringement and determine whether the defendant's actions merit award of enhanced damages. With this in mind, there has been a renewed focus on opinions of counsel, which may be introduced by a defendant as evidence that it had formed a good faith belief that it was not infringing a valid patent. Indeed, many cases decided after *Halo* show that an opinion of counsel can be one of the most important parts of a defence against enhanced damages for wilful infringement.

## Opinions of counsel are found to be strong evidence

In several decisions issued following *Halo*, the defendant's reliance on an opinion of counsel has been cited by courts as a key reason for not awarding enhanced damages to the patent owner.

In *Greatbatch Ltd v AVX Corp*, opinions of counsel obtained by the defendant were perhaps the most significant factor in the court's finding that the defendant had made a good faith effort to avoid infringement of the asserted patents.<sup>1</sup> Following a trial in which the defendant was found to have infringed the asserted patents, the court denied a motion by the patent owner to vacate the court's prior decision (issued before *Halo*) to grant summary judgment of no wilful infringement. In its post-trial decision, the court noted that, pursuant to the *Halo* decision, the "key inquiry in this case is whether there is evidence in addition to [the defendant's] pre-suit knowledge of the patents that could show that [the defendant's]

infringement was 'egregious,' 'deliberate,' 'wanton,' or otherwise characteristic of the type of infringement that warrants the court exercising its discretion to impose the 'punitive' sanction of enhanced damages."<sup>2</sup> The court then noted that the defendant had obtained an invalidity opinion as to one of the asserted patents, and a non-infringement opinion as to another of the asserted patents. And the court found that the defendant's reliance on the opinions was reasonable.<sup>3</sup> Regarding one of the opinions, the court explained that "no reasonable jury could find that the 20-page invalidity opinion... relied upon by [the defendant] was 'conclusory,' 'incompetent,' 'preliminary,' or 'incomplete,' notwithstanding [the plaintiff's] characterisations."<sup>4</sup> The court also emphasised that the opinions were developed before litigation: "importantly, these reasonable defences were known to [the defendant] at the time of the challenged, culpable conduct, which *Halo* directs must generally be the temporal focus of the willfulness inquiry."<sup>5</sup>

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In further analysing the invalidity opinion introduced by the defendant, the *Greatbatch* court noted that the same prior art that formed the basis of the invalidity positions set forth in the opinion was later used in *inter partes* review proceedings before the US Patent

and Trademark Office (USPTO) to invalidate some of the claims of one of the patents in suit.<sup>6</sup> The court also found that reliance on the invalidity position set forth in the opinion was reasonable given the court's denial of the patent owner's motion for summary judgement of no invalidity and the fact that the validity of the patent was a hotly-contested issue throughout the case.<sup>7</sup>

The *Greatbatch* court's decision highlights several key aspects of obtaining an opinion of counsel and using the opinion of counsel as a defence post-*Halo*. First, in light of the post-*Halo* temporal focus on the defendant's actions, the court's decision emphasises the importance of obtaining an opinion of counsel soon after learning of a patent infringement risk. Secondly, pursuant to the court's analysis, an opinion of counsel should meet the requirements needed to be found competent, in accordance with guidelines set forth in US Court of Appeals for the Federal Circuit cases.<sup>8</sup> Finally, the importance of forethought in the positions set forth in the opinion is seen in the court's positive recognition of the same prior art being used in the invalidity opinion, in the litigation before the court, and in review proceedings at the USPTO.

When deciding not to award enhanced damages, courts in other post-*Halo* cases have credited opinions of counsel as strong evidence. For example, in an order granting the defendant's motion for summary judgment as to willfulness, the court in *Loggerhead Tools v Sears Holding Corp* credited the defendant's consultation with a patent attorney throughout the process of designing its product accused of infringement.<sup>9</sup> The court specifically noted that ongoing consultation with a patent attorney is "highly probative evidence of good faith".<sup>10</sup> In another case, *Trustees of Boston University v Everlight Electronics Co*, the jury found that the defendant had wilfully infringed the asserted patent, but the court nevertheless exercised its discretion and declined to award enhanced damages after finding that the patent owner had not demonstrated that

the defendant's actions constituted egregious conduct.<sup>11</sup> In its opinion, the court noted that the defendant had hired two law firms to provide non-infringement opinions and obtained third-party testing of its accused products.<sup>12</sup> The court therefore concluded that the defendant had formed a good faith belief that its products did not infringe the asserted patent.<sup>13</sup>

### The lack of an opinion of counsel is a factor in enhanced damages awards

In post-*Halo* cases where defendants have not asserted an opinion of counsel defence, courts have often found that there was wilful infringement and awarded enhanced damages.

