

Intellectual Property Litigation

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YOU DON'T SAY:

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Opinion letters . . .

On September 30, 2003, the Federal Circuit sitting *en banc* issued an unusual order in *Knorr-Bremse v. Dana Corporation*, 01-1357:

"The Court has sua sponte taken this case en banc to reconsider its precedent concerning the drawing of adverse inferences, with respect to willful patent infringement, based on the actions of the party charged with infringement in obtaining legal advice, and withholding that advice from discovery. See, e.g., Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565, 1580 (Fed. Cir. 1986) (the accused infringer's silence as to whether it sought advice of counsel "would warrant the conclusion that it either obtained no advice of counsel or did so and was advised" that it would infringe); Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) (there is an affirmative duty "to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity")."

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The parties are invited to submit additional briefs directed to this issue, with respect particularly to the following questions:

1. *When the attorney-client privilege and/or work product privilege is invoked by a defendant in an infringement suit, is it appropriate for the trier of fact to draw an adverse inference with respect to willful infringement?*

2. *When the defendant has not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?*

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3. *If the court concludes that the law should be changed, and the adverse inference withdrawn as applied to this case, what are the consequences for this case?*

4. *Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?"*

The court also invited *amicus curiae* briefs on questions 1, 2 and 4.

Very interesting. The *Kloster* and *Underwater Devices* cases have caused much trouble over the years. Taken together, these cases force one accused of patent infringement to obtain an opinion of no infringement or invalidity from counsel and to waive the privilege and produce the opinion in litigation. This has led to much mischief over the years. It is a good thing that the court has decided to re-evaluate the law in this area.

This column raised some of these very issues in our Winter 1999 issue. At that time, I had just read an interesting note in the Georgetown Journal of Legal Ethics.

The note questioned the value of attorney opinions in a very direct way. Here was my take on it back then:

Recently, I read a student note decrying the use of attorney opinion letters to defend against charges of willfulness in patent infringement cases. Note, Encouraging Unprofessionalism: The Magic Wand of the Patent Infringement Opinion, 12 Geo. J. Legal Ethics 593 (Spring 1999).

The note's thesis is that reliance on attorney opinions of non-infringement, invalidity or unenforceability ought not to be a recognized defense to willfulness in patent litigation. The author believes that lawyers do not exercise independent judgment in rendering opinions when they know that the purpose of the opinion is to defend charges of willful infringement. Too often, lawyers yield to the client's desire to continue the accused activity and stretch to arrive at a favorable opinion. In such cases, reliance on attorney opinions is not socially useful. And if the defense has no social utility, then why recognize it?

The author does not blame the lawyers, whose plight he sympathizes with. Instead, he blames the system which puts lawyers in an untenable position, rife with conflict and temptation, with the predictable result that some opinions lack complete, unflinching integrity.

I do not approve of this young writer's cynicism, but he makes an interesting argument. Let's consider it.

Under 35 USC 284, the court may increase the damages for patent infringement up to three times if the court finds the infringement to have been willful. The

current test for willfulness, assuming that notice of the patent is proven, is "whether, under all the circumstances, a reasonable person would prudently conduct himself with any confidence that a court might hold the patent invalid or not infringed." *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1581 (Fed Cir 1989).

The standard defense against willful infringement is the affirmative reliance on the legal opinion of counsel concluding that the asserted patent is invalid, unenforceable or not infringed. *Comark Communications, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998) (It is "well settled that an important factor in determining whether willful infringement has been shown is whether or not the infringer obtained the opinion of counsel").

Notice of a patent that is potentially infringed creates an affirmative duty on the part of the potential infringer to determine whether or not there is infringement. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed Cir. 1983); *Yamanouchi Pharm. Co. Ltd. v. Danbury Pharmacal, Inc.*, 21 F. Supp. 2d 366, 377 (S.D.N.Y. 1998) (accused has the "obligation to seek and obtain competent legal advice before initiating any possibly infringing activity"). Where the infringer avoids seeking legal help even after receiving notice of potential infringement, courts may presume willfulness. *Fromson v. Western Litho Plate and Supply*, 853 F.2d 1568, 1572 (Fed. Cir. 1988); *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565, 1579 (Fed Cir 1986); *Underwater Devices, supra*.

This creates pressure to obtain an opinion and waive the attorney client privilege. If the privilege is not waived, a court may infer that no opinion was obtained or that it was unfavorable to the defendant's position. *Fromson, supra*, at 1572-73.

The point of the opinion letter is not whether counsel was correct. An opinion is needed only where the defendant is found to have infringed, *i.e.*, the opinion was wrong. The point is to prove the state of mind of the defendant.

For reliance on an opinion to be reasonable, the opinion must not be merely conclusory and must include a thorough review of the prosecution history and cited art. The test is whether the analysis is complete rather than correct. *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1259 (Fed. Cir. 1997) (finding opinion incompetent that considered wrong product); *In re Hayes Microcomputer Prods, Inc.*, 982 F.2d 1527, 1543-44 (Fed. Cir. 1992) (opinion incompetent and conclusory); *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 829 (Fed. Cir. 1989) (opinion incompetent for not consulting file history).

There is an ethical problem if the same lawyer writes an opinion and defends the litigation. Encouraging Unprofessionalism, n. 39 relying on Rule of Professional Conduct (RPC) 3.7(a) and Ethical Consideration (EC) 5-9 (“The roles of an advocate and of a witness are inconsistent; the function of an advocate is to advance or argue the cause of another, while that of a witness is to state facts objectively”).

However, RPC 3.7 does not bar the same firm from assuming both roles. On the contrary, RPC 3.7(b) affirmatively allows the same firm to be opinion counsel and litigation counsel: “A lawyer may act as advocate in a trial in which another lawyer in the lawyer’s firm is likely to be called as a witness unless precluded [by a conflict of interest].” Thus, a firm should not be subject to a motion to disqualify.

The note writer finds it “troubling” that the RPC permit the same firm to do both the opinion and litigation. See discussion corresponding to fn 59. He thinks that when a firm does both the opinion and the litigation it further inhibits the exercise of independent judgment by the opining lawyer. But this issue is not the key issue for our young friend. He believes that any lawyer asked to give an opinion for the purpose of defending a charge of willfulness is subject to unavoidable pressure to produce a favorable opinion. And, of course, the lawyer knows that the favorable opinion is not useful unless the privilege as to the opinion is waived. Thus, in drafting the opinion, the lawyer knows he is writing not just to his client, but also to the court and a jury. The result is that opinions obtained to defend charges of willfulness are not legal advice at all. To the contrary, they are self-serving advocacy:

“[L]awyers who write opinions so that they may be used at trial will, in protecting their client from liability, sanitize the content of the opinions because of the incentive to be less than candid. Recognizing the attorney-client privilege will be waived, the opinions will likely be prepared by lawyers assuming a subjective advocate’s role, maintaining a one-sided and argumentative posture.”

12 Geo. J. Legal Ethics at 609. The note writer also worries that some lawyers, knowing that the client’s state of mind is all that counts, do not independently investigate that facts “and remain willfully blind to the ‘real’ facts.” *Id.*

He offers a simple proposal to end this unseemly situation. He proposes that we jettison the reliance on the opinion of counsel defense. He argues that patentees should be required to prove willfulness with clear and convincing positive evidence as is done in other fields of law when a plaintiff seeks exemplary damages. The burden should not shift to the defendant to prove his good faith by reliance on an attorney opinion.

I admit I am persuaded by this (but I must add that my partners and clients may feel differently). I do not approve of the cynicism underlying this note, especially in someone just starting out in the law. And I remind all who read this newsletter that the Federal Circuit has warned against opinions that are written in anticipation of litigation. *Therma-Tru Corp. v. Peachtree Doors, Inc.*, 44 F.3d 988, 997 (Fed. Cir. 1995) (“jury could have believed that the attorney’s letters were written in anticipation of litigation”, affirming a finding of willfulness); *Rivera-Davila v. Asset Conservation, Inc.*, 2000 U.S. App. LEXIS 479 *13-14 (Fed. Cir. 1/12/2000) (aff’g trial judge who excluded an opinion letter as “self-serving statement of litigation strategy”). Nonetheless, this business of attorney opinion letters too often is a tired charade. Plus, the waiver of privilege issues are large, complex and perilous. Maybe it is time for a change.

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