

What Does It Mean to be Willful? Opinion Letters in the Wake of the Willful Infringement Standard of *Halo v. Pulse*

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I. INTRODUCTION

In patent infringement cases, a willfulness finding can result in an award of treble damages.¹ Historically, a party had to seek and rely, in good faith, on the opinion of counsel as to whether or not their activity constituted infringement to preserve the party’s ability to rebut the presumption of willfulness in a patent infringement case.² The requirement resulted in the creation of a robust industry of “freedom to operate”³ opinion letter writers, and the industry has continued to evolve since its inception. As the standard for proving willfulness has changed over the years, so has the weight carried by a letter stating the opinion of counsel.⁴ In 2007, the *Seagate* standard for willfulness, which held that proof of willfulness required the patentee to show that the infringer had knowledge of an “objectively high likelihood that its actions constituted infringement,” essentially obviated the need for a letter from counsel.⁵ However, in June 2016, the Supreme Court decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.* once again changed the standard for willful infringement when it rejected the *Seagate* framework and instead held that “subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages.”⁶

This Note argues that under the willful infringement standard set forth in *Halo*, companies will need to reassess their risk appetite when determining whether or not to seek an opinion letter from outside counsel. It will begin by exploring the history of the standard for willful infringement and the way the court envisioned the use of opinion letters under each standard. The next Part will analyze the actual impact of the *Underwater Devices* and

1. David M. Greenwald et al., *Waiver by Reliance on Advice of Counsel*, in 1 TESTIMONIAL PRIVILEGES (3d ed. 2015).

2. *Id.*; see *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1384–86 (Fed. Cir. 1983) (holding that a party had a duty to investigate whether or not its conduct was likely to infringe upon prior art); Interview with Jason Rantanen, Professor, Univ. of Iowa Coll. of Law in Iowa City, Iowa (Aug. 28, 2016); see, e.g., Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In Re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 425 (2012) (stating that the adverse-inference rule “increased pressure on an alleged infringer to produce [an] opinion of counsel at trial”) (internal citations omitted).

3. A freedom-to-operate opinion is used to “[clear] a product or method under development . . . An infringement search and an opinion based thereon determine whether a given device or method that is, or is proposed to be, made, used, or sold commercially in the United States or imported into the United States will infringe one or more claims of an already-issued and unexpired patent. Thus the search encompasses unexpired patents in the art and related fields. An infringement opinion should usually precede new product or process introduction or the acquisition of product lines by assignment or license. Sometimes an infringement search will not reveal any patents that could conceivably cover the proposed product or process, but even in such a case, the opinion should recite the scope of the search (by class and subclass) and include the attorney’s opinion based on that search.” Theodore J. Mlynar et al., *Infringement Search and Opinion*, in LEGAL OPINION LETTERS: A COMPREHENSIVE GUIDE TO OPINION LETTER PRACTICE § 9.12 (M. John Sterba Jr. ed., 3d ed. 2017).

4. *Id.*

5. *In re Seagate Tech., LLC*, 497 F.3d 1360 (2007); see also Jason A. Rantanen, *An Objective View of Fault in Patent Infringement*, 60 AM. U. L. REV. 1575, 1628–29 (2011) (“[Willfulness] turns not on an evaluation of the risk of infringement at the time the infringement occurred, but on a post-hoc analysis of whether or not an omniscient accused infringer would have recognized that it had a viable defense.”).

6. *Halo Elecs., Inc. v. Pulse Elecs., Inc.* 136 S. Ct. 1923, 1933 (2016).

Seagate decisions on the role of the opinion letter and extrapolate from these conclusions to predict how the *Halo* decision will continue to change how the opinion letter impacts the court's willfulness calculus. Finally, this Note will recommend a strategy for corporations deciding whether or not to obtain an opinion letter prior to engaging in activities with infringement potential.