For example, in *Imperium IP Holdings v Samsung Electronics*, the court awarded the enhanced damages in an amount three times the jury verdict (eg, the maximum amount permitted by statute).<sup>14</sup> The defendant in the case did not introduce opinion of counsel evidence, and, in its analysis, the court emphasised that the "defendant's never undertook any serious investigation to form a good-faith belief as to non-infringement or invalidity".<sup>15</sup> In another case, *Barry v Medtronic*, the court added 20% to the jury's determination of damages after finding that there was no evidence that the defendant had formed a "good-faith belief that the asserted patents were invalid".<sup>16</sup> In its opinion, the court noted that there "is no opinion of counsel letter – which is surprising, given the size and scope of [the defendant's] intellectual property portfolio".<sup>17</sup>

In some post-*Halo* cases, defendants have tried to argue without specifically introducing opinion of counsel evidence that they had still formed good faith belief of non-infringement or invalidity when learning of the asserted patents. But these arguments have not persuaded the courts. For example, the defendants in *NobelBiz v Global Connect*, did not specifically introduce opinion of counsel evidence in response to a charge of wilful infringement, but did present evidence that they had engaged in internal discussions over infringement issues surrounding the asserted patents.<sup>18</sup> However, the court concluded that the defendant's actions weighed in favour of enhanced damages, finding that the "evidence does not support a finding that the defendants investigated the scope of [the plaintiff's] patent rights, made any attempt to design around the asserted patents or had a good faith belief of non-infringement."<sup>19</sup>

In another case, *PPC Broadband v Corning Optical Communications RF*, the patent owner argued that the defendant did not have a

good faith belief of non-infringement or invalidity of the asserted patents because the defendant had not presented evidence of a proper investigation into the infringement allegations.<sup>20</sup> The defendant responded that its legal department had approved the accused products and that its head of operations had thoroughly investigated the claims by speaking with inside and outside counsel.<sup>21</sup> The court agreed with the patent owner, and noted that while the defendant had spoken with counsel after the suit had commenced, the defendant had not introduced a formal opinion regarding non-infringement.<sup>22</sup> The court concluded that the evidence showed that the defendant did not have a good faith belief of non-infringement at the time the defendant learned of the risk of infringement, and the court ultimately awarded enhanced damages in an amount doubling the jury's damages verdict.<sup>23</sup>

## "An opinion of counsel should be considered soon after learning of a potential patent problem."

Even in post cases where a defendant asserts an opinion of counsel defence, the court may not credit the opinion if it is found not competent. For example, in *Polar Engineering v Campbell Co*, the court found that the defendant's opinions of counsel did not contain a detailed analysis of validity or infringement.<sup>24</sup> The court therefore concluded that there was little evidence that the defendant had acted in good faith or had a reasonable belief that the patent would be invalidated.<sup>25</sup>

### Summary

Post-*Halo*, an opinion of counsel may be some of the strongest evidence that a defendant can introduce against a charge of wilful patent infringement – decisions indicate that an opinion of counsel, or the lack thereof, will often be a key factor in the court's analysis. Further, decisions indicate that arguments that a defendant had a good faith belief of non-infringement may not be persuasive unless the defendant introduces an actual opinion of counsel, and the opinion of counsel is competent, eg, contains a detailed analysis of invalidity or non-infringement. Going forward,

it will be prudent for entities to strongly consider obtaining an opinion of counsel upon learning of a risk of patent infringement. And, with the *Halo* decision's mandate that the defendant's actions be considered at the time it became aware of the risk of patent infringement, an opinion of counsel should be considered soon after learning of a potential patent problem.

### Footnotes

1. No 13-723, 2016 US Dist LEXIS 171939 (D Del 2016).
2. Id at \*5 (citing *Halo*, 136 SCt at 1932).
3. Id at \*8.
4. Id.
5. Id at \*11.
6. Id at \*8.
7. Id.
8. For discussion of the requirements for an opinion of counsel to be found competent, see, eg, *Underwater Devices Inc v Morrison-Knudsen Co, Inc*, 718 F.2d 1380, 1390 (Fed Cir 1983).
9. 12-cv-9033, 2016 US Dist. LEXIS 127627, at \*9 (ND Ill 2016).
10. Id (quoting *Braun Inc v Dynamics Corp of Am*, 975 F.2d 815, 822 (Fed Cir 1992).
11. 119 USPQ2d 1583, 1584-85 (D Mass 2016).
12. Id at 1584-85.
13. Id.
14. 203 F Supp 3d 755 (ED Tex 2016).
15. Id at 764.
16. 14-cv-104, 2017 US Dist. LEXIS 64404, at \*14 (ED Tex 2017).
17. Id at \*24.
18. No 12-244, slip op at 46 (ED Tex 27 October 2016).
19. Id.
20. No 11-761, 2016 US Dist LEXIS 152450, at \*17 (NDNY 2016).
21. Id.
22. Id.
23. Id.
24. No 13-7, 2017 US Dist LEXIS 27304, at \*45 (CD Cal. 2017).
25. Id.

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