

THE TRAVESTY OF PATENT OPINION USE:
ADVANCING THE AIA TO FIX THE MISGUIDED
PATENT INFRINGEMENT ENHANCED DAMAGES
FRAMEWORK

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INTRODUCTION

Imagine you are a college student with a computer science background at the forefront of the Internet boom in 1992. You easily recognize that increasingly widespread Internet connectivity opens a very large door for software piracy. Rather than following an unlawful path, you pursue a vision of an exceedingly valuable program restricting user transfers. Working around the clock on caffeine and adrenaline for two weeks, you create a potentially revolutionary program to protect against software piracy. Your program thwarts Internet thieves by embedding a password into software allowing transfer only of a trial version, but prohibiting unfettered access. Your program has made a huge leap towards preventing unregulated peer-to-peer transfers on the Internet. You create a small business, ecstatic about your startup's prospects.

The infringement notice hits you like a ton of bricks.¹ With a fully functioning program, terrific initial sales growth, and what appeared to be a successful patent application, you never even considered a legal issue derailing everything. The infringement notice charges that your software infringes on another company's patent. Unsure on the proper path forward, you consult an attorney. The lawyer explains that this notice is essentially a threat by the holder of the patent (the "patentee") to initiate a lawsuit. You learn the patentee likely is primarily interested in receiving a licensing fee to quash the suit. If you refuse to settle and lose the lawsuit, the attorney gravely cautions that your liability could be staggering. Possible remedies against you include liability for compensatory damages, an injunction pro-

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¹ See 35 U.S.C. § 287(b)(5)(A) (2012) ("For purposes of this subsection, notice of infringement means actual knowledge, or receipt by a person of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a process patented in the United States.").

hibiting further sales of your program, and even enhanced damages for willful infringement.²

Possibly worst of all, you learn that this company does not actually produce or sell any products. They simply hold a prior patent that your program allegedly infringes. A quick AltaVista³ search informs you that the patentee engages in this litigious practice exclusively. Their business model is to obtain patents and then negotiate licensing fees or file infringement lawsuits to make the patents profitable.⁴ The disparaging term for this patent holding company is a “patent troll.”⁵ Angered that the patentee is simply seeking money for your hard work, rather than delivering a useful tool to the marketplace, you dismiss the option of negotiating a licensing fee.

You are especially upset at possible liability for “willful” infringement, as you certainly did not copy any part of this patent. Nonetheless, your attorney firmly maintains that you have little choice but to obtain a formal patent opinion.⁶ A noninfringement patent opinion provides a formal legal assessment as to whether your design infringes.⁷ The expense you must incur just to protect yourself from the willful infringement allegation on a patent you did not even know existed is staggering.⁸ A sense of indignation at the lawsuit blinds economic reason, and you pay the costs and fight back.

² See *id.* §§ 283-84.

³ Remember, this was pre-Google.

⁴ See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (identifying that the business model of some patent holding companies is to earn profits solely from licensing fees).

⁵ See Terrence P. McMahon et al., *Who Is a Troll? Not a Simple Answer*, 7 SEDONA CONF. J. 159, 159-60 (2006) (attributing the phrase’s origin to attorney Peter Detkin in 1999, at the time counsel for Intel). A more neutral term for these companies is nonpracticing entities (“NPEs”). This term can include a broader definition of patent-holding companies, some of which may be “patent trolls” and others that arguably are not. See Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 HASTINGS L.J. 297, 326-27 (2010).

⁶ See David O. Taylor, *Wasting Resources: Reinventing the Scope of Waiver Resulting from the Advice-of-Counsel Defense to a Charge of Willful Patent Infringement*, 12 TEX. INTELL. PROP. L.J. 319, 326 (2004) (“[T]he usual course of action upon receiving knowledge of potential infringement is to seek an opinion of counsel.”).

⁷ See Geoffrey Shippides, Current Development, *Advocacy or Counsel: The Continuing Dual Role of Written Infringement Opinion Letters and the Failure of Knorr-Bremse to Confine the Role of Patent Attorneys Issuing Written Infringement Opinion Letters*, 18 GEO. J. LEGAL ETHICS 1069, 1070 (2005).

⁸ Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore Up the Foundations of Patent Law That the Underwater Line Eroded*, 20 HASTINGS COMM. & ENT. L.J. 721, 740 (1998) (“A reliable patent opinion costs at least \$10,000 if the patent has any real complexity. Indeed, an opinion on a set of ‘submarine’ patents will cost well over \$100,000. Not included are internal costs to the company involved in communicating with employees to get information on products or processes, time spent reviewing the patent by corporate officers, and delays induced in projects due to possible infringement issues.”).

Three years later, after massive expenditures on noninfringement patent opinion letters, discovery, filing fees, and attorney's costs, the company you founded plunges towards bankruptcy. Coming to grips with the futility in further prolonging the litigation, you settle the case and agree to a licensing fee. Later, upon level-headed reflection, you realize that fighting the litigation was the worst decision you ever made for your company. Settling was always the most economical choice. You have wasted thousands in attorney's fees with nothing to show for it. The patent opinion expense plus the litigation costs were prohibitively high,⁹ and you should have simply settled even though the infringement suit was meritless.

This scenario is not a mere hypothetical.¹⁰ Meritless infringement lawsuits frequently are threatened or even filed to force companies to settle for a lump sum or licensing fee.¹¹ Often the company claiming infringement can rely on exceedingly high litigation costs to win a settlement on even a meritless claim.¹² This Comment explores how the patent regime can, and must, scale back one aspect of the overly strong incentive to settle infringement lawsuits. While a large volume of published material exists on patent trolls, the focus here is on the role of the patent opinion. Ultimately, this Comment advocates that courts should remove all negative legal implications accused infringers face when failing to obtain or defend with a patent opinion.

Part I provides an overview of patent opinions, their impact on willful infringement and enhanced damages, and the intersection of patent opinions and attorney-client privilege. Waiver of attorney-client privilege heightens the troubling situation accused infringers face with frivolous lawsuits.¹³ Part I concludes by outlining the jurisprudential shift in willful infringement

⁹ See, e.g., AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2013, at 34 (2013) (providing an average litigation cost in patent cases from \$700,000 to \$5,500,000).

¹⁰ The hypothetical combines a few similar patent troll examples and techniques to present a simplified example. See, e.g., *Z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1344-46 (Fed. Cir. 2007) (involving a technology similar to that described and a juxtaposed resulting infringement suit where the plaintiff was the smaller company); Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 COLUM. L. REV. 2117, 2162-64 (2013) (describing the decisions of patent troll targets to license or defend in court and citing examples of "bottom-feeder trolls" collecting settlement payments which principally derive from avoided litigation fees).

¹¹ See Lemley & Melamed, *supra* note 10, at 2163-64 ("Some bottom-feeder trolls seem more willing than practicing entities to engage in aggressive assertion practices to extract money with little regard for whether the patents are valid or even infringed.")

¹² *Id.* at 2176 ("[T]he high cost and uncertainty of litigation encourages bottom-feeder suits aimed at settlement rather than at winning.")

¹³ Privileged attorney-client communications can become discoverable once an accused infringer defends with an attorney's patent opinion. Therefore, increasing liability for failing to defend with an opinion creates a very difficult position for the accused infringer. See *infra* Part I.C for a more thorough background of attorney-client privilege and patent opinions.

analysis shortly before passage of the Leahy-Smith America Invents Act (“AIA”) in 2011.¹⁴

Part II then addresses the AIA, which fundamentally transformed the American patent system.¹⁵ Part II presents background material on post-AIA implications of patent opinions within the willful infringement and enhanced damages frameworks. Part II also surveys some of the most recent court decisions and secondary materials on patent opinions, illustrating the unsettled legal environment.

Finally, Part III provides a normative analysis of future patent opinion use through three separate lenses: legislative intent, practical considerations, and efficiency. The legislative intent of the AIA demonstrates a congressional inclination away from a punishing failure to defend with a patent opinion.¹⁶ A pragmatic viewpoint also favors reducing the unnecessarily complex, irregularly applied enhanced damages framework. Finally, the legal system’s incentive structure inefficiently promotes low-value, diluted¹⁷ patent opinions while natural incentives already encourage accused infringers to obtain patent opinions at an optimal level. Based on legislative intent, practical concerns, and, most importantly, efficiency considerations, the court system should completely remove consideration of failure to defend with a patent opinion from willfulness and enhanced damages determinations.

I. PATENT OPINIONS, WILLFUL INFRINGEMENT, AND ENHANCED DAMAGES

Before going further, this Comment must set the stage with a brief overview of the patent law system. After a basic introduction to patent law in the United States, this Comment details three specific aspects for further scrutiny: patent opinions, willful infringement, and enhanced damages. Finally, Part I explores the legal consequences and considerations in defending a willful infringement claim with a patent opinion.

¹⁴ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.)

¹⁵ The AIA of 2011 introduced sweeping changes to the U.S. patent system, including a fundamental shift to define the “effective filing date” as the actual filing date, thus replacing a “first-to-invent” system with a “first-to-file” system. *See* 35 U.S.C. § 100(i) (2012).

¹⁶ *See infra* Part III.A.

¹⁷ “Diluted” describes patent opinions that are vaguely worded, and therefore less beneficial for the accused infringer than those produced outside the litigation context. Since these opinions must eventually be seen in the courtroom, the opinions often are worded in a more ambiguous way. *Infra* Part III.C elaborates on this analysis.

A. *U.S. Patent Law Foundation*

One of the few enumerated powers of Congress in the U.S. Constitution is the authority to promote innovation by granting inventors exclusive rights to their inventions, contained in the Progress Clause.¹⁸ The underlying idea motivating the Progress Clause is that incentivizing inventors with temporary exclusive property rights serves the public welfare by promoting innovation.¹⁹ The patent system aims to balance encouraging public disclosure of new inventions in exchange for providing exclusive right protection to the inventor for a limited period of time.²⁰ Currently, the exclusive right period lasts twenty years from the patent filing date.²¹

To obtain a patent, an inventor must submit a useful,²² nonobvious,²³ and novel²⁴ claim to the United States Patent and Trademark Office (“USPTO”).²⁵ Once approved, the patent holder is responsible for proactively protecting his/her intellectual property.²⁶ The usual manner of protection is to monitor new products and notify a manufacturer of an infringement.²⁷ The possible infringer may either cease the use, attempt to negotiate

¹⁸ U.S. CONST. art. I, § 8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”).

¹⁹ *Mazer v. Stein*, 347 U.S. 201, 219 (1954). Note that the U.S. patent system relies on policy assumptions that are beyond the scope of this Comment. See, e.g., Richard S. Gruner, *Why We Need a Strong Patent System and When: Filling the Void Left by the Bilski Case*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 499, 505 (2012) (“The economic case rests upon two propositions: first, that we should have more invention and innovation than our economic system would provide in the absence of special inducement; and second, that the granting of a statutory monopoly to inventors for a period of years is the best method of providing such special inducement.” (quoting Donald F. Turner, *The Patent System and Competitive Policy*, 44 N.Y.U. L. REV. 450, 450-51 (1969)) (internal quotation marks omitted)).

²⁰ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989) (“The federal patent system thus embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years.”); see also Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1024-30 (1989) (discussing the need for the patent system to provide an incentive to invent and an incentive to disclose).

²¹ 35 U.S.C. § 154(a)(2) (2012).

²² *Id.* § 101.

²³ *Id.* § 103 (setting the standard as not obvious at the time of the invention for someone “having ordinary skill in the art to which the claimed invention pertains.”).

²⁴ *Id.* § 102.

²⁵ *Id.* § 1.

²⁶ Tom Harris, *How Patents Work*, HOWSTUFFWORKS, <http://money.howstuffworks.com/patent2.htm> (last visited Oct. 14, 2014) (explaining that the government will not actively enforce patents, but instead each patent holder must do so by suing infringers).

²⁷ See 35 U.S.C. § 287 (2012) (requiring a marking or signal to notify the public of the patent, or alternatively, notification to the infringer directly); David Catechi, Note, *Two Wrongs Don't Make a*

a license, or disregard the notice and continue the possibly infringing use.²⁸ Even without notification, an infringing party has an inherent interest to avoid violating the patent rights of others.²⁹ The possibility of litigation costs, compensatory damages, an injunction preventing return on investment, and enhanced damages provide strong incentives to avoid infringement.³⁰

Yet, infringement lawsuits continue.³¹ Possible explanations for infringement include unawareness, misjudging whether a product or design infringes, calculating the liability chances as sufficiently low, or intentional disregard for another's patent.³² Any of these justifications could plausibly lead a court to find the infringement willful.³³ Absent a showing that an infringer had actual knowledge of infringement, the degree of recklessness will guide the court.³⁴ Enhanced damages—the maximum monetary punishment an accused infringer faces—are only available after a willful infringement finding. Enhanced damages are the most pertinent for this Comment.

B. *Enhanced Damages for Willful Patent Infringement*

Punitive or enhanced damages³⁵ are available if the court determines that a patent infringement was willful.³⁶ If a court finds a defendant has

Patent Right, 56 HASTINGS L.J. 769, 788 (2005) (describing notice as a longstanding requirement which allows an infringer to cease infringing).

²⁸ See *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 974 (Fed. Cir. 1996) (identifying the infringer's legally acceptable options as ceasing infringement or entering a license agreement).

²⁹ JOHN W. SCHLICHER, *PATENT LAW, LEGAL AND ECONOMIC PRINCIPLES* § 10:9 (2d ed. 2003) (describing the patent system's incentives for potential infringers to invest time and effort to avoid infringement liability).

³⁰ *Id.*

³¹ JAMES BESSEN & MICHAEL J. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK* 122 (2008) (showing the rising trend in patent lawsuits filed in district courts, with roughly 900 in 1971 rising to nearly 3,000 in 2006).

³² See *id.* at 47-48 (discussing patent disputes arising from lack of awareness or belief in either infringement avoidance or original patent invalidity); A. Mitchell Polinsky & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 HARV. L. REV. 869, 899 n.80 (1998) (outlining that the economic analysis for a rational, willful offender must include an estimate of the probability of escaping liability).

³³ See, e.g., *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed. Cir. 1987) (“‘Willfulness’ in infringement, as in life, is not an all-or-nothing trait, but one of degree. It recognizes that infringement may range from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee’s legal rights.”).

³⁴ *Id.*

³⁵ Damages termed “punitive” in other areas of law are more commonly termed “increased” or “enhanced” damages in patent law. See, e.g., 35 U.S.C. § 284 (2012); *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (en banc).

³⁶ See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964) (holding that in cases of willful or bad-faith infringement, enhanced damages may be recovered); *In re Seagate*, 497

willfully infringed, it is permitted—although not required—to award enhanced damages.³⁷ The decision to award enhanced damages and the amount awarded are both at the judge’s discretion.³⁸ The treble damage rule, first implemented by the Patent Act of 1793,³⁹ further deters infringers by allowing a drastic increase to potential liability.⁴⁰ In light of these stakes for willful infringement, scrutiny of the enhanced damages analysis is prudent.

Before turning to willful infringement, what constitutes general patent infringement? Infringement is an “act that interferes with one of the exclusive rights of a patent, copyright, or trademark owner.”⁴¹ Patent infringement occurs when a nonlicensed entity makes, uses, or sells an actively protected patented design or product.⁴² Willful patent infringement differs from general patent infringement because it requires a showing of “intentional and deliberate infringement of another person’s intellectual property.”⁴³ To show an infringer’s willful intent, courts require a showing of objective recklessness.⁴⁴ Unfortunately, objectively defining recklessness is difficult.⁴⁵ Therefore, the U.S. Court of Appeals for the Federal Circuit established a more definitive standard in *In re Seagate Technology, LLC*,⁴⁶ by holding that “to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively

F.3d at 1370 (identifying that “trial courts have discretion to enhance the damages, up to a statutory maximum, for willful infringement.”).

³⁷ See *Spectrallytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1348 (Fed. Cir. 2011) (explaining “a finding of willful infringement may not warrant enhancement of damages.”); *State Indus., Inc. v. MorFlo Indus., Inc.*, 948 F.2d 1573, 1576 (Fed. Cir. 1991) (“The patent statute’s provision for increased damages is permissive, not mandatory A finding of willfulness, though a *sufficient* basis for awards of enhanced damages, does not *compel* such an award.” (citing *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 542-43 (Fed. Cir. 1990))).

³⁸ *In re Seagate*, 497 F.3d at 1370.

³⁹ Jon E. Wright, Comment, *Willful Patent Infringement and Enhanced Damages—Evolution and Analysis*, 10 GEO. MASON L. REV. 97, 99-101 (2001) (explaining the original treble damage rule was a minimum monetary award rather than the maximum limit it is today).

⁴⁰ See *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1468 (Fed. Cir. 1997) (identifying the primary reason for enhanced damages as its “punitive/deterrent role”). There are many recent cases with very large enhancements of damages. See, e.g., *i4i Ltd. P’ship v. Microsoft Corp.*, 670 F. Supp. 2d 568, 596 (E.D. Tex. 2009) (granting \$40 million in enhanced damages); see also OWEN BYRD ET AL., *LEX MACHINA, PATENT LITIGATION DAMAGES REPORT 1* (2014), available at <https://lexmachina.com/media/press/first-patent-litigation-damages-report/> (identifying enhanced damage awards over the last fourteen years totaling almost \$1 billion).

⁴¹ BLACK’S LAW DICTIONARY 851 (9th ed. 2009).

⁴² 35 U.S.C. § 271(a) (2012).

⁴³ BLACK’S LAW DICTIONARY 852 (9th ed. 2009).

⁴⁴ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (overruling a lower threshold for willfulness and instead holding that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”).

⁴⁵ See *Farmer v. Brennan*, 511 U.S. 825, 836 (1994).

⁴⁶ 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

high likelihood that its actions constituted infringement of a valid patent.”⁴⁷ Thus, proving willful patent infringement no longer requires proving the infringer’s state of mind.⁴⁸

In practice, a court evaluates the standard enunciated in *Seagate* using a two-prong test.⁴⁹ One prong is objective and the second subjective.⁵⁰ First, the patentee must establish that the infringer was objectively willful under the recklessness standard described above.⁵¹ Recently, the Federal Circuit changed this threshold determination from a question of fact for the jury to a question of law for the judge.⁵² If the court rules that an infringer acted with objective recklessness, the patentee must also satisfy the second prong to prove willfulness.⁵³ The Federal Circuit has articulated this prong as requiring the patent holder to show that the “objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.”⁵⁴ Therefore, the second prong requires a subjective finding and is a question for the jury.⁵⁵ Patentees must prove both prongs to prevail on a willful infringement claim.

After the court completes the two-pronged willfulness test, the judge has discretion to assess the appropriateness and amount of enhanced damages.⁵⁶ To guide the discretionary allocation of enhanced damages, the court follows a set of factors that the Federal Circuit first identified in *Read Corp. v. Portec, Inc.*⁵⁷ These *Read* factors guide a “totality of the circumstances” analysis for enhanced damages⁵⁸ and are as follows:

⁴⁷ *Id.* at 1371.

⁴⁸ *Id.*

⁴⁹ *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 682 F.3d 1003, 1005-07 (Fed. Cir. 2012), *cert. denied*, 133 S. Ct. 932 (2013).

⁵⁰ *Id.* at 1006-07.

⁵¹ *Id.*

⁵² *Id.* (“We believe that the court is in the best position for making the determination of reasonableness. This court therefore holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review.”).

⁵³ *Id.* at 1005 (establishing the patentee must also meet the second prong).

⁵⁴ *Id.* (alteration in original) (quoting *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc)) (internal quotation marks omitted).

⁵⁵ *See i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 860 (Fed. Cir. 2010).

⁵⁶ *See In re Seagate*, 497 F.3d at 1371; *see also i4i*, 598 F.3d at 858 (explaining that 35 U.S.C. § 284 provides the basis for district court discretion, but that enhanced damages may only be applied after a prerequisite finding of willful infringement).

⁵⁷ 970 F.2d 816, 826-27 (Fed. Cir. 1992), *abrogated in part by* *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 988-89 (Fed. Cir. 1995) (en banc) (overruling on other grounds related to categorizing interpretation of patent claims as a matter of law); *see also Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1348 (Fed. Cir. 2011) (summarizing the nine *Read* factors)).

⁵⁸ *Imonex Servs., Inc. v. W.H. Munzprüfer Dietmar Trenner GmbH*, 408 F.3d 1374, 1377 (Fed. Cir. 2005).

- (1) whether the infringer deliberately copied the ideas or design of another;
- (2) whether the infringer, when he knew of the other's patent, investigated the patent and formed a good faith belief that it was invalid or that it was not infringed;
- (3) the infringer's behavior in the litigation;
- (4) the infringer's size and financial condition;
- (5) the closeness of the case;
- (6) the duration of the misconduct;
- (7) the remedial action by the infringer;
- (8) the infringer's motivation for harm; and
- (9) whether the infringer attempted to conceal its misconduct.⁵⁹

Notably, the first two factors focus on behavior before the infringement litigation. Under the second factor, courts previously used an infringer's failure to obtain an opinion of counsel as favoring an enhanced damages award.⁶⁰ This precedent may be in flux with the more recent *Seagate* decision and the enactment of the AIA in 2011, as further elaborated in Parts II and III.⁶¹ Before moving to patent opinion implications for willful infringement and enhanced damages, an introduction to the basics of patent opinions, their utility, and their limitations will be beneficial.

C. *Background on Patent Opinions*

A patent opinion is a patent attorney's written evaluation either comparing two patents or assessing the validity of one patent. There are three types of defensive patent opinions: (1) infringement; (2) validity; and (3) enforceability.⁶² Patent infringement assessments turn on whether the scope of the original patent encompasses the accused device or product.⁶³ Patent opinions assessing infringement are sometimes called "noninfringement" opinions because the accused infringer is purchasing a legal assessment of why their product does not infringe on the original patent.⁶⁴ Patent validity and enforceability opinions are conceptually similar.⁶⁵

⁵⁹ *Spectralytics*, 649 F.3d at 1348 (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992)).

⁶⁰ See *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008).

⁶¹ See *infra* Parts II.B.1, III.C.

⁶² See ROBERT A. MATTHEWS, JR., 4 ANNOTATED PATENT DIGEST § 31:53 (2014); see also 60 AM. JUR. 2D, *Patents* §§ 788-89 (2014).

⁶³ See BLACK'S LAW DICTIONARY 1202 (9th ed. 2009) (defining an infringement opinion as "[a] patent attorney's opinion about the probable outcome of an infringement hearing or trial on whether a particular product or process infringes one or more claims of another's patent."); *Shipsides*, *supra* note 7, at 1070 ("[Noninfringement] opinion letters ostensibly have the purpose of giving the potential infringer advice as to whether they are infringing the patent in question.>").

⁶⁴ Cary W. Brooks, *Noninfringement Opinions: An Overview of the Basics*, 83 MICH. B.J. 24, 24-25 (2004).

⁶⁵ An unenforceability opinion can be defined as a type of validity opinion. The Black's Law Dictionary definition of validity opinion reads, "A patent attorney's opinion about the likelihood that a

Validity opinions aim to discern whether the original patent is invalid.⁶⁶ Invalidity occurs in several different situations when a prior publication or activity disclosed the subject matter of the patent⁶⁷ or there is a defect in the patent's disclosure rendering it invalid.⁶⁸ Enforceability patent opinions are akin to invalidity opinions because there is not a comparison between two patents; rather the patent opinion challenges only the original patent. An enforceability opinion assesses whether the patent is unenforceable because of inequitable conduct.⁶⁹ Inequitable conduct arises if the original patent disclosure conceals material aspects of the patent.⁷⁰

While the types of patent opinions differ, the requirements for the evaluation largely do not.⁷¹ A proper patent opinion includes an analysis of the potentially infringing product or design against each claim in the original patent.⁷² A proper infringement opinion analyzes literal patent infringement, and if applicable, infringement under the doctrine of equivalents.⁷³ This requires a diligent search of both prior art⁷⁴ and prosecution history to ascertain the limits of the patent.⁷⁵ Therefore, written opinions of compe-

patent or patent claim will be invalidated in light of evidence suggesting obviousness, lack of invention, unenforceability, etc.” BLACK’S LAW DICTIONARY 1202 (9th ed. 2009).

⁶⁶ See Steven Z. Szczepanski & Justin D. Swindells, *How to Evaluate and Properly Rely on Patent Opinions*, 15 INTELL. PROP. & TECH. L.J. 1, 2 (2003).

⁶⁷ Thus rendering the patent “nonoriginal.”

⁶⁸ See Szczepanski & Swindells, *supra* note 66, at 2.

⁶⁹ See Michael D. Kaminski, *Effective Management of US Patent Litigation*, 18 INTELL. PROP. & TECH. L.J. 13, 19, 24 (2006) (describing the patent opinion option of unenforceability and later explaining that unenforceability turns on a finding of inequitable conduct).

⁷⁰ See Tom Brody, *Duty to Disclose: Dayco Products v. Total Containment*, 7 J. MARSHALL REV. INTELL. PROP. L. 325, 326-27 (2008).

⁷¹ See, e.g., *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1352 (Fed. Cir. 1998) (rejecting an opinion of counsel as a willful defense for obvious deficiency and lack of competence); *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992) (setting the standard for willful infringement not on a determination of counsel's correctness but rather on the thoroughness and competence of the patent opinion and experience of counsel).

⁷² John Dragseth, Note, *Coerced Waiver of the Attorney-Client Privilege for Opinions of Counsel in Patent Litigation*, 80 MINN. L. REV. 167, 176 (1995).

⁷³ *Id.* at 176-77. Literal infringement is when the accused product falls within the direct terms of the patent claim. See, e.g., *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 21 (1997) (“Under th[e] doctrine [of equivalents], a product or process that does not literally infringe upon the express terms of a patent claim may nonetheless be found to infringe if there is ‘equivalence’ between the elements of the accused product or process and the claimed elements of the patented invention.” (citing *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950))).

⁷⁴ Dragseth, *supra* note 72, at 176 n.50 (1995) (“Prior art includes any prior knowledge, acts, descriptions and patents relevant to the invention in question.” (citing *Mooney v. Brunswick Corp.*, 663 F.2d 724, 733 (7th Cir. 1981))).

⁷⁵ *Id.* at 176. Patent opinions must investigate the patent's prosecution history because the rule of prosecution history estoppel can limit the scope of the investigated patent. The rule asserts that any amendments or changes during the course of patent prosecution are concessions of limits to the scope of the patent. See, e.g., Douglas Lichtman, *Rethinking Prosecution History Estoppel*, 71 U. CHI. L. REV. 151, 152-53 (2004).

tent, practicing patent law attorneys addressing all of these elements carry far more weight than those of in-house counsel or nonspecialists.⁷⁶ An accused infringer, however, has more to consider in selecting an attorney to provide a patent opinion than simply competence.

If an accused infringer uses a patent opinion as evidence to defend against an infringement charge, attorney-client privilege issues arise.⁷⁷ When an alleged infringer defends a willful infringement charge with a patent opinion, he/she waives attorney-client privilege.⁷⁸ To address longstanding confusion of the scope of this waiver, the Federal Circuit attempted to clarify the scope in *In re EchoStar Communications Corp.*⁷⁹ According to *EchoStar*, the alleged infringer waives attorney-client privilege on all factual communications regarding the subject matter but not on legal opinions.⁸⁰ The decision, however, created even greater confusion among the district courts because the distinction between factual and opinion work product was largely discretionary and undefined.⁸¹ In this context, factual work product means relevant attorney-client communications involving the patent opinion itself.⁸² Opinion work product is other internal legal material

⁷⁶ See *Atmel Corp. v. Silicon Storage Tech., Inc.*, 202 F. Supp. 2d 1096, 1103-06 (N.D. Cal. 2002) (explaining that an oral vice written opinion and an opinion without sufficient information to be competent weigh in favor of enhancing damages, whereas the patent attorney's background and experience mitigates enhancing damages to an extent).

⁷⁷ See, e.g., Taylor, *supra* note 6, at 320 ("The issue becomes defining the scope of waiver of attorney-client privilege and work-product immunity that results when the advice-of-counsel defense is asserted in response to an allegation of willful infringement. District courts have been pondering this issue for two decades, and they have yet to come to any agreement.").

⁷⁸ *Id.* at 320-21.

⁷⁹ 448 F.3d 1294, 1301 (Fed. Cir. 2006) (holding that if an accused infringer defends a willful infringement charge by using an attorney-client opinion, "it waives the attorney-client privilege as to all such communications regarding the same subject matter," even between different counsel). See also Brooks, *supra* note 64, at 26. Nonpatent lawyer and in-house counsel opinions are afforded less weight than independent, patent attorney reviews. The court still scrutinizes the patent opinion for thoroughness, analysis of the facts and law, and lack of bias. The court may ultimately judge the opinion competent. But if the infringer relies on a nonpatent lawyer or in-house counsel opinion, the court affords it less weight than an unrelated patent attorney. *Id.*

⁸⁰ *In re EchoStar*, 448 F.3d at 1302 ("This rule, however, only allows discovery of 'factual' or 'non-opinion' work product and requires a court to 'protect against the disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative.'" (quoting FED. R. CIV. P. 26(b)(3)(B))).

⁸¹ See *id.* (explaining the district courts must balance prevention of "sword-and-shield litigation tactics" to hide communications with the policy to prevent discovery of work product). The *EchoStar* holding resulted in great confusion on implementation. See, e.g., Dov Greenbaum, Comment, *In re Seagate: Did It Really Fix the Waiver Issue? A Short Review and Analysis of Waiver Resulting from the Use of a Counsel's Opinion Letter as a Defense to Willful Infringement*, 12 MARQ. INTEL. PROP. L. REV. 155, 172 (2008) (discussing the post-*EchoStar* confusion as demonstrated through twenty or more cases of various inconsistencies in interpretation).

⁸² *In re Echostar*, 448 F.3d at 1301.

such as drafts of the patent opinion, internal communications by the law firm, notes, or mental impressions of the patent opinion.⁸³

Drawing a line of what communications are discoverable has proven extremely difficult.⁸⁴ If the same attorney produces the patent opinion and then represents the accused infringer at trial, the line-drawing process becomes even more difficult.⁸⁵ The intersection of this attorney-client privilege waiver and the decision to defend with a patent opinion remains a crucial underlying problem for accused infringers.

D. *Patent Opinions and Enhanced Damages*

The connection between the failure to obtain a patent opinion and enhanced damages is especially germane to understanding the accused infringer's decision-making process. To analyze future reforms, it is important to first appreciate the evolution of the infringement enhanced damages standard. In the landmark case *Underwater Devices Inc. v. Morrison-Knudsen Co.*,⁸⁶ the Federal Circuit established an affirmative duty of care for an alleged infringer.⁸⁷ The duty arose after receiving notice of the original patent.⁸⁸ According to *Underwater Devices*, "[s]uch an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possibly infringing activity."⁸⁹ The failure to obtain an opinion of counsel was not dispositive for a willfulness finding,⁹⁰ but weighed (often heavily) towards a finding of willful infringement.⁹¹

⁸³ FED. R. CIV. P. 26(b)(3)(B). *See also* Cecil C. Kuhne, III, *The Advice-of-Counsel Defense in Patent Infringement Cases: How Far Does Waiver of Work Product Extend?*, 30 PEPP. L. REV. 445, 447 (2003).

⁸⁴ Kuhne, *supra* note 83, at 447-49. *See also* Greenbaum, *supra* note 81, at 160-61 (discussing the line-drawing difficulty with factual and opinion work product).

⁸⁵ *See, e.g.*, Greenbaum, *supra* note 81, at 156 (identifying the very difficult choice an accused infringer faces if the trial counsel and patent opinion counsel are the same and concluding that the "putative infringer is better off getting an opinion letter and never discussing the issue ever again even with other counsel for fear that their conversation and work product will become available to the patent holder.").

⁸⁶ 717 F.2d 1380 (Fed. Cir. 1983).

⁸⁷ *Id.* at 1389-90.

⁸⁸ *Id.* at 1389.

⁸⁹ *Id.* at 1390.

⁹⁰ *See* *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1579 (Fed. Cir. 1986) (noting that the "failure to seek an opinion of competent counsel" may influence but does not *mandate* a willful infringement holding).

⁹¹ *See id.* (holding that the nonwillfulness finding of the district court was clearly erroneous and that failure to obtain an opinion from counsel contributed to the alternate holding of willful infringement).

An adverse inference baseline developed in the federal courts from this duty of care.⁹² In assessing willfulness for an infringer, the court could use failure to obtain a patent opinion to infer willfulness.⁹³ The rationale for the adverse inference covered two categories of infringers. First, some infringers might actually have known of the infringement, but simply not cared, and thus failed to obtain an opinion of counsel.⁹⁴ The second group covered infringers that obtained a patent opinion, but did not present the opinion at trial.⁹⁵ The ostensible inference made here was that the infringer did not present the opinion as a defense because it was adverse.⁹⁶ The adverse inference rule responded to a patent infringer's disrespect for the law in either of these scenarios.⁹⁷

Although conceptually sound, in practice the adverse inference rule presented accused infringers with many unintended complications. The decision to present even a favorable patent opinion ran into the attorney-client work product discovery issue addressed above, creating a daunting dilemma.⁹⁸ If an accused infringer disclosed a favorable patent opinion, a willful infringement charge was far easier to defend.⁹⁹ But the opposing counsel now obtained access to privileged communications, potentially providing a big advantage for the infringement trial.¹⁰⁰ Until *Seagate* established a boundary between opinion counsel and trial counsel communication privilege, the communications could damagingly reveal litigation strategies.¹⁰¹ In short, the accused infringer was forced to choose between withholding the favorable patent opinion to protect legal work product and presenting the opinion, thus also revealing privileged attorney-client communications.¹⁰² Taking the nondisclosure route, however, left the accused in-

⁹² See *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc) (describing the evolution of willful infringement law and the court's adverse inference if an infringer failed to present a patent opinion).

⁹³ See *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988) ("Where the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer's desire to initiate or continue its use of the patentee's invention." (citing *Kloster Speedsteel*, 793 F.2d at 1579-80)).

⁹⁴ See *id.*

⁹⁵ See *id.*

⁹⁶ *Id.*

⁹⁷ *Knorr-Bremse*, 383 F.3d at 1343.

⁹⁸ David R. Clonts, *The Federal Circuit Puts the Willfulness Back into Willful Infringement*, 19 INTELL. PROP. & TECH. L.J. 9, 10 (2007) ("[The adverse inference rule] led to a Hobson's choice for defendants: withhold the opinion, live with the negative inference, and pray for a substantive victory in court; or waive privilege on the opinion and potentially on one's innermost litigation strategies and communications.").

⁹⁹ *Id.* at 9-10.

¹⁰⁰ *Id.* at 10.

¹⁰¹ *Id.* at 10-11.

¹⁰² *Id.* at 9-10.

fringer extremely vulnerable to enhanced damages because of the adverse inference rule.¹⁰³

The Federal Circuit recognized the harsh choice between two undesirable results in *Quantum Corp. v. Tandon Corp.*,¹⁰⁴ and thus, some refer to the quandary as the “Quantum dilemma.”¹⁰⁵ Nonetheless, some courts have awarded enhanced damages by relying solely on failure to defend with a patent opinion to prove willful infringement.¹⁰⁶ In other decisions, the court awarded enhanced damages even though the infringer obtained an engineering, but not legal, opinion,¹⁰⁷ or obtained a legal opinion, but did not provide it to the infringing company’s engineering department for review.¹⁰⁸

In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*,¹⁰⁹ the Federal Circuit attempted to address this problem by eliminating the adverse inference rule.¹¹⁰ The Federal Circuit held that neither asserting attorney-client privilege to protect a patent opinion nor failing to obtain an opinion leads to an inference of willful infringement.¹¹¹ However, the *Knorr-Bremse* decision retained the affirmative duty of care standard.¹¹² Therefore, producing an opinion of counsel remained the best defense

¹⁰³ *Id.* at 9.

¹⁰⁴ 940 F.2d 642, 643-44 (Fed. Cir. 1991).

¹⁰⁵ See Ronald M. Daignault & Sami J. Valkonen, *Willful Patent Infringement After Knorr-Bremse*, 18 INTELL. PROP. & TECH. L.J. 5, 5 (2006) (using the “Quantum dilemma” phrase); Christopher Ryan Lanks, Note, In Re Seagate: *Effects and Future Development of Willful Patent Infringement*, 111 W. VA. L. REV. 607, 616 n.63 (2009) (explaining the phrase’s origin from the *Quantum Corp. v. Tandon Corp.* holding where the court recommended separate liability and willfulness trials because of the dilemma with waiving privilege for attorney-client communications).

¹⁰⁶ See, e.g., *Atmel Corp. v. Silicon Storage Tech., Inc.*, 202 F. Supp. 2d 1096, 1101-08 (N.D. Cal. 2002) (conducting a *Read* nine-factor analysis but only finding reason to enhance damages in the second factor by virtue of the infringer’s failure to obtain a competent, written patent opinion); see also William F. Lee et al., *The Doctrine of Willful Patent Infringement After Knorr-Bremse: Practical Problems & Recommendations*, 7 SEDONA CONF. J. 169, 171 (2006) (“In *Atmel Corp. v. Silicon Storage Tech. Inc.*, for example, the Federal Circuit . . . found willful infringement based solely on the defendant’s failure to obtain an adequate opinion of counsel.” (footnote omitted)).

¹⁰⁷ See, e.g., *Smith Eng’g Co. v. Eisenmann Corp.*, 28 F. App’x 958, 965 (Fed. Cir. 2002) (instructing that despite the defendant’s engineers assessing the patent in question, the failure to obtain a legal opinion “presents a textbook example of willful infringement, and [an] instructive lesson on the need to consult *legal* counsel”).

¹⁰⁸ *Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1259 (Fed. Cir. 2005).

¹⁰⁹ 383 F.3d 1337 (Fed. Cir. 2004) (en banc).

¹¹⁰ *Id.* at 1346 (remanding the case because the elimination of the adverse inference rule is a material change requiring new analysis under the totality of the circumstances).

¹¹¹ *Id.* at 1344-46 (answering questions on failure to obtain and failure to provide opinions of counsel creating an adverse inference in the negative).

¹¹² *Id.* at 1345.

against a willful infringement charge.¹¹³ Attorney-client problems once an accused infringer introduces a patent opinion were left unresolved.¹¹⁴

This legal cauldron of issues led to reexamination of the affirmative duty of care in *Seagate*.¹¹⁵ To expand upon Section I.B above, *Seagate* shifted from a system of subjective inferences to a two-prong test for willful infringement hinging on objective recklessness.¹¹⁶ Following *Seagate*, the court first determines the objective recklessness threshold.¹¹⁷ Then, the jury subjectively determines whether the infringer knew or reasonably should have known of the infringement.¹¹⁸ If both of these willfulness prongs are met, the court uses the nine *Read* factors to guide the applicability and amount of enhanced damages.¹¹⁹ While *Seagate* created a framework for assessing enhanced damages, the court explicitly left the objective recklessness standard for future cases to define.¹²⁰

Seagate also addressed the scope of the attorney-client privilege waiver after introduction of a patent opinion.¹²¹ In *Seagate*, the Federal Circuit held that the discovery rule permits a patentee to obtain only communications with the attorney who created the patent opinion.¹²² Therefore, an accused infringer would need to select a different attorney for the patent opin-

¹¹³ See Lanks, *supra* note 105, at 614 (advocating that even after the *Knorr-Bremse* decision, an accused infringer's best defense under the duty of care standard was presenting a patent opinion).

¹¹⁴ See, e.g., *JJK Mineral Co. v. Swiger*, 292 F.R.D. 323, 332 (N.D. W. Va. 2013) (acknowledging, but allowing, the tough choice that the accused infringer must make between the willful infringement patent opinion defense or protection of attorney-client privilege); see also Pan C. Lee, Note, *A Matter of Opinion: Opinions of Counsel Remain Necessary After In re Seagate*, 25 BERKELEY TECH L.J. 33, 35-36 (2010) (advancing an argument that the *In re Seagate* inference of protecting attorney-client privilege has not been adequately protected by the post-*Seagate* district court decisions).

¹¹⁵ See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (en banc) ("In light of Supreme Court opinions since *Underwater Devices* and the practical concerns facing litigants under the current regime, we take this opportunity to revisit our willfulness doctrine . . .").

¹¹⁶ See *supra* Part I.B.

¹¹⁷ Eric W. Hagen & Steven M. Haines, *Treble Damages in Patent Cases—A Diminishing Threat?*, 84 BNA'S PAT., TRADEMARK & COPYRIGHT J. 978, 978-79 (2012) ("[The *In re Seagate*] two-prong test has an objective and a subjective component. The objective prong requires clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. If the threshold objective standard is satisfied, then the patentee must next satisfy the subjective prong, which requires that the objectively-defined risk was either known or so obvious that it should have been known to the accused infringer.")

¹¹⁸ *Id.*

¹¹⁹ *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010) ("Although a finding of willfulness is a prerequisite for enhancing damages under § 284, the standard for deciding whether—and by how much—to enhance damages is set forth in *Read*, not *Seagate*.").

¹²⁰ *In re Seagate*, 497 F.3d at 1371 ("We leave it to future cases to further develop the application of this standard.")

¹²¹ See *id.* at 1374-75.

¹²² *Id.* at 1374 ("[D]isclosing opinions of opinion counsel do[es] not constitute waiver of the attorney-client privilege for communications with trial counsel.")

ion than his/her trial attorney.¹²³ Subsequent decisions, however, have shown that while *Seagate* bounded the attorney-client privilege waiver, several questions remain unresolved.¹²⁴ For example, *Seagate* does not clearly delineate the waiver scope if opinion counsel and trial counsel work in the same firm.¹²⁵ *Seagate* also emphasized that the trial court retains discretion to extend the attorney-client privilege waiver.¹²⁶ In light of the uncertainty and trial court discretion, current guidance to attorneys continues to advocate caution, particularly if the trial and opinion attorneys are in the same firm.¹²⁷ Notwithstanding *Seagate*, defending with a patent opinion continues to involve risk of providing privileged communications to the patentee.

Ultimately, *Seagate*'s arguably most important statement read, "we also reemphasize that there is no affirmative obligation to obtain opinion of counsel."¹²⁸ Congress attempted to codify this part of the *Seagate* holding in the AIA.¹²⁹

¹²³ Lanks, *supra* note 105, at 617 (explaining that to escape the "Quantum dilemma" an accused infringer had to hire separate attorneys for the patent opinion and for trial).

¹²⁴ See, e.g., Andrew Cheslock, *Rampant Confusion: Waiver of Attorney-Client Privilege and Work-Product Doctrine Immunity When Asserting an Advice of Counsel Defense to Willful Infringement*, 10 TUL. J. TECH. & INTELL. PROP. 111, 163 (2007) (discussing the uncertainties left after *Seagate* and *EchoStar* and arguing that they can only be resolved with further guiding appellate court case law).

¹²⁵ *Celerity, Inc. v. Ultra Clean Holding, Inc.*, 476 F. Supp. 2d 1159, 1165-67 (N.D. Cal. 2007) (discussing the complexities when the trial counsel and opinion counsel attorneys are different, but from the same firm, and holding that attorney-client privilege is waived for all communications on the same subject matter as the patent opinion).

¹²⁶ See *Duhn Oil Tool, Inc. v. Cooper Cameron Corp.*, No. 1:05-cv-01411 OWW GSA, 2009 WL 3381052, at *15 (E.D. Cal. Oct. 15, 2009) (emphasizing that the trial court retains discretion as to the scope of the attorney-client privilege waiver (citing *Seagate*, 497 F.3d at 1375)); *V. Mane Fils S.A. v. Int'l Flavors & Fragrances, Inc.*, 249 F.R.D. 152, 156 (D.N.J. 2008) (holding that *Seagate* did not set an absolute rule and that trial courts may exercise discretion based on the circumstances as to the extent of attorney-client waiver (citing *Seagate*, 497 F.3d at 1374-75)).

¹²⁷ See Kun Wang, Note, *Uncertainties in the Scope of Waiver in an Advice-of-Counsel Defense and Ethical Issues for Attorneys Serving as Both Opinion and Trial Counsel*, 20 GEO. J. LEGAL ETHICS 953, 968 (2007) (encouraging attorneys to exercise caution in light of the uncertainty surrounding counsel's work product when the opinion counsel and trial counsel functions are fulfilled by the same attorney); see also *Celerity*, 476 F. Supp. 2d at 1167 ("[T]rial counsel's firm is also opinion counsel's firm. The Court doesn't presume to mandate who a litigant hires as trial counsel and opinion counsel, nor to forbid the hiring of the same firm as both trial counsel and opinion counsel, but it does seem risky, and a litigant shouldn't presume the privilege of shielding all opinion-related work product and communications to which trial counsel is privy.").

¹²⁸ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

¹²⁹ See, e.g., Daniel J. Sherwinter & Patrick M. Boucher, *The America Invents Act*, 41 COLO. LAW. 47, 54 (2012) ("In the 2007 *Seagate* decision, the Federal Circuit held that there is no affirmative obligation to obtain an opinion of counsel. The AIA follows this course . . ." (footnote omitted)); Hagen & Haines, *supra* note 117, at 980 ("Under current law, an accused infringer has no affirmative obligation to obtain an opinion of counsel in order to oppose a claim of willful infringement. This was not only a holding of *In re Seagate*, it was recently codified in the America Invents Act (35 U.S.C. § 298).").

II. THE AMERICA INVENTS ACT AND ITS CURRENT INTERPRETATION

At first blush, the AIA codification of *Seagate* makes the purpose of this Comment unnecessary.¹³⁰ Unfortunately, the AIA statutory language only explicitly applies to the willful infringement framework.¹³¹ The statute left the door ajar, however, for considering the accused infringer's failure to obtain an opinion of counsel in the enhanced damages award.¹³² Furthermore, some argue that the AIA does not even completely foreclose consideration of patent opinions in the *willful infringement* context.¹³³ Before expounding on current interpretations of the codification of *Seagate*, an overview and brief discussion of the importance of the AIA is required.

A. “The Most Significant Changes to the Patent Statute Since the 19th Century”¹³⁴

The AIA turned the American patent regime on its head.¹³⁵ The AIA fundamentally changed the patent system to align more closely with the regimes of other countries.¹³⁶ One of the most significant changes in the

¹³⁰ This first-glance interpretation arises from this quotation from the opinion: “[T]here is no affirmative obligation to obtain opinion of counsel.” *In re Seagate*, 497 F.3d at 1371. Since the statement was in regard to the willful infringement analysis, the interpretation has been much murkier than it might otherwise appear. *See, e.g.*, MATTHEWS, *supra* note 62, § 31:48.50.

¹³¹ 35 U.S.C. § 298 (2012) (“The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.”).

¹³² This would occur if the court found willful infringement on other grounds than failure to obtain or defend with a patent opinion. MATTHEWS, *supra* note 62, § 31:48.50 (“The statutory provision and its legislative history do not appear to directly address whether the failure to obtain advice of counsel can still be used by a judge in determining whether and how much to enhance damages *after* a finding of willful infringement has been made.”).

¹³³ *See, e.g.*, Lynda J. Oswald, *The Evolving Role of Opinions of Counsel in Patent Infringement Cases*, 52 IDEA 1, 27-28 (2012). The phrase “may not be used to *prove*” willful infringement analysis leaves the possibility that the failure to obtain a patent opinion could be one factor in a totality of the circumstances type analysis. *See id.* at 28. The failure to obtain the opinion would thus not be *proving* (i.e., conclusively) the willful infringement. *See id.*

¹³⁴ WENDY H. SCHACHT & JOHN R. THOMAS, CONG. RESEARCH SERV., R42014, THE LEAHY-SMITH AMERICA INVENTS ACT: INNOVATION ISSUES 1 (2013).

¹³⁵ *See, e.g.*, Robert A. Armitage, *Understanding the America Invents Act and Its Implications for Patenting*, 40 AIPLA Q.J. 1, 4 (2012) (calling the new patent regime after the AIA “stunningly different”); Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 435 (2012) (categorizing the AIA changes to the U.S. patent system as arguably the most substantial since 1836); Sherwinter & Boucher, *supra* note 129, at 47 (articulating that the AIA has fundamentally changed U.S. patent law).

¹³⁶ *See, e.g.*, Peter Lee, *Patents and the University*, 63 DUKE L.J. 1, 68 (2013) (identifying the congressional intent behind the first-inventor-to-file shift as harmonizing the U.S. regime with the patent

AIA is the priority rule shift.¹³⁷ Since the 1790s, the first-to-invent rule has governed the U.S. patent regime.¹³⁸ The AIA replaced this patent priority rule with a first-inventor-to-file system.¹³⁹ Other major changes under the AIA include the post grant review proceeding for challenging validity,¹⁴⁰ modification to the “best mode” disclosure requirement,¹⁴¹ making certain subject matter ineligible for patentability,¹⁴² and establishment of prior use as an infringement defense.¹⁴³

While many aspects of the AIA merit extensive analysis, this Comment focuses only on modifications to the willful infringement standard. The willful infringement codification related to patent opinions is succinct but complex. The AIA aims to reform attorney-client privilege issues¹⁴⁴ but, as elaborated in Part III, requires court interpretation to accomplish this intent.¹⁴⁵ Congress was also mindful that willfulness is a higher standard than negligence,¹⁴⁶ but some members questioned whether patent opinions in the then-current patent system served as a good barometer of willful-

systems in “virtually all other countries”); Sherwinter & Boucher, *supra* note 129, at 47 (“[A]doption of this system brings U.S. patent law into closer conformity with the first-to-file systems used by other countries—a further step in the 130-year effort at harmonizing the world’s patent systems that began with the Paris Convention in 1883.”).

¹³⁷ SCHACHT & THOMAS, *supra* note 134, at 1 (identifying the priority rule shift first in the summary section of the entire AIA changes).

¹³⁸ See Michael F. Martin, *The End of the First-To-Invent Rule: A Concise History of Its Origin*, 49 IDEA 435, 439, 446 (2009) (defining the first-to-invent concept and then tracing the origins back to the 1790s).

¹³⁹ SCHACHT & THOMAS, *supra* note 134, at 1.

¹⁴⁰ E.g., Megan M. La Belle, *Patent Law as Public Law*, 20 GEO. MASON L. REV. 41, 58 (2012) (discussing that the AIA greatly alters post grant review, including changes to the initial review panel, defenses to third parties, procedural protections such as discovery, and the ability to appeal directly to the Federal Circuit).

¹⁴¹ See Brian J. Love & Christopher B. Seaman, *Best Mode Trade Secrets*, 15 YALE J.L. & TECH. 1, 3 (2012) (“[A]n inventor’s failure to disclose in her patent the preferred method for carrying out the invention—the so-called ‘best mode’—will no longer invalidate her patent rights or otherwise render them unenforceable.”).

¹⁴² Paul M. Janicke, *Overview of the New Patent Law of the United States*, 21 TEX. INTELL. PROP. L.J. 63, 65 (2013) (identifying human organisms and tax strategies as no longer patent-eligible).

¹⁴³ Martin Gomez, Note, *Manufacturing, Please Come Home: How AIA’s Prior User Right Could Be the American Economy’s Savior*, 13 U.C. DAVIS BUS. L.J. 61, 65 (2012) (describing the “massive implications” of the prior use right enacted by the AIA, which allows inventors to maintain secrecy but avoid infringement liability).

¹⁴⁴ The U.S. patent system faced much criticism prior to AIA enactment regarding the attorney-client privilege issue with opinions of counsel. See Jeffrey J. Oelke, *Inequitable Conduct, Willful Infringement, and Antitrust Law: Navigating New Challenges in Patent Litigation*, in THE IMPACT OF RECENT PATENT LAW CASES AND DEVELOPMENTS 125, 134-35 (2013). In part, the willful infringement portion of the AIA aimed to address this criticism. See H.R. REP. NO. 112-98, pt. 1, at 53 (2011).

¹⁴⁵ See *infra* Part III.

¹⁴⁶ See, e.g., *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988); *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (dismissing a standard for willful infringement that was “more akin to negligence”).

ness.¹⁴⁷ In formulating a patent opinion rule, these latent policy issues coalesced into a new section in Title 35 of the United States Code reading,

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.¹⁴⁸

The above language appears to codify removal of an accused infringer's failure to present a patent opinion from the willful infringement analysis, a concept which first appeared in the Federal Circuit's *Knorr-Bremse* holding.¹⁴⁹ The word "prove" is perhaps the most interesting word in the new statute. This term could reasonably lead to contrasting interpretations. First, the statute's use of "prove" could bar consideration of the accused infringer's failure to present a patent opinion in the willful infringement analysis.¹⁵⁰ As argued below, this interpretation was likely Congress's intent.¹⁵¹ However, a second interpretation is also plausible. "Prove" could mean use of patent opinions in a dispositive manner. That is, the lack of patent opinions cannot conclusively *prove* willful infringement, but the court may *consider* patent opinions among other factors.¹⁵²

Additionally, it is important to remember that the analyses for willful infringement and enhanced damages are different.¹⁵³ Therefore, the statute affects the willful infringement framework, but it does not necessarily affect the enhanced damages analysis.¹⁵⁴

¹⁴⁷ See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 590 (2012) (restating skepticism from Senator John Kyl over the value of patent opinions, given that lawyers obtain business by producing favorable opinions of counsel).

¹⁴⁸ 35 U.S.C. § 298 (2012).

¹⁴⁹ See SCHACHT & THOMAS, *supra* note 134, at 11-12 (noting that "[t]his provision appears essentially to codify the holding of *Knorr-Bremse*" that failure to obtain or present a patent opinion does not give an "evidentiary contribution or presumptive weight of an adverse inference" in respect to willful infringement).

¹⁵⁰ See, e.g., Christopher A. Brown, *Developments in Intellectual Property Law*, 45 IND. L. REV. 1243, 1260 (2012) (explaining that Section 17 of the AIA "codifies the substance of prior opinions finding that the attorney-client privilege . . . did not permit an adverse inference to be drawn against defendants who did not produce . . . advice of counsel"); Janicke, *supra* note 142, at 79 ("It seems fairly clear that if such failures cannot be used 'to prove' something, they cannot be properly argued to the jury as constituting even part of the proof on that subject.").

¹⁵¹ See *infra* Part III.A.

¹⁵² See Oswald, *supra* note 133, at 27-28 (identifying that Congress may have purposefully left the door open for this interpretation).

¹⁵³ See *supra* Part I.B.

¹⁵⁴ Except, of course, to the extent that the willful infringement framework is a precursor to the enhanced damages frameworks. See MATTHEWS, *supra* note 62, § 31:48.50.

B. *Current Interpretation of the AIA*

This Section provides a brief synopsis of the current scholarly and legal interpretation of *Seagate* and the AIA. First, the Section addresses the inconsistency in several post-*Seagate* willful infringement opinions. Next, it summarizes scholarly speculation on how enactment of the AIA will influence these inconsistent interpretations. Finally, the Section presents a brief current interpretation on how the AIA will influence the enhanced damages standard, as gleaned from more recent case opinions.

1. Implications of the Failure to Obtain a Patent Opinion After *Seagate* and the AIA

A quick look at the *Seagate* language appears to exclude patent opinions from willful infringement analysis unless the accused infringer presents a patent opinion as an affirmative defense.¹⁵⁵ But this logical conclusion is not universally recognized. Some post-*Seagate* court opinions have followed the logic that the willful infringement analysis should exclude failure to defend with a patent opinion.¹⁵⁶ Other courts have interpreted the *Seagate* decision as exactly the opposite: that willful infringement analysis may continue to use failure to present a patent opinion as one of several factors.¹⁵⁷ It is not even entirely clear which is the majority position.¹⁵⁸ One

¹⁵⁵ See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (adopting an objective recklessness standard to determine willfulness, and reemphasizing that neither invoking attorney-client privilege to protect an opinion nor failing to obtain an opinion at all give rise to an adverse inference with respect to willfulness); *id.* at 1374-75 (holding that an advice of counsel defense does not waive attorney-client privilege but allowing courts to extend waiver to trial counsel in some circumstances); *id.* at 1376 (holding that “relying on opinion counsel’s work product does not waive work product immunity with respect to trial counsel,” but giving trial courts discretion to extend waiver to trial counsel).

¹⁵⁶ See *Spectrallytics, Inc. v. Cordis Corp.*, No. 05-CV-1464 (PJS/RLE), 2009 WL 3851314, at *4 (D. Minn. Jan. 13, 2009) (ruling that the “jury will not be instructed to consider whether defendants sought an opinion of counsel”); *Anascape, Ltd. v. Microsoft Corp.*, No. 9:06-CV-158, 2008 WL 7182476, at *4 (E.D. Tex. Apr. 25, 2008) (holding that an opinion of counsel can be used to defend against infringement, but the absence of an opinion is “not a factor supporting willful infringement”).

¹⁵⁷ See, e.g., *Presidio Components Inc. v. Am. Technical Ceramics Corp.*, 723 F. Supp. 2d 1284, 1324-25 (S.D. Cal. 2010) (“Case law post-*Seagate* is split as to whether lack of opinion of counsel is still a valid factor that can be considered by the jury in determining willfulness of infringement. . . . [This] Court agrees . . . that lack of opinion counsel, while not giving rise to an adverse inference, is still a factor that the jury *can* consider when applying the ‘totality of the circumstances’ approach with respect to willfulness of infringement.”), *aff’d in part, vacated in part, and remanded on other grounds*, 702 F.3d 1351 (Fed. Cir. 2012); *Finjan Software, Ltd. v. Secure Computing Corp.*, C.A. No. 06-369(GMS), 2009 WL 2524495, at *15 (D. Del. Aug. 18, 2009) (“[T]he fact that Secure did not seek any such opinion may be considered in the totality of circumstances surrounding willful infringement.”), *aff’d in part, rev’d in part, and remanded on other grounds*, 626 F.3d 1197 (Fed. Cir. 2010); *Creative*

thing is clear: the court's willful infringement framework remains unsettled regarding the failure to defend with patent opinions.

Does the AIA settle the uncertainty? The applicable AIA provision only applies to lawsuits begun on or after January 14, 2013.¹⁵⁹ Therefore, litigation has not yet progressed far enough to give an indication of how the AIA affects the willful infringement analysis. Currently, commentator input and textual analysis provide the only baseline. Perhaps due to the heavy focus on the AIA's more drastic shifts, only a few legal works have addressed the AIA's impact on failure to defend with a patent opinion.¹⁶⁰ These works often use vague terms for the AIA's impact on willful infringement or enhanced damages.¹⁶¹ From this small sample, the generally prevailing view appears to be that the AIA fully removes consideration of failure to defend with a patent opinion from the willful infringement assessment.¹⁶²

Internet Adver. Corp. v. Yahoo! Inc., No. 6:07cv354, 2009 WL 2382132, at *5 (E.D. Tex. July 30, 2009) (concluding the jury may use a lack of patent opinion as a factor for the subjective willfulness determination); Energy Transp. Grp., Inc. v. William Demant Holding A/S, C.A. No. 05-422 GMS, 2008 WL 114861, at *1 (D. Del. Jan. 7, 2008) (holding that "nothing in *Seagate* forbids a jury to consider whether a defendant obtained advice of counsel as part of the totality of the circumstances in determining willfulness").

¹⁵⁸ Compare *Presidio Components*, 723 F. Supp. 2d at 1325 ("Having considered the issue, the Court agrees with what appears to be the majority view post-*Seagate* that lack of opinion of counsel, while not giving rise to an adverse inference, is still a factor that the jury *can* consider when applying the 'totality of the circumstances' approach with respect to willfulness of infringement."), with Lanks, *supra* note 123, at 625 ("Additionally, although there can be no adverse inference made if the defendant fails to provide evidence of obtaining a counsel opinion, a minority of courts have held that this can be considered by courts and juries when reviewing the totality of circumstances in determining whether the defendant's actions were willful.").

¹⁵⁹ *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, No. 09-290, 2013 WL 4511293, at *5 n.13 (W.D. Pa. Aug. 23, 2013).

¹⁶⁰ See, e.g., Robert Harkins, *How the Leahy-Smith America Invents Act (AIA) Is Changing Patent Protection and Litigation*, in *INTELLECTUAL PROPERTY LAW 2013: TOP LAWYERS ON TRENDS AND KEY STRATEGIES FOR THE UPCOMING YEAR* 55, 55-80 (2013) (outlining the changes of the AIA, but failing to mention the willful infringement or enhanced damages impact); Hagen & Haines, *supra* note 117, at 978 (advising attorneys for litigation strategies regarding obtaining opinions of counsel, but disregarding the AIA other than mentioning that it codifies the *In re Seagate* holding).

¹⁶¹ See Brown, *supra* note 150, at 1261 ("Willful infringers are benefitted by the new advice of counsel provision that ensures that any legal advice received which would prove willful infringement never makes it into evidence."); Oswald, *supra* note 133, at 28 ("[T]he AIA certainly has narrowed the relevance of opinions of counsel in patent infringement cases, [but] has not rendered such opinions of no importance.").

¹⁶² See JOHN SKENYON ET AL., *PATENT DAMAGES LAW AND PRACTICE* § 4:26 (2013) ("In light of the 'may not be used to prove' language of Section 298, it is arguable that the lack of an opinion of counsel or failure to introduce such an opinion into evidence cannot be used for *any* purpose, including a 'totality of the circumstances' analysis or intent determination."); Brown, *supra* note 150, at 1260 ("The fact of a lack of resort to counsel or that no advice was presented to a jury appears to be irrelevant to the issues of willfulness, or to whether the accused intended to induce another to infringe."); Janicke, *supra* note 142, at 79 (welcoming a clarification in the AIA that the adversary counsel may no longer argue the

2. The AIA and Enhanced Damages

The effect of the AIA on the enhanced damages analysis presents an even more intriguing question. Based on the legislative history, it appears that Congress may have intended to remove patent opinions from the factors affecting an infringer's monetary liability.¹⁶³ The AIA's text, however, does not capture any change to the enhanced damages determination.¹⁶⁴ Is this gap accidental or, instead, as some have suggested, a purposeful congressional maneuver encouraging the court to increase enhanced damages if an infringer fails to obtain a patent opinion?¹⁶⁵ This area of law remains unsettled.¹⁶⁶

Since the provision did not take effect until recently, the courts have not yet had an opportunity to weigh in on the debate.¹⁶⁷ If the AIA does not impact the enhanced damages analysis, recent case law indicates that the nine *Read* factors continue to guide enhanced damages.¹⁶⁸ The second *Read* factor—"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"¹⁶⁹—implicates failure to obtain opinion of counsel and could be utilized to enhance damages.¹⁷⁰ Failure to

implications of failure to defend with a patent opinion at all). *Infra* Part III.A goes into more detail on the willfulness application.

¹⁶³ See *infra* Part III.A.

¹⁶⁴ See 35 U.S.C. § 298 (2012).

¹⁶⁵ See Oswald, *supra* note 133, at 27-28 (hypothesizing that the AIA's enacted statement "may not be used to prove" instead of the language in the proposed Patent Act of 2007, where courts were to treat the failure to obtain a patent opinion as "not relevant," demonstrates an intent to allow patent opinion consideration in both the willful infringement and enhanced damages formulations).

¹⁶⁶ *E.g.*, Brown, *supra* note 150, at 1260 (stating the failure to present a patent opinion appears to be irrelevant for willfulness, but speculating the failure could be used for other purposes); Sherwinter & Boucher, *supra* note 129, at 54 ("It is unclear from the AIA whether this provision precludes courts from considering a lack of a non-infringement opinion as a ground for enhancing damages or for sanctioning a plaintiff for displaying a lack of diligence before instituting the action.").

¹⁶⁷ See *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, No. 09-290, 2013 WL 4511293, at *5 n.13 (W.D. Pa. Aug. 23, 2013) (noting that the statute does not apply to cases initiated before January 14, 2013).

¹⁶⁸ See, *e.g.*, *SynQor, Inc. v. Artesyn Techs., Inc.*, 709 F.3d 1365, 1385 (Fed. Cir. 2013) (citing *Read* in discussion of enhancing damages for the infringement egregiousness determination based on the totality of the circumstances); *Internet Machs. LLC v. Alienware Corp.*, No. 6:10-cv-23, 2013 WL 4056282, at *20 (E.D. Tex. June 19, 2013) ("In determining whether enhanced damages are appropriate, the Court looks to the *Read* factors."); *Syntrix Biosystems, Inc. v. Illumina, Inc.*, No. C10-5870 BHS, 2013 WL 3089448, at *1 (W.D. Wash. June 18, 2013) (identifying that after a willfulness determination, the enhanced damages amount is guided by the nine *Read* factors).

¹⁶⁹ *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992), *abrogated in part by Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 988-89 (Fed. Cir. 1995) (en banc) (overruling *Read* on other grounds related to categorizing interpretation of patent claims as a matter of law).

¹⁷⁰ Lee, *supra* note 114, at 47-51 (delineating the post-*Seagate* split of interpretation as to whether the second *Read* factor remains applicable).

defend with patent opinions quite plausibly then will continue to influence the award of enhanced damages, notwithstanding the AIA. As argued in Part III, eliminating patent opinion consideration completely from the enhanced damages assessment would be a far more prudent choice.

III. COMPLETE REMOVAL OF OPINION OF COUNSEL FROM LEGAL PROCEEDINGS

Courts should remove failure to present an opinion of counsel from both the willful infringement and enhanced damages formulations. While the AIA provides reasonable support for the exclusion of patent opinions from willful infringement analysis, the intent must be judicially extended for the enhanced damages framework. Three primary justifications support this conclusion: (1) legislative intent; (2) a dormant incentive structure; and (3) reduction of litigation complexity. Each of these three arguments confirms that courts should stop the continued consideration of patent opinions and put an end to the “Quantum dilemma.”

A. *Legislative Intent Supports Complete Removal*

The most reasonable interpretation of the AIA’s legislative intent supports eliminating consideration of patent opinions in enhanced damages determinations.¹⁷¹ A court’s first interpretation of any new statute begins with the actual text.¹⁷² The new provision of the AIA appears to remove failure to defend with a patent opinion from the willful infringement analysis.¹⁷³ Unfortunately, the new provision is silent on specific effects for enhanced damages. The statute, however, clearly moves the law in a specific direction: away from negative consequences for failing to defend with a patent opinion. The legislative history also unequivocally shows that requir-

¹⁷¹ There can certainly be issues with relying too heavily on legislative history, as emphasized in many forums. *See, e.g.*, *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 567-71 (2005) (explaining how lobbyists and minority factions can use legislative history to distort the actual legislative intent); *see generally* Nicholas S. Zeppos, *Legislative History and the Interpretation of Statutes: Toward a Fact-Finding Model of Statutory Interpretation*, 76 VA. L. REV. 1295, 1299 (1990) (outlining in detail the advantages and disadvantages of various methods of statutory interpretation). However, here the legislative history is useful to confirm the most reasonable textual reading of the statute.

¹⁷² *See, e.g.*, *Northbrook Nat’l Ins. Co. v. Brewer*, 493 U.S. 6, 9-10 (1989) (analyzing the statutory text first and then using legislative history to confirm the interpretation); *United States v. Mo. Pac. R.R. Co.*, 278 U.S. 269, 278 (1929) (providing one formulation of what has been subsequently been called the “plain meaning” rule as “where the language of an enactment is clear, and construction according to its terms does not lead to absurd or impracticable consequences, the words employed are to be taken as the final expression of the meaning intended”).

¹⁷³ *See infra* Part III.A.1.

ing a patent opinion to avoid enhanced damages was not the Congress's intent. Before turning to the legislative history, discerning intent begins with the text.¹⁷⁴

1. Textual Interpretation of the AIA Patent Opinion Clause

The AIA adds Section 298 to Title 35 of the United States Code, stating,

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.¹⁷⁵

The first question is whether the phrase “may not be used to prove” leaves the door open for consideration of failure to present a patent opinion as a factor in the willfulness assessment.¹⁷⁶ Black's Law Dictionary defines “prove” as “[t]o establish or make certain; to establish the truth of (a fact or hypothesis) by satisfactory evidence.”¹⁷⁷ Unfortunately, the “make certain” phrase seems at odds with the “by satisfactory evidence” piece of Black's definition for the purposes of interpreting this particular statute.¹⁷⁸

Another way to elucidate legislative intent is to examine judicial interpretation of similar language.¹⁷⁹ Presumably, if language is ambiguous, Congress intends the court to follow prior judicial construction of identical

¹⁷⁴ *E.g.*, *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) (“Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.” (citing *Am. Tobacco Co. v. Patterson*, 456 U.S. 63, 68 (1982))).

¹⁷⁵ 35 U.S.C. § 298 (2012).

¹⁷⁶ Oswald, *supra* note 133, at 27-28 (“Moreover, it is possible that the AIA does not completely close the door on the use of evidence of the absence of a patent opinion in the willfulness and inducement settings. The language of the AIA regarding the implications of failing to obtain patent counsel opinions is significantly diluted as compared to earlier legislative proposals. . . . [T]he AIA states failure to obtain such advice cannot ‘be used to prove’ willfulness or intent to induce, leaving open at least the possibility that a court could consider it as a non-conclusive factor in such determinations.”).

¹⁷⁷ BLACK'S LAW DICTIONARY 1345 (9th ed. 2009).

¹⁷⁸ Using this definition, a failure to present a patent opinion may not be used as a means to conclusively prove (“make certain”) an alleged infringer's willfulness. However, such a failure might be admissible for consideration as one factor among many in the willfulness determination, which could help indirectly prove (“by satisfactory evidence”) what the law appears to directly forbid.

¹⁷⁹ *See, e.g.*, *Lorillard v. Pons*, 434 U.S. 575, 581 (1978) (“[W]here, as here, Congress adopts a new law incorporating sections of a prior law, Congress normally can be presumed to have had knowledge of the interpretation given to the incorporated law, at least insofar as it affects the new statute.”).

language.¹⁸⁰ One very common use of “may not be used to prove” in jurisprudence arises in criminal trial admissibility issues.¹⁸¹ The use of “may not be used to prove” in this context fully bars admission of evidence.¹⁸² Effectively, courts use “may not be used to prove” to mean “may not be used *in any way* to prove.”¹⁸³ This phrase’s clear pattern of usage leads to the conclusion that Congress also intended the phrase to completely bar consideration of patent opinions in the willful infringement framework. The legislative history confirms this conclusion.

2. Legislative History Regarding Willful Infringement

Legislative history does not necessarily lend weight to what the court will do,¹⁸⁴ or even to what the court necessarily should do.¹⁸⁵ However, the use of legislative history is often helpful to confirm an interpretation of an ambiguous statute.¹⁸⁶

The legislative history demonstrates that the interpretation above of “may not be used to prove” is correct. The final House Committee Report on the AIA includes the following language on the intent of Section 298 of Title 35: “[i]t reflects a policy choice that the probative value of [failure to defend with a patent opinion] is outweighed by the harm that coercing a

¹⁸⁰ See *Merck & Co. v. Reynolds*, 559 U.S. 633, 648 (2010) (“We normally assume that, when Congress enacts statutes, it is aware of relevant judicial precedent.”); *United States v. Alvarez-Hernandez*, 478 F.3d 1060, 1065 (9th Cir. 2007) (“Under the rules of statutory construction, we presume that Congress acts ‘with awareness of relevant judicial decisions.’” (quoting *United States v. Male Juvenile*, 280 F.3d 1008, 1016 (9th Cir. 2002))).

¹⁸¹ See, e.g., *United States v. Davis*, 487 F.2d 112, 120 (5th Cir. 1973) (“Convictions of co-defendants *may not be used to prove* the guilt of persons charged with the same crime” (emphasis added) (citing *Leroy v. Gov’t of the Canal Zone*, 81 F.2d 914 (5th Cir. 1936))).

¹⁸² See, e.g., *id.*; *United States v. Bean*, 890 F. Supp. 1313, 1314 (E.D. Tex. 1995) (“Evidence obtained by the government in violation of a defendant’s Fourth Amendment rights *may not be used to prove* his guilt at trial.” (emphasis added) (citing *Weeks v. United States*, 232 U.S. 383, 398 (1914))); *United States v. Davis*, 54 M.J. 622, 624 (A.F. Ct. Crim. App. 2000) (interpreting the “may not be used to prove” precedent as “not help[ing] determine the lawfulness or unlawfulness of . . . entry into [a] building.” (citing *United States v. Dorskocil*, 2 C.M.R. 802, 804 (A.F.B.R. 1952))).

¹⁸³ See *United States v. Cretacci*, 62 F.3d 307, 311 (9th Cir. 1995) (using the language “may not be used to prove” as barring introduction of evidence at all regarding a prior claim of property ownership (citing *Simmons v. United States*, 390 U.S. 377, 394 (1968))).

¹⁸⁴ E.g., *Kratz v. Kratz*, 477 F. Supp. 463, 469 (E.D. Pa. 1979) (“[L]egislative history is at best an imprecise barometer of congressional intent.”).

¹⁸⁵ See, e.g., *United States v. R.L.C.*, 503 U.S. 291, 309 (1992) (Scalia, J., concurring) (emphasizing the inherent unreliability of speculating on whether legislators relied on, or were even aware of, the legislative history).

¹⁸⁶ See, e.g., *United States v. Dedrick*, 665 F. Supp. 2d 535, 539–40 (W.D. N.C. 2009) (examining legislative history simply to confirm that the court’s textual interpretation is correct).

waiver of attorney-client privilege inflicts on the attorney-client relationship.¹⁸⁷

The Senate floor debate also reflects this legislative intent. Senator John Kyl, who sponsored an AIA amendment and was instrumental to the AIA's enactment,¹⁸⁸ stated the dual purposes of the provision: "to protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes."¹⁸⁹ Senator Kyl emphasized that holding the failure to present a patent opinion against a party resulted in an "unhealthy" attorney-client relationship.¹⁹⁰ Senator Kyl further declared that the patent opinion industry, as currently structured, amounts to a "deadweight loss" on the patent system.¹⁹¹

Beyond the House Report and Senator Kyl's comments, the legislative history is sparse on Section 298. Importantly, there is not a single indication of a meaning contrary to the proposition of completely excluding failure to present a patent opinion from the willful infringement determination.

A reasonable interpretation of an ambiguous statute with a one-sided legislative history presents the strongest case for use of that interpretation.¹⁹² Supported by prior judicial construction and contemporaneous legislative history, the opinion of counsel clause in the AIA was a legislative policy choice to avoid a myriad of attorney-client privilege problems and the deadweight loss of unnecessary patent opinions.¹⁹³ The legislative intent here confirms that the "may not be used to prove" language eliminates failure to produce a patent opinion from all consideration in a willful infringement analysis.

¹⁸⁷ H.R. REP. NO. 112-98, pt. 1, at 53 (2011).

¹⁸⁸ The AIA adopts much of the Schumer-Kyl amendment into its final version. This amendment involved business-method patents, primarily for banking practices, and is not relevant to the willful infringement or enhanced damages discussion. Nonetheless, Senator Kyl was an instrumental player in the passing of this legislation. *See* 157 CONG. REC. S1365, S1380 (daily ed. Mar. 8, 2011) (discussing the Schumer-Kyl amendment impacts and identifying Senator Kyl along with four other senators as instrumental to passing the bill).

¹⁸⁹ *Id.* at S1374 (statement of Sen. Kyl). This same language also appears in the House report. H.R. REP. NO. 112-98, pt. 1, at 53.

¹⁹⁰ 157 CONG. REC. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

¹⁹¹ *Id.* ("[The current patent opinion industry] amounts to a deadweight loss to the patent system. Some lawyers develop a lucrative business of producing these opinions, and inevitably become aware that continued requests for their services are contingent on their opinions' always coming out the same way—that the patent is invalid or not infringed.").

¹⁹² *See* *Tenn. Valley Auth. v. Hill*, 437 U.S. 153, 184-85 & nn. 29-30 (1978) (holding that the "totality of congressional action" verifies the result based on both the plain and unambiguous statute and legislative history showing a declared intention to save all endangered species, even the snail darter); Shelley A. Ewalt, *Et Resurrexit: GARA and the Trio of Cases on Collateral Review*, 46 DUQ. L. REV. 177, 206 (2008) (discussing a Ninth Circuit holding regarding an ambiguous statute which turned on a purpose statement favoring one side, a "lack of balancing language" in the statute favoring the other side, and "overwhelmingly one-sided legislative history").

¹⁹³ 157 CONG. REC. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

3. Legislative Intent Regarding Enhanced Damages

Turning to the enhanced damages framework, the legislative history conveys a general policy to remove the problematic patent opinion doctrine from the legal system entirely.¹⁹⁴ Although silent on enhanced damages, the AIA's record clearly favors moving away from any negative inference associated with failing to present or defend with a patent opinion. As discussed above, the official Congressional Report discusses a policy choice to remove failure to obtain or defend with a patent opinion from the willful infringement standard.¹⁹⁵ The supporting legislative history also articulates an overall "legislative skepticism of the probative value of [patent] opinions,"¹⁹⁶ which accompanies congressional concerns about their harm to attorney-client communications.¹⁹⁷ This general position is contrary to applying pressure on accused infringers to produce and defend with patent opinions or risk enhanced damages. The legislative history also implicitly acknowledges the strength of the willful infringement and enhanced damages doctrines in deterring bad faith conduct without the added patent opinion consideration.¹⁹⁸

Jurisprudence after *Seagate* demonstrates that judges and juries continue to consider failure to obtain or present patent opinions in willful infringement and enhanced damages determinations.¹⁹⁹ Courts may correct this patent system flaw by furthering the legislative intent of the AIA. Nothing contradicts the extension of Section 298 to enhanced damages, which matches its plain-language reading in the willful infringement context and aligns with the overall intent of Section 298. Indeed, any other interpretation would allow the very problems that Section 298 strives to address in the willful infringement context to persist in enhanced damages determinations. As discussed below, practical and efficiency justifications also favor this course.

¹⁹⁴ *See id.*

¹⁹⁵ H.R. REP. NO. 112-98, pt. 1, at 53 (2011) ("[Section 298] reflects a policy choice that the probative value of [failure to defend with a patent opinion] is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship.").

¹⁹⁶ 157 CONG. REC. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

¹⁹⁷ *See id.*

¹⁹⁸ *Id.* ("[T]he present bill preserves . . . a meaningful deterrent to reckless or wanton [patent infringement].").

¹⁹⁹ *See, e.g.,* SynQor, Inc. v. Artesyn Techs., Inc., 709 F.3d 1365, 1385 (Fed. Cir. 2013) (endorsing *Read* and its progeny in a discussion of enhancing damages for the infringement egregiousness determination based on the totality of the circumstances (citing *Spectrallytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1349 (Fed. Cir. 2011)); *Internet Machs. LLC v. Alienware Corp.*, No. 6:10-cv-23, 2013 WL 4056282, at *20 (E.D. Tex. June 19, 2013) ("In determining whether enhanced damages are appropriate, the Court looks to the *Read* factors."); *Syntrix Biosystems, Inc. v. Illumina, Inc.*, No. C10-5870 BHS, 2013 WL 3089448, at *1 (W.D. Wash. June 18, 2013) (identifying that after a willfulness determination, the enhanced damages amount is guided by the nine *Read* factors).

B. *Incentives to Obtain and Use Patent Opinions*

The theory behind holding the failure to defend with a patent opinion against an accused infringer during willful infringement and enhanced damages analysis is to incentivize “due diligence in avoiding activities which infringe the patent rights of others.”²⁰⁰ According to this theory, the failure to obtain or defend with a patent opinion in part demonstrates recklessness or willfulness.

In a vacuum, the incentive appears quite logical. With all of the underlying market incentives in play, however, the deterrent of enhanced damages is not necessarily required. The prospect of compensatory damages, enhanced damages under the *Read* factors (without any consideration of patent opinions), and high litigation costs may already sufficiently deter infringement. Overdeterrence through requiring patent opinions may only increase litigation expenses and allow patent trolls to abuse the system.²⁰¹ For example, a patent troll could notify a profitable company of meritless infringement and simply seek a settlement payment for only slightly lower than the cost of a noninfringement opinion.²⁰²

Additionally, although this theoretical incentive structure works if patent opinions are in fact neutral, is it reasonable to think that patent opinions are unbiased? If the noninfringement opinion is simply to protect against unfavorable inferences in future litigation, it very well may provide little actual value or deterrent effect to the alleged infringer. More importantly, it is not clear that enhanced damages in the legal system are necessary to incentivize a possible infringer to procure a patent opinion. The analysis below addresses these issues by examining the patent law’s incentive structures more closely.

1. Patent Opinions Are Inherently Biased

The interaction between the legal system’s current structure and patent opinions is inherently flawed. Technology companies spend hundreds of thousands of dollars per year on protective patent opinions,²⁰³ which usually

²⁰⁰ *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998).

²⁰¹ See *Patent Act of 2005: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, and Intell. Prop. of the H. Comm. on the Judiciary*, 109th Cong. 13-14 (2005) (statement of Gary L. Griswold, President and Chief Intellectual Property Counsel, 3M Innovative Properties Company, on behalf of the American Intellectual Property Law Association). Whether today’s patent system features too much or too little deterrence against infringement is beyond the scope of this Comment.

²⁰² Taylor & Von Tersch, *supra* note 8, at 740 (discussing that patent opinions often start at \$10,000 and stating that more complete protection for complex technologies can exceed \$100,000).

²⁰³ See *Patent Act of 2005: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, and Intell. Prop. of the H. Comm. on the Judiciary*, 109th Cong. 13-14 (2005) (statement of Gary L.

cost at least \$10,000 apiece.²⁰⁴ Because an accused infringer pays for an opinion to defend against a potential enhanced damages claim, the accused's business may not continue if the patent opinion reaches an undesirable conclusion.²⁰⁵ For this reason, strong incentives exist towards procuring and producing favorable opinions, independent of their merits.

The natural inference from the prevalence and cost of patent opinions is that they provide great utility to companies. Unfortunately, this is simply not reality. Commentators have long derided the usefulness of patent opinions,²⁰⁶ and courts also recognize the problem.²⁰⁷ Patent opinion providers know their paying clients seek their "advice" to restrict enhanced damages liability,²⁰⁸ and that their written opinion is explicitly prepared for possible future litigation.²⁰⁹ This dynamic undoubtedly influences the content of opinions. If the client also seeks a truthful infringement opinion, the attorney may simply resort to oral communications so that a future discovery process will not uncover advice that more accurately presents both sides of the possible infringement.²¹⁰ But this creates an unethical situation where lawyers may have to lie in the future about their advice.²¹¹ Patent lawyers therefore may instead give vague, safe, but inaccurate, legal advice.²¹²

Griswold, President and Chief Intellectual Property Counsel, 3M Innovative Properties Company, on behalf of the American Intellectual Property Law Association).

²⁰⁴ Taylor & Von Tersch, *supra* note 8, at 740.

²⁰⁵ See *supra* note 191. 57 CONG. REC. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) ("Some lawyers develop a lucrative business of producing these [patent] opinions, and inevitably become aware that continued requests for their services are contingent on their opinions' always coming out the same way—that the patent is invalid or not infringing.").

²⁰⁶ See, e.g., Matal, *supra* note 147, at 590 (discussing the inherent bias in patent opinions); Shippides, *supra* note 7, at 1080-81 (proposing a solution to rid the patent industry of the "old practice" of issuing sham patent opinions); Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1103 (2003) ("Since companies know they will have to disclose the opinions they obtain, they place a heavy premium on obtaining a written opinion of counsel that is favorable to them—one that concludes that the patent is invalid, not infringed, or both. Indeed, the importance of the letter reading favorably for the accused infringer's case is so great that no competent patent counsel would send written advice to a client with the bad news that they likely infringe a valid patent except under extraordinary circumstances. Opinion letters often simply remain silent on issues where the news is not good, occasionally opining only on noninfringement and ignoring validity.").

²⁰⁷ See *Andrew Corp. v. Beverly Mfg. Co.*, 415 F. Supp. 2d 919, 927 (N.D. Ill. 2006) (emphasizing the importance of an independent, thorough, and competent patent opinion and not merely the "creation of a prophylactic defense against a potential claim of willful infringement").

²⁰⁸ See Lemley & Tangri, *supra* note 206, at 1103-04.

²⁰⁹ *Id.* at 1104 ("Clients instead get opinions of counsel written with litigation in mind.").

²¹⁰ *Id.* ("There is a third possibility, perhaps the most realistic as a practical matter. Patent lawyers may write one thing down and tell the client something different orally. This is a dodge that seems to give the client what it wants—accurate legal advice—without exposing the client to liability.").

²¹¹ *Id.* at 1104-05.

²¹² *Id.*

In hedging risk of enhanced damages, rather than openly seeking the truth, patent opinions do not serve their intended purpose. When future income of a researcher depends heavily on finding specific results, there is an inherent bias that casts suspicion on his/her conclusions.²¹³ In this sense, the current patent opinion structure is akin to lung cancer studies funded by the tobacco industry or credit rating reviews paid for by issuers of dubious securities in advance of the last decade's financial crisis.²¹⁴ For each example, an outside third party is paid to objectively make an assessment, the results of which are crucial to the payer's business.²¹⁵ All parties recognize that favorable results increase the chance of repeat business. In each case, the relationship between payment and results raises a strong concern of objectiveness and truthfulness.²¹⁶ Patent opinions evoke the same suspicious reactions because of this inherent bias, which limits their practical utility.

2. An Incentive Structure to Obtain Patent Opinions at an Optimal Level Already Exists

Even where potential infringers desire the truth, the court system does not need to incentivize obtaining patent opinions. Given the exceedingly high infringement and litigation costs,²¹⁷ potential liability already creates adequate incentives for potential infringers to take an optimal level of care.

²¹³ In research studies, this is often called the "funding effect." See, e.g., David Michaels, *It's Not the Answers that Are Biased, It's the Questions*, WASH. POST (July 15, 2008), <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/14/AR2008071402145.html>.

²¹⁴ Jean King, *Why Journals Should Not Publish Articles Funded by the Tobacco Industry*, 321 BRITISH MED. J. 1074, 1074 (2000) ("The tobacco industry has a long track record of seeking to cast doubt on good research One tactic is to commission studies . . . that cast doubt on epidemiological findings Project 'Whitecoat,' a plan to recruit scientists who would express views favourable to the tobacco industry, was also revealed in the industry's own documents."); Renee Twombly, *Lung Cancer Screening Trial Financed by Tobacco-Funded Foundation, Sparks Debate*, 100 J. NAT'L CANCER INST. 690, 690-91 (2008) (discussing the ethical complications, angry public outcry, and extra scrutiny required for Big Tobacco-funded studies). The credit rating agency structure creates the same phenomenon. See, e.g., Ted Kaufman, *Political Will Falters on Fixing Credit Ratings Agencies*, FORBES (July 30, 2013, 9:31 AM), <http://www.forbes.com/sites/tedkaufman/2013/07/30/political-will-falters-on-fixing-credit-ratings-agencies/> (quoting the Financial Crisis Inquiry Commission strongly avowing that the credit agency relationship with the banks was "at the heart of the crisis" and further expounding on the frustrating ability for investment banks to shop amongst credit agencies to gain a favorable rating).

²¹⁵ See Laurie McGinley, *Tobacco Group Draws Criticism in Washington*, WALL ST. J., May 27, 1994, at A4 (citing the chairman of an independent group fully funded by five tobacco companies defending the council's objectivity).

²¹⁶ *Id.* (quoting Representative Harry Waxman as categorizing an independent research body funded by an interested party as "public relations masquerading as science"(internal quotation marks omitted)).

²¹⁷ E.g., *Fractus, S.A. v. Samsung Elecs. Co.*, 876 F. Supp. 2d 802, 851 (E.D. Tex. 2012) (discussing that in this case the 35 U.S.C. § 284 treble damage rule permits enhanced damages of over \$69 million).

In comparison to the exceedingly high costs of litigation and compensatory damages, paying for an infringement opinion is relatively inexpensive.²¹⁸ Possible infringers will logically pay to acquire this information, unless the complaint is truly frivolous.²¹⁹

In any given suit, the accused infringer possesses more information than the courts and therefore is in a better position to determine whether to pursue a patent opinion. For example, the accused's engineers could conduct a faster, cheaper review of a more frivolous infringement charge. A more serious, high-stakes complaint would merit a more exhaustive opinion by legal counsel.

Interference with this existing incentive structure only distorts patent opinions. Unfiltered, honest patent opinions would provide much more value to a potentially infringing company than current opinions tailored to future possible litigation. Accused infringers require accurate legal information to inform them of potential liability and aid future business decisions. For example, if a product actually infringes, learning the truth early on allows a company to redesign or develop a new product.²²⁰ Unfortunately, when obtaining a favorable patent opinion becomes a prerequisite to avoiding enhanced damages, such unvarnished legal advice becomes scarce.²²¹

Under a reformed system, accused infringers would still be able to present patent opinions as an affirmative defense, but the enhanced damages structure would not force them to do so. This would cause patent opinions to return to their original purpose as useful (and unbiased) tools for possible infringers, rather than prerequisites for prelitigation protection. By removing consideration of failure to defend with patent opinions from the willful infringement analysis, the AIA took a good first step toward correcting these problems. By extending the AIA to the enhanced damages context, courts can return the patent opinion regime to its proper function of actually providing objective and useful infringement advice.

²¹⁸ Compare Taylor & Von Tersch, *supra* note 8, at 740 (estimating the cost of a patent opinion being at least \$10,000), with AM. INTELLECTUAL PROP. LAW ASS'N, *supra* note 9, at 34 (providing average litigation costs in patent cases from \$700,000 to \$5,500,000), and *Fractus, S.A.*, 876 F. Supp. 2d at 851 (citing possible enhanced damages of over \$69 million).

²¹⁹ For this reason, unfavorable presumptions from failure to obtain or defend with a patent opinion have the ironic effect of burdening those accused of meritless infringement claims (and helping their accusers) to a far greater extent than those facing meritorious or borderline suits who are already properly incentivized to pursue patent opinions.

²²⁰ Lemley & Tangri, *supra* note 206, at 1111 (“And most importantly, infringers generally will not want to make substantial investments in assets specific to the infringing technology if they know that they will ultimately be enjoined from using that technology after trial.”).

²²¹ See *supra* Part III.B.1.

C. *Simplifying Willful Infringement and Enhanced Damages Standards*

The complicated willful infringement standard leads to confusion and uncertainty for attorneys.²²² Uncertainty decreases settlement chances,²²³ which is economically undesirable both for the individual litigants and the court system as a whole.²²⁴ Much of this uncertainty stems from the unpredictable magnitude of enhanced damages. An attorney's enhanced damages estimation for a client includes both a probability and a projected dollar amount. Each variable is highly volatile given the discretionary nature of enhanced damages.²²⁵ To estimate liability risk, an attorney must first assess the chances of losing the infringement case on its merits. Then, in looking at willfulness, the formulation becomes even more complex. The attorney must consider the *Seagate* two-prong willfulness standard which includes objective²²⁶ and subjective factors.²²⁷

After formulating a rough probability of a willful infringing holding, the attorney must assess the likelihood of enhanced damages.²²⁸ This raises greater uncertainty as the appropriateness and amount of enhanced damages are within the discretion of the court,²²⁹ guided by the nine *Read* factors.²³⁰

²²² See Eric C. Wrzesinski, Comment, *Breaking the Law to Break into the Black: Patent Infringement as a Business Strategy*, 11 MARQ. INTELL. PROP. L. REV. 193, 202 (2007) ("The absence of a precise definition for willful infringement contributes to the illegitimacy, confusion, and uncertainty of this legal concept because alleged infringers possess an increased opportunity to create doubt as to liability for an inadequately defined legal claim.").

²²³ See William M. Landes, *An Economic Analysis of the Courts*, 14 J.L. & ECON. 61, 67-69 (1971) (explaining that in a criminal trial, if a prosecutor and defendant agree on the expected outcome of the trial, there will more likely be a plea bargain).

²²⁴ See Richard A. Posner, *An Economic Approach to Legal Procedure and Judicial Administration*, 2 J. LEGAL STUD. 399, 417-19 (1973) (explaining that encouraging settlements creates a lower-cost court system for the country). Some of the negative consequences of cases that should be settled instead of going to court include wasteful litigation costs by each party, potential windfalls for only one party where a middle ground is more appropriate, and an overburdening of the court system with lawsuits that should be settled out of court.

²²⁵ *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 948 F.2d 1573, 1576 (Fed. Cir. 1991) (describing judicial discretion over enhanced damages).

²²⁶ To reiterate, objective recklessness is determined based on "clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011) (en banc) (quoting *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc)) (internal quotation marks omitted).

²²⁷ *Id.* ("[T]he patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer." (quoting *In re Seagate*, 497 F.3d at 1371) (internal quotation marks omitted)).

²²⁸ A willful infringement holding is required to enhance damages, but a willful finding does not mandate an increase in relief. 35 U.S.C. § 284 (2012) ("[T]he court may increase the damages up to three times the amount found or assessed.").

²²⁹ *Id.*

The treble damage rule limits enhanced liability, but the compensatory award for infringement is also an inexact mathematical calculation. In short, there are so many variables that an accurate estimation of liability appears nearly impossible.

Under current law, failure to obtain or defend with a patent opinion can arguably factor into three separate steps in the willfulness to enhanced damages calculation.²³¹ Although this analysis will remain complicated, removal of patent opinion consideration at least simplifies the framework by one step, increasing certainty and potentially promoting settlement.²³² More importantly, removal negates the “Quantum dilemma” for accused potential infringers and promotes more unbiased patent opinions and open disclosures.²³³ Better information on each side for damage estimations allows for more efficient litigation. Accordingly, the parties and the court system itself will benefit by removal of the patent opinion analysis from the willful infringement and enhanced damages framework.

CONCLUSION

The AIA accomplished an important step towards removing the unnecessary and inefficient negative inference from failing to defend with a patent opinion in the willful infringement analysis. Unfortunately, the AIA left the door open to retain this negative inference in the enhanced damages formulation. Although this information-forcing feature appears to promote due care, biases in the patent opinion system and attorney-client privilege dilemmas caused by this rigid inference limit the usefulness of patent opinions while increasing their burden on potential litigants.

Fortunately, the courts can use the legislative intent of the AIA to correct this patent system flaw. While the textual language does not quite exclude consideration of patent opinions for enhanced damages determinations, future courts should embrace the AIA’s legislative intent and progressively evolve away from effectively forcing potential infringers to obtain patent opinions. Pragmatically, this will remove complexity from the

²³⁰ *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992), *abrogated in part by* *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 988-89 (Fed. Cir. 1995) (en banc) (overruling on other grounds related to categorizing interpretation of patent claims as a matter of law).

²³¹ *See, e.g., Presidio Components Inc. v. Am. Technical Ceramics Corp.*, 723 F. Supp. 2d 1284, 1324-25 (S.D. Cal. 2010) (discussing how courts are split on whether lack of opinion of counsel remains a factor that can be considered in determining willfulness of infringement), *aff’d in part, vacated in part, and remanded on other grounds*, 702 F.3d 1351, 1365 (Fed. Cir. 2012).

²³² At the same time, elimination of consideration of patent opinions still preserves the nine *Read* factors to adequately award enhanced damages when merited.

²³³ *See Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-44 (Fed. Cir. 1991) (recommending separate liability and willfulness trials because of the dilemma with waiving privilege for attorney-client communications).

convoluted enhanced damages framework. Economically, completely removing patent opinions from the equation allows companies to more efficiently utilize patent opinions to provide unbiased legal advice, not protection against future litigation.

It is not every day in the American legal system that a solution to a known problem manages to follow congressional intent, increase efficiency, and reduce practical concerns. Rather than whiff at such a rare opportunity, the court system should remove the failure to obtain a patent opinion from all future willful infringement and enhanced damages analyses.