II. BACKGROUND

Interestingly, the statutory language of the Patent Act does not require a showing of willful infringement to obtain enhanced damages, but instead merely states that “the court may increase the damages up to three times the amount found or assessed.”⁷ Despite the absence of statutory language assigning a standard of conduct worthy of treble damages, courts have held that enhanced damages must be premised on a showing of willful infringement.⁸ This standard is in accordance with Supreme Court precedent for enhanced damages.⁹

Historically, good faith reliance on counsel's opinion that an activity does not constitute infringement was a relevant factor for rebutting the presumption of willfulness when a patent infringement case arose.¹⁰ However, as the standard for willfulness has evolved, so has the evidentiary weight and critical nature of opinion letters. This Part will first explore how the *Underwater Devices* decision created an industry of letter writers. Next, it will consider how the court decisions in *Knorr-Bremse*, *Seagate*, and their progeny changed the framework under which the opinion letter operated. Finally, this Part will identify the standard for willful infringement set forth by the *Halo* Court and contrast the standard with previous willfulness frameworks.

A. Duty of Care in Underwater Devices Creates the Opinion Letter Industry

The opinion letter industry first took off following the Federal Circuit's opinion in *Underwater Devices*.¹¹ The case reached the Federal Circuit after the defendant, Morrison-Knudsen Co. (M-K), appealed from a district court a decision finding, among other things,

7. Patent Act, 35 U.S.C. § 284 (2012).

8. *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996) (“Because increased damages are punitive, the requisite conduct for imposing them must include some degree of culpability An act of willful infringement satisfies this culpability”); *Beatrice Foods Co. v. New England Printing and Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991) (“Although the statute does not state the basis upon which a district court may increase damages, ‘[i]t is well-settled that enhancement of damages must be premised on willful infringement or bad faith.’” (quoting *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985))).

9. *Aro Mfg. Co., v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964) (stating that plaintiff could recover enhanced damages for contributory infringement by showing willful or bad faith infringement); see also *Dowling v. United States*, 473 U.S. 207, 227 & n.19 (1985) (enhanced damages are available for “willful infringement”). It is worth noting that some judges believe that *requiring* willful infringement to obtain enhanced damages is overextending Supreme Court precedent on the matter. See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1381 (Fed. Cir. 2007) (Gajarsa, J., concurring) (“[T]he Supreme Court cases cited in this court's opinion . . . do not hold that a finding of willfulness is *necessary* to support an award of enhanced damages At most, those cases merely stand for the uncontroversial proposition that a finding of willfulness is *sufficient* to support an award of enhanced damages.”).

10. Greenwald, *supra* note 1.

11. See, e.g., Seaman, *supra* note 2 (discussing the impact of the *Underwater Devices* decision); Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 228 (2004).

willful infringement.¹² The initial suit arose when Underwater Devices, Inc. (UDI) brought an infringement suit against M-K for failing to pay royalties on technology used in an underwater construction project.¹³ M-K, who was at the time bidding on an underwater piping project in Hawaii, received a letter from UDI informing M-K that it owned patent rights in the project technology and offering to license the technology to M-K. M-K ignored the licensing offer, and after beginning the project sought the advice of its in-house counsel, a non-patent attorney, who stated in a series of two memos that he believed UDI's patents were invalid and encouraged M-K to proceed without paying the royalties.¹⁴ The district court found that M-K had infringed UDI's patents and awarded \$200,000 in damages.¹⁵ Additionally, the district court held that the infringement had been willful, and thus trebled the damages accordingly.¹⁶

On appeal, the Federal Circuit affirmed that M-K had indeed engaged in willful infringement.¹⁷ Most notably, it concluded that where "a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing."¹⁸ This duty included the duty to seek competent counsel, typically by obtaining an opinion letter.¹⁹ Further, the duty could not be met with just any opinion letter. The Federal Circuit concluded that because M-K sought counsel's opinion only *after* beginning the infringing activities, and even then only sought the advice of its own non-patent trained in-house counsel, who provided "bald, conclusory, and unsupported remarks," M-K's actions created an inference of willful infringement.²⁰ The Federal Circuit further listed two forms of analysis that would have been sufficient to rebut the inference if they had been included in the opinion letter: (1) a patent validity analysis predicated on a review of the patented invention's file history; and (2) an infringement analysis comparