

LITIGATING THE ISSUE OF WILLFUL PATENT INFRINGEMENT

By Joseph R. Re*
Knobbe Martens Olson & Bear LLP
Irvine, CA

I. INTRODUCTION

In the vast majority of patent infringement lawsuits, the patent owner alleges that the infringement was done willfully. That allegation, if proven, could form the basis of an award of enhanced damages, up to three times the actual damages, and attorneys' fees against the infringer.

For various reasons, litigating whether any infringement was willful frequently presents some of the most difficult issues facing the patent litigant, particularly the accused infringer. Often, the willfulness issue becomes the central focus of a hard-fought patent infringement case. Because the allegation of willful patent infringement is most effectively rebutted by showing the infringer's good-faith reliance on the advice of counsel, the alleged infringer is often forced to decide whether to waive the attorney-client privilege and produce in discovery the advice of counsel, or to assert the privilege and rebut the allegation with other facts showing the infringer proceeded to act in good faith despite the asserted patent. In addition, litigating the willful infringement issue presents a host of other related or collateral issues which permeate both discovery and trial of the typical patent case. This paper outlines how litigating the willful infringement issue presents problems and opportunities for both the patent owner and the alleged infringer.

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II. DISCUSSION

A. Legal Consequences of Willful Infringement of Patents

Section 284 of the patent statute authorizes a court finding infringement to increase damages for such infringement up to three times the amount of actual damages found or assessed. 35 U.S.C. § 284. Willful infringement is a proper basis for the grant of enhanced damages under § 284. Ryco, Inc. v. Ag-Bag Corp., 857 F.2d 1418, 1429 (Fed. Cir. 1988); see also Vulcan Eng'g Co. v. FATA Aluminum, Inc., 278 F.3d 1366, 1378 (Fed. Cir. 2002). Section 285 of the patent statute allows for the award of attorney fees where the infringement case is found to be “exceptional.” 35 U.S.C. § 285. Willful infringement is a proper basis for a finding of exceptional circumstances within the meaning of section 285. Kloster Speedsteel AB v. Crucible Inc., 790 F.2d 1565, 1580 (Fed. Cir. 1986); see also Tate Access Floors, Inc. v. Maxcess Techs., Inc., 222 F.3d 958 (Fed. Cir. 2000). Consequently, courts may award enhanced damages and attorney fees to the patentee where the defendant is found to have committed willful infringement. That award is within the sound discretion of the district court.

Clearly, then, it may be of significant economic benefit to prove willful patent infringement, or for a party faced with the charge of willful patent infringement, to take all prudent steps to prevent a finding of willfulness in the event that infringement is found. But more importantly, even if an enhanced award is extremely unlikely in a particular case, the mere fact that the willfulness issue is being litigated may drastically affect the manner in which the case is prepared,

proceeds through discovery, and ultimately presented at trial. Because it is easy to allege willfulness, that issue is presented in most patent cases.¹

B. Standard for Determining Willful Infringement

Patent infringement will be considered willful where the infringer had no reasonable basis for believing it had the right to engage in the act that is later found to be an infringing act. Ryco, 857 F.2d at 1428; Stickle v. Heublein, Inc., 716 F.2d 1550, 1665 (Fed. Cir. 1983); see also Vulcan, 278 F.3d at 1378. The fact finder “must determine that the infringer acted in disregard of the patent.” Stickle, 716 F.2d at 1565. Thus, the willful infringement inquiry focuses on the alleged infringer’s intent or state-of-mind, and not only raises questions of reasonableness and prudence, but often requires examining questions of belief and credibility. Willful infringement is a question of fact and must be established by clear and convincing evidence. Comark Communications, Inc. v. Harris Corp., 156 F.3d 1182, 1190 (Fed. Cir. 1998). Consequently, courts rarely grant summary judgment on the issue of willful infringement.

To avoid a finding of willfulness, an alleged infringer should take steps that provide a basis for reasonably believing that the acts of alleged infringement are proper. Exemplary steps can include making a good faith attempt to alter the design of the allegedly infringing device in order to avoid infringement, Rolls-Royce Ltd. v. GTE Valeron Corp., 800 F.2d 1101 (Fed. Cir. 1986), Rite-Hite Corp. v. Kelley Co., 819 F.2d 1120 (Fed. Cir. 1987), forming a good faith belief that a licensing agreement was applicable to the allegedly infringing act, Spindelfabrik

¹ This author is unaware of a single reported decision in which an attorney has been sanctioned under Fed. R. Civ. P. Rule 11 for alleging willful infringement in a complaint if the count of patent infringement was properly alleged. See Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 84 (2001).

Suessen-Schurr v. Schubert & Salzer Maschinenfabrik AG, 829 F.2d 1075 (Fed. Cir. 1987), or forming a good faith belief that the asserted patent is invalid or the allegedly infringing device does not infringe, State Indus. Inc. v. A.O. Smith, 751 F.2d 1226 (Fed. Cir. 1985).

Willfulness in patent cases is determined in view of the totality of the circumstances. Adv. Cardiovascular Sys., Inc. v. Medtronic, Inc., 265 F.3d 1294, 1308 (Fed. Cir. 2001); Rolls-Royce, 800 F.2d at 1110 (stating there are no hard and fast *per se* rules with respect to willfulness). In the words of Judge Newman, “‘willfulness’ in infringement, as in life, is not an all-or-nothing trait, but one of degree.” Rite-Hite Corp., 800 F.2d at 1125-1126. However, the focus of the willfulness analysis is “generally on whether the infringer exercised due care to avoid infringement, usually by seeking the advice of competent and objective counsel, and receiving exculpatory advice.” Vulcan, 278 F.3d at 1378; see also Crystal Semiconductor Corp. v. TriTech Microelectronics Int’l, Inc., 246 F.3d 1336, 1346 (Fed. Cir. 2001). Consequently, the potential infringer must be forewarned that no particular measure is guaranteed to avoid a finding of willfulness. Rather, it must appear in view of the totality of the circumstances that the infringer did not willfully infringe the patent. There are, however, certain steps that one can take to reduce the likelihood of being found liable for willful patent infringement. Facts relevant to these steps, or the absence of such facts, are the issues to be explored in discovery, and presented at trial.

C. Facts Relevant to Prove or Rebut a Charge of Willful Infringement

1. Did the Alleged Infringer Copy?

Copying is a basis, separate from willful infringement, for awarding enhanced damages. Bott v. Four Star Corp., 807 F.2d 1567, 1572 (Fed. Cir. 1986). Copying has also been stated to be relevant to willful infringement itself. State Indus., Inc. v. Mor-Flo Indus., Inc., 883 F.2d 1573, 1581 (Fed. Cir. 1989). But

mere copying of a competitor's product should not, by itself, suggest willful infringement. Rather, it is copying of a design shown in a patent, see Am. Orig'l Corp. v. Jenkins Food Corp., 774 F.2d 459, 464 (Fed. Cir. 1985), copying of a product known to be covered by a patent, or copying of a product known to be subject to coverage of a patent about to issue, L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117 (Fed. Cir. 1993), that should be relevant to willfulness.

2. Did The Alleged Infringer Act Promptly Upon Receiving Notice of the Patent?

The issue of willfulness arises only after an alleged infringer obtains knowledge, or "notice" of a pertinent patent. Once an alleged infringer has obtained notice of the later asserted patent, it has an affirmative duty to determine whether subsequent acts may amount to infringement. Underwater Devices, Inc. v. Morrison-Knudsen Co., Inc., 717 F.2d 1380, 1389 (Fed. Cir. 1983); see also Vulcan, 278 F.3d at 1378. Notice need not come as directly and obviously as a cease-and-desist letter from the patent owner. Notice may also be provided by in-house monitoring or employee knowledge, Bott, 807 F.2d at 1572 (Fed. Cir. 1986), licensing negotiations, Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 743 (Fed. Cir. 1984), communications with third parties, Great Northern Corp. v. Davis Core & Pad Co., Inc., 782 F.2d 159, 166-167 (Fed. Cir. 1986), or may rise out of notice of a pending patent, Power Lift, Inc. v. Lang Tools, Inc., 774 F.2d 478, 482 (Fed. Cir. 1985). Therefore, one issue is whether the potential infringer acted promptly upon receiving notice of a patent that it may potentially infringe, regardless of whether that notice comes from the patentee, a third party or the potential infringer's own efforts.

3. **Did the Alleged Infringer Respond to a Cease and Desist Letter Through or With the Assistance of Counsel?**

If a potential infringer receives notice of infringement or an offer of license from the patent owner, it should respond in writing, either through or with the assistance of counsel, with an assurance that it has no intention of infringing valid and enforceable patent rights and will investigate the allegation. The corollary to this suggestion is that it is in the accused infringer's interest not to respond to a charge of infringement except through or with the assistance of counsel. See, e.g., Power Lift, Inc. v. Lang Tools, Inc., 774 F.2d 478 (Fed. Cir. 1985); Ralston Purina Co. v. Far-Mar Co., Inc., 772 F.2d 1570 (Fed. Cir. 1985). An example of an inadvisable response is "Before I would pay you a nickel, I'll see you in the courthouse." That statement cost the infringer attorney fees in Power Lift. Likewise, an infringer's decision to reject a patentee's offer of license without consulting patent counsel led to a finding of willful infringement in Ralston Purina, 772 F.2d at 1577.

4. **Did the Alleged Infringer Develop a Reasonable Basis for a Belief of Invalidity or Non-Infringement?**

The extent of the duty of due care which arises upon notice of a pertinent patent is of course another critical concern of the potential infringer. The duty, in general terms, requires the potential infringer to affirmatively investigate the scope of the pertinent patent and form a good faith belief that the patent is invalid or that it is not infringing the patent. Bott, 807 F.2d at 1572. Whether that duty is satisfied is viewed in the totality of the circumstances. King Instrument Corp. v. Otari Corp., 767 F.2d 853, 867 (Fed. Cir. 1985). Thus, there are no particular measures which will necessarily satisfy a court that the duty has been observed. Rolls-Royce, 800 F.2d at 1110.

Two measures that do not provide a basis for a belief of invalidity or noninfringement are indemnity agreements and letters from third parties stating that the third party has obtained an opinion of invalidity or non-infringement. Jurgens v. McKasy, 927 F.2d 1552, 1562 (Fed. Cir. 1991). Those measures do not suggest an independent basis for a belief of invalidity or non-infringement. Obtaining an opinion that another party obtained from its counsel may, however, provide an independent basis for a belief of invalidity or non-infringement. Uniroyal, Inc. v. Rudkin- Corp., 939 F.2d 1540 (Fed. Cir. 1991).

As mentioned previously, one factor that dominates the willfulness issue is whether the accused infringer obtained an opinion of counsel that the pertinent patent is invalid or not infringed. Vulcan, 278 F.3d at 1378; Underwater Devices, 717 F.2d at 1389-1390. Obtaining an opinion of counsel is considered the best evidence of a good faith effort to avoid infringing, because, under most circumstances, it is reasonable to rely upon counsel's competent assessment of patent validity and infringement. The presence or lack of an opinion of counsel, however, is not necessarily determinative. Am. Orig'l, 774 F.2d at 465; Nickson Indus. v. Rol Mfg. Co., 847 F.2d 795, 799-800 (stating that the “[a]bsence of an opinion of counsel ... does not in every case require a finding of bad faith”); cf. Ryco, 857 F.2d at 1428 (stating that while “failure to obtain legal advice is not determinative, it is one of the factors supporting a finding of willfulness”).

Consequently, one issue to be explored is whether the potential infringer sought, received and followed an opinion of counsel in an acceptable manner. Many factors bear on the effectiveness of opinion of counsel. These factors include the timing for obtaining the opinion, Underwater Devices 717 F.2d at 1390, content of the opinion, Datascope Corp. v. SMEC, Inc., 879 F.2d 820, 828 (Fed. Cir. 1989), qualification of the party providing the opinion, Underwater Devices, 717 F.2d at 1390, as well as the form of the opinion, Bott, 807 F.2d at

1572. Also, the opinion must be used as a basis for decision making, not for justifying the decision already made. In re Hayes Microcomputer Prods., Inc. Patent Litig., 982 F.2d 1527, 1544 (Fed. Cir. 1992).

5. Did the Alleged Infringer Seek an Opinion of Counsel Promptly?

Once actual notice of a patent is received, the duty to form a good faith belief of patent invalidity or noninfringement arises. Bott, 807 F.2d at 572. Any infringing activities committed subsequent to notice may be considered willful unless this duty is satisfied. Accordingly, if opinion of counsel is to form the basis of the required reasonable belief, the relevant fact becomes whether it was obtained promptly after receiving notice of the patent.

Where a potential infringer is at the research and development phase of a product and becomes aware of a patent which may cover the product, the potential infringer should at that point obtain opinion of counsel, *before* making, using or selling the product. The potential infringer may then rely on the opinion as the basis of its decision to continue or alter potentially infringing activities. Underwater Devices, 717 F.2d at 1390 (the potential infringer has "the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity").

If an alleged infringer receives notice of a patent while committing allegedly infringing activities, it need not immediately cease all activities and obtain opinion of counsel before resuming. As long as the alleged infringer takes prompt steps to fulfill its duty of due care, the interim activity between receiving notice of the patent and receiving an opinion of counsel should not be considered willful infringement. Continued making, using or selling while obtaining an opinion of counsel should not suggest "that the infringer acted in disregard of the patent." Gustafson, Inc. v. Intersystems Indus. Prods., Inc., 897 F.2d 508, 511 (1990).

Of course, if notice of an asserted patent is disregarded entirely, and opinion of counsel is sought only after an infringement suit is filed, that opinion will not serve as a reasonable basis for the allegedly infringing activities and therefore will not be an effective defense to willfulness. Leinoff, 726 F.2d at 743; Underwater Devices, 717 F.2d at 1389-1390.

6. Did the Alleged Infringer Seek an Opinion From Outside Patent Counsel?

In Central Soya Co. v. Geo. A. Hormel & Co., the Federal Circuit shifted its focus from competent opinions of counsel to opinions from “competent counsel.” 723 F.2d 1573, 1577 (Fed. Cir. 1983). The qualifications of the attorney rendering the validity and infringement opinion may bear strongly upon the effectiveness of the opinion as a foundation of a good faith belief of invalidity or noninfringement. Although, again, there is no per se rule with regard to this factor, there are certain facts which will become relevant at trial.

The opinion of non-lawyers is usually given little weight. CPG Prods. Corp. v. Pegasus Luggage, Inc., 776 F.2d 1007, 1014-15 (Fed. Cir. 1985); Rosemount, Inc. v. Beckman Instruments, Inc., 727 F.2d 1540, 1548 (Fed. Cir. 1984). This sort of opinion will be questioned on at least two grounds. First, the party rendering the opinion arguably has inadequate knowledge of issues of patent validity and infringement, and therefore cannot form a competent opinion. CPG Products, 776 F.2d at 1014-15. Second, the potential bias of the party rendering the opinion renders the opinion suspect. Any close association with the potential infringer will be interpreted as a lack of objectivity. See, e.g., Johns Hopkins Univ. v. Cellpro, Inc., 152 F.3d 1342, 1364 (Fed. Cir. 1998); Underwater Devices, 717 F.2d at 1390. Nevertheless, the opinions of non-lawyers have been relied on as a basis for a finding of nonwillfulness. See Nickson Indus., 847 F.2d at 800; Rolls-Royce, 800 F.2d at 1109-10.

The opinions of general lawyers, that is non-patent lawyers, are not usually given any more weight than the opinions of non-lawyers. See Acoustical Design, Inc. v. Control Electronics Co., 932 F.2d 939, 942 (Fed. Cir. 1991) (infringement was willful where defendant "only sought the opinion of general, not patent counsel"). The lack of respect accorded opinions of general lawyers is apparently due to the belief that they, like non-lawyers, have inadequate knowledge of issues of patent infringement and validity.

Relying on an opinion rendered by in-house counsel can also be disadvantageous in defending against willfulness. Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc., 976 F.2d 1559 (Fed. Cir. 1992). The rationale here is that in-house counsel lack objectivity. If an opinion of in-house counsel is to be relied upon, particularly strong internal indicia of reliability should be incorporated into the opinion so that there can be no question as to its objectivity.

The most effective opinion of counsel to rebut a charge of willful infringement will usually come from outside patent counsel. The rationale here is that outside patent counsel will usually be properly qualified to render an opinion that forms the basis for a good faith belief of invalidity and/or noninfringement. Also, outside patent counsel may be more objective than in-house counsel when rendering its opinion, having less of a stake in the accused infringer's activities. Consequently, the potential infringer is well advised to obtain competent opinion from outside patent counsel.

One final consideration with regard to qualifications is the locality of practice of the attorney providing the opinion. Because foreign patent counsel may not be as familiar with United States patent issues as a U.S. patent attorney, it is recommended that potential infringers retain U.S. patent counsel for rendering

opinions regarding validity and infringement. See Spindelfabrik, 829 F.2d at 1084 (willful infringement despite reliance on opinion of German in-house counsel).

7. Did the Alleged Infringer Obtain an Opinion of Counsel that:

a. is written;

The opinion rendered by counsel should be written rather than oral. Minnesota Mining, 976 F.2d at 1580; Bott, 807 F.2d at 1572. A written opinion should be chock full of internal indicia of reliability. If an opinion is rendered orally, it should be documented with a confirmatory letter or memorandum. For obvious reasons, written opinions and memoranda will serve as better evidence than recollections of oral decisions. Again, however, there is no per se rule regarding the form of the opinion. A mere oral opinion may be adequate when considered with other factors in the totality of the circumstances. Radio Steel & Mfg. Co. v. MTD Products, Inc., 788 F.2d 1554, 1559 (Fed. Cir. 1986).

b. refers to any earlier oral opinions of non-infringement, invalidity or unenforceability;

That written opinions are preferable to oral opinions does not suggest that oral opinions should be disregarded. Oral opinions may bolster written opinions, particularly where the written opinion confirms and expands upon the advice given in the oral opinion. See Kalman v. Berlyn Corp., 914 F.2d 1473, 1483 (Fed. Cir. 1990).

c. is based on all the facts regarding the potentially infringing activities and the circumstances under which it was designed;

An opinion of counsel based on anything other than the facts as the potential infringer knows them will be worthless. The potential infringer should be as candid with its counsel as possible, particularly regarding the features of the product or process at issue. The source and accuracy of the factual information

upon which the opinion relies will be the focus of discovery efforts and trial, particularly if the facts were skewed in favor of the alleged infringer. Moreover, if the opinion relied on unsubstantiated information from a non-objective source, such as the potential infringer's supplier, that fact may hurt the quality of the opinion. Minnesota Mining, 976 F.2d at 1580-81.

d. contains sufficient internal indicia of credibility;

The most common basis for disregarding an opinion of counsel is that it is "conclusory." See Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc., 761 F.2d 649, 656 (Fed. Cir. 1985); Underwater Devices, 717 F.2d at 1390. The opinion should contain a validity analysis based on a review of the file history, prior art references and prior art other than that in the prosecution history; an unenforceability analysis based on the file history and additional evidence of materiality and intent; or an infringement analysis that compares the potentially infringing device with the claimed invention interpreted under the rules governing claim construction.

A recurring basis for finding fault in opinions of counsel is failure to consult the prosecution history. See Datascope Corp., 879 F.2d at 828; Underwater Devices, 717 F.2d at 1390. One case goes so far as to find fault in failing to examine prior art *beyond* that in the prosecution history. Central Soya, 723 F.2d at 1577. Of course, failure to consult the prosecution history or prior art is not always damning. See Radio Steel, 788 F.2d at 1558-59.

Another basis for finding fault in opinions is an incomplete legal analysis, such as failure to discuss the doctrine of equivalents. Datascope, 879 F.2d at 828-29. Once again, lack of a doctrine of equivalents analysis does not require rejection of an opinion. Ortho Pharm. Corp. v. Smith, 959 F.2d 936, 944-45 (Fed. Cir. 1992). Moreover, a relatively cursory discussion of the doctrine of equivalents may suffice. Read Corp. v. Portec, Inc., 970 F.2d 816, 830 (Fed. Cir. 1992).

e. **contains no admissions of validity, enforceability or infringement; and**

In Anthony and Cleopatra, Shakespeare wrote "Though it be honest, it is never good to bring bad news." That advice applies to opinions of counsel. Admissions of validity, enforceability or infringement should be avoided. Even though later development of facts may prove these admissions wrong, their retraction before the jury will be difficult.

f. **sets forth its assessment with strong conviction and does not merely assess the odds of success?**

Associated with the reasonable basis which must support counsel's opinion is the conviction with which the opinion asserts its reasoning and conclusions. The attorney rendering an invalidity or non-infringement opinion is advised to set forth the reasoning and conclusions of the opinion with as much certainty and clarity as possible.

Language such as "arguably outside the scope" and "less like ... to infringe" may be considered an inadequate basis for the client's formation of a good faith belief. Central Soya, 723 F.2d at 1581. The Federal Circuit's early opinions, such as Central Soya, required certainty, a very difficult standard. Indeed, in his concurrence in Central Soya, Judge Nichols suggested that a competent opinion of counsel need reflect "full confidence that the patent is invalid, or that precautions recommended ... will suffice to avoid infringement." 723 F.2d at 1581 (Nichols, J. concurring).

Language of uncertainty in opinions of counsel reflect that it is impossible for an attorney to predict with certainty what a jury or judge may find regarding patent validity and infringement. Fortunately for the practitioner, subsequent case law seems to have relaxed the rigorous certainty requirement, allowing good faith belief to substitute for certainty. Read, 970 F.2d at 829, n.9 ("An honest opinion is

more likely to speak of probabilities than certainties”); Bott, 807 F.2d at 1572 (citing the earlier case Kori, 761 F.2d at 656). Nevertheless, opinions should be stated with certainty: “In my opinion, the patent is not infringed.” The certain statement of opinion may then be qualified: “Of course, it is impossible to ensure that a jury would not find the patent infringed.”

8. Did The Alleged Infringer Follow Counsel’s Advice Regarding Remedial Measures?

The effectiveness of opinion of counsel as a defense to willfulness depends in part on the potential infringer’s response to counsel’s opinion. In Central Soya, the Federal Circuit held that defendant’s “intentional disregard of its counsel negates any inference of good faith, placing [defendant] in the same position as one who failed to secure the advice of counsel.” 723 F.2d at 1577. Here, the Court stated that the defendant “had not only to show an opinion from competent counsel but also that it exercised reasonable and good faith adherence to the analysis and advice therein.” Id.

The potential infringer should heed the advice of counsel. Disregard of counsel’s suggestion to make design changes for avoiding infringement could possibly lead to a finding of willfulness.

9. Did The Alleged Infringer Make a Good Faith Attempt to Design Around the Patent Claims?

Where the potential infringer attempts to design around the patent according to advice of counsel, a charge of willfulness or bad faith will usually not prevail. Read, 970 F.2d at 828; Radio Steel, 788 F.2d at 1558-1559; Yarway Corp. v. Eur-Control USA, Inc., 775 F.2d 268, 277 (Fed. Cir. 1985). Even where the attempt to design around the patent is not based on advice of counsel, it may result in a finding of nonwillfulness. See Rolls-Royce, 800 F.2d at 1109-10 ; but see Ryco, 857 F.2d at 1428. Obviously, depending on one’s perspective, this issue turns on

whether the design-around was in fact a design-around, rather than just a poor imitation or copy.

10. Other Facts That May Explain Why The Alleged Infringer Proceeded In The Manner It Did

Before any litigant makes an assessment of a willfulness case, they must evaluate any other fact that could bear upon how one may view the behavior of the alleged infringer after it received notice of the patent. For example, one must consider whatever reason or excuse the alleged infringer might present to the trier of fact to explain away the acts done after learning of the asserted patent, such as the patentee knew of the acts of the infringer and tacitly approved of them. These particular facts may be unique to each case, but sometimes may obscure more traditional facts, such as whether an opinion of counsel was obtained.

D. Asserting the Attorney-Client Privilege or Waiving It

While a defendant may best rebut the willfulness allegation by demonstrating that it reasonably relied on an opinion of counsel, to do so presents a major dilemma. To show that it relied on an opinion of counsel, it must produce the opinion and waive the attorney-client privilege. If the party fails to produce an opinion, it runs the risk of facing a lopsided jury instruction and being precluded from allowing opinion counsel from testifying at trial.

In these circumstances, the Federal Circuit has recognized the alleged infringer's dilemma. Quantum Corp. v. Tandon Corp., 940 F.2d 642, 643-44 (Fed. Cir. 1991). In Quantum, the Federal Circuit advised district courts to "give serious consideration to a separate trial on willfulness whenever the particular attorney-client communications, once inspected by the court in camera, reveal that the defendant is indeed confronted with this dilemma." 940 F.2d at 643-44. As will be discussed, bifurcating discovery or trial will at least postpone the alleged infringer's decision whether to waive the privilege.

1. Negative Inference against Accused Infringer

One of the most controversial rulings from the Federal Circuit concern its approval of allowing the trier of fact to draw adverse inferences against the alleged infringer if it relies upon the privilege and refuses to produce its opinions of counsel. Those adverse inferences are that the alleged infringer obtained no opinion, or that it did, but it was contrary to the accused infringer's desire to initiate or continue the conduct at issue. Am. Med. Sys., Inc. v. Med. Eng'g Corp., 6 F.3d 1523, 1531 (Fed. Cir. 1993); Kloster Speedsteel, 793 F.2d at 1580; see L.A. Gear, 988 F.2d at 1126-27 (stating “the assertion of the [attorney-client] privilege with respect to infringement and validity opinions of counsel may support the drawing of adverse inferences”). Consequently, to avoid having to face such an unfair jury instruction, the accused infringer is virtually forced to turn over opinions of counsel to defend against a charge of willful infringement, even where the opinions are less than desirable.

2. Losing the Testimony of Opinion Counsel

One important consideration before asserting the privilege is whether the alleged infringer could greatly benefit from having opinion counsel testifying at trial. In many cases, that witness presents the greatest opportunity for the alleged infringer. Under the guise of rebutting willfulness, that witness gets the chance to explain to the liability jury why the patent is invalid or not infringed. Obviously, if the alleged infringer asserts the privilege, opinion counsel could not testify.

3. Breadth of Waiver

Faced with the prospect of a prejudicial jury instruction and no opinion of counsel, an accused infringer may be forced to proffer evidence that it obtained exculpatory legal advice and that this advice was in the form of a written opinion from outside patent counsel. Once an accused infringer makes the decision to assert the affirmative defense of reliance on an exculpatory legal opinion, and

thereby waives the attorney-client privilege with respect to the opinion, the district court may face the challenge of determining the scope of the privilege waiver. With little guidance from the Federal Circuit as to the proper scope of privilege waiver, privilege matters are resolved almost exclusively by trial courts.

Most district courts generally seem to agree that a defendant asserting the advice-of-counsel defense waives the attorney-client privilege at least with respect to all communications between counsel and client relating to the rendering of the opinion. Steelcase Inc. v. Haworth, Inc., 954 F. Supp. 1195, 1198 (W.D. Mich. 1997) (stating that “the privilege is waived as to all information provided by the client to the attorney, regarding the subject matter of the opinion”); Thorn EMI North Am., Inc. v. Micron Tech., Inc., 837 F.Supp. 616, 621 (D. Del. 1993); Mushroom Assocs. v. Monterey Mushrooms, Inc., 24 U.S.P.Q.2d 1767, 1770 (N.D. Cal. 1992); FMT Corp. v. Nissei ASB Co., 24 U.S.P.Q.2d 1073, 1075 (N.D. Ga. 1992); McCormick-Morgan, Inc. v. Teledyne Indus., Inc., 21 U.S.P.Q.2d 1412 (N.D. Cal. 1992); Columbia Cascade Co. v. Interplay Design, Ltd., 17 U.S.P.Q.2d 1882 (D. Or. 1990); Macrovision Corp. v. VSA Ltd, 12 U.S.P.Q.2d 2011 (D. Or. 1989); Abbott Labs. v. Baxter Travenol Labs., Inc., 676 F. Supp. 831, 832 (N.D. Ill. 1987); Handgards, Inc. v. Johnson & Johnson, 413 F. Supp. 926, 929 (N.D. Cal. 1976).

For example, in Steelcase, the district court held that the privilege must be deemed waived with respect to all documents with the client that refer or relate to counsel’s opinion. 954 F.Supp. at 1198. Here, the district court reasoned that the scope of waiver of the privilege should be broad enough to shed light on the alleged infringer’s state of mind. Id. at 1198-99; see generally Read Corp. v. Portec, Inc., 970 F.2d 816 (Fed. Cir. 1992).

However, courts generally disagree on how broad the waiver must be in order to determine the accused infringer’s state of mind. Compare Novartis

Pharm. Corp. v. Eon Labs Manf., Inc., 206 F.R.D. 396, 399 (D. Del. 2002) (holding that the waiver of the attorney-client privilege applies “broadly to any and all materials available to the attorneys rendering the legal advice”); and Beneficial Franchise Co., Inc. v. Bank One, 205 F.R.D. 212, 218 (N.D. Ill. 2001) (holding that work product that casts doubt or contradicts attorney opinions can be accessed – “even if prepared by trial counsel after suit was commenced”); and D.O.T. Connectors, Inc. v. J.B. Nottingham, Inc., 2001 U.S. Dist. LEXIS 739, at 10 (N.D. Fla.) (“The waiver extends to any evidence considered by the attorney who gave the opinion (fact work product), whether or not it was communicated to [the accused infringer], but does not extend to legal research or other opinion work product unless such opinion work product was communicated to [the accused infringer].”); and Mushroom Associates, 24 U.S.P.Q.2d at 1770-71 (holding the attorney-client privilege waived with respect to all documents pertaining to the patent in suit; also holding that all documents containing work product relevant to the infringement issue must be produced); with Thorn, 837 F.Supp. at 620-621 (1993) (“Counsel’s mental impressions, conclusions, opinions or legal theories are not probative of [the client’s] state of mind unless they have been communicated to the client.”); and Nitinol Med. Techs., Inc. v. AGA Med. Corp., 135 F.Supp.2d 212, 217-219 (D. Mass. 2000) (limiting waiver to documents constituting, evidencing or reflecting communications between accused infringer and its counsel related to patent in suit; also limiting waiver of work-product immunity to documents considered, reviewed, prepared or relied on by counsel related to the factual basis of any opinion expressed to accused infringer to the extent such factual basis was discussed with or conveyed to accused infringer).

The district courts are also divided with regard to the temporal scope of the waiver of attorney-client privilege and/or work-product immunity. Compare Chiron Corp. v. Genentech, Inc., 179 F.Supp.2d 1182, 1188 (E.D. Cal. 2001)

(holding that all communications, both pre and post-complaint filing, should be disclosed); and D.O.T. Connectors, 2001 U.S. Dist. LEXIS 739, at 9 (stating that the waiver is a waiver as to subject matter, and the subject matter has no temporal limits); and McCormick-Morgan, Inc. v. Teledyne Indus., Inc., 765 F.Supp. 611, 613-614 (N.D. Cal. 1991) (reversing Magistrate Judge's placement of a temporal limit on the scope of waiver); with Dunhall Pharm., Inc. v. Discus Dental, Inc., 994 F.Supp. 1202, 1206 (C.D. Cal. 1998) (holding that the waiver of work product ends when the lawsuit is filed); and Electro Sci. Indus., Inc. v. Gen. Scanning, Inc., 175 F.R.D. 539, 546 (N.D. Cal. 1997) (holding that the waiver only reaches documents prepared before the lawsuit was filed).

Litigants are left to fight over the breadth of the waiver. Obviously, this uncertainty is avoided in those cases when they are able to agree as to the scope of the waiver before the alleged infringer actually waives the privilege.

E. Bifurcating Discovery and Trial To Delay The Decision to Waive

Opinions of counsel often provide a detailed view of the accused infringer's case of noninfringement or invalidity. Disclosure of opinions of counsel provides the patentee a distinct advantage. Early in the litigation process, the patentee can seek reexamination or reissue of the patent-in-suit in view of the prior art relied on in the opinion of counsel. Withholding opinions of counsel helps keep the patentee guessing at the basis of the accused infringer's defenses.

Patentees recognize that it may be very helpful, particularly in a jury trial, to ascribe an evil motive to the accused infringer. The trier of fact may be more inclined to find infringement by an accused infringer wearing a "black hat." Patentees also recognize that juries tend to dislike attorneys. Trying the infringer's attorney seems to some patentees a means to appeal to the jury's emotions. Examination of the competence of an opinion gives a patentee an opportunity to heap all kinds of indignities on the infringer's counsel.

Separate trials of liability and willfulness avoid the potential for much prejudice. One of the reasons for separate trials identified in Fed. R. Civ. P. 42(b) is "to avoid prejudice." Inclusion of willfulness in the damages trial would avoid the introduction of potentially prejudicial evidence in the liability trial. Amsted Indus., Inc. v. Nat'l Castings, Inc., 16 U.S.P.Q.2d 1737, 1739 (N.D. 111. 1990). To avoid prejudice, accused infringers are often well advised to seek separate trials of liability and willfulness.

Inclusion of the enhanced damages and attorney fee issues with the damages phase of the trial, and stay of discovery on those issues, is often, in the language of Fed. R. Civ. Pa. 42(b), convenient, expeditious and economical. The jury need never reach the willfulness issues, enhanced damages and attorney fees, if the accused infringer prevails in the liability phase or if the case settles before the damages phase. See Troncoso v. Martin Archery, Inc., 127 F.R.D. 190, 191-92 (E.D. Wa. 1989) (ordering trifurcation).

Even when trial on liability and willfulness is separated, however, patentees have much opportunity for mischief in discovery on willfulness. Discovery on willfulness can occupy the accused infringer's counsel, including trial counsel, for countless hours. Moreover, evidence of willfulness, once discovered, may seep into the patentee's liability case. Even if trial is separated, accused infringers should consider staying discovery.

If a court elects to order separate trials on the issues of liability and willfulness, it is appropriate to stay discovery relating to willfulness pending the initial determination of liability. See, e.g., Princeton Biochemicals, Inc. v. Beckman Instruments, Inc., 45 U.S.P.Q.2d 1757, 1763 (D.N.J. 1997); Novopharm Ltd. v. Torpharm, Inc., 181 F.R.D. 308, 312 (E.D.N.C. 1998) ("When it is appropriate to sever the damages and willfulness issues from the trial of the merits of the liability case, discovery on those issues may also be stayed."). Not

surprisingly, courts have bifurcated trials on liability and willfulness, and have stayed discovery regarding willful infringement, pending resolution of the liability issue. See Princeton Biochemicals, 45 U.S.P.Q.2d at 1763; Pfizer Inc. v. Novopharm Ltd., 57 U.S.P.Q.2d 1442, 1445 (N.D. Ill. 2000); Novopharm, 181 F.R.D. at 312; In re Recombinant DNA Tech. Patent and Contract Litig., 30 U.S.P.Q.2D 1881, 1901 (S.D. Ind. 1994); Scientific-Atlanta, Inc. v. Gen. Instru. Corp., 27 U.S.P.Q.2d 1158, 1160 (D. Md. 1993); Lemelson v. Apple Computer Inc., 28 U.S.P.Q.2d 1412, 1424 (D. Nev. 1993) (granting motion to bifurcate liability from damages (including willfulness) and staying discovery on damages); Avia Group Int'l, Inc. v. Nike, Inc., 22 U.S.P.Q.2d 1475, 1478 (D. Or. 1991); Rohm & Haas Co. v. Mobil Oil Corp., 654 F. Supp. 82, 87 (D. Del. 1987) (where liability and damages issues were bifurcated, court stayed discovery of privileged information relating to willfulness until after liability was resolved).

If the court refuses to separate the trial, the accused infringer may, in some instances, still delay discovery on willfulness. For example, the accused infringer may assert that it has yet to decide whether it will waive the privilege, and may delay, for a while, discovery on willfulness. Regardless of whether the court stays willfulness discovery, parties frequently should agree to conduct discovery in phases to maximize the period in which the alleged infringer can decide whether to waive the privilege and produce any opinions of counsel. To allow adequate discovery from all those involved, courts will require that the decision to waive be made well in advance of the close of fact discovery.

F. Willfulness Must Be Won at the District Court, Not on Appeal

A finding of willfulness is difficult to reverse on appeal. Willfulness is a finding of fact, reviewed under the "clearly erroneous" standard when found by a judge. Rite-Hite, 819 F.2d at 1126. To overturn a bench finding on willfulness, the Federal Circuit "must have a firm conviction that a mistake was committed by

the district court." *Id.* at 1126. When decided by a jury, the verdict need only be supported by substantial evidence. This author is unaware of a single case in which the Federal Circuit has overturned a jury verdict of no willfulness.

Where the willfulness finding depends on a credibility assessment, as it almost does, the Federal Circuit has said it would be "peculiarly difficult" for the Federal Circuit to overturn a willfulness finding on appeal, Paper Converting Mach. v. Magna-Graphics Corp., 785 F.2d 1013, 1016 (Fed. Cir. 1986), because "determinations of credibility and motivation . . . are the province of the trier of fact." Shatterproof Glass Corp. v. Libbey Owens Ford Co., 758 F.2d 613, 628 (Fed. Cir. 1985).

III. CONCLUSION

Because an allegation of willful infringement directly implicates the alleged infringer's reliance on the advice of counsel, litigating the willful infringement issue presents a delicate and important challenge for the alleged infringer. Consequences flow whether the attorney-client privilege is asserted or waived. The choice made can greatly dictate how the patent infringement case is prepared and tried.

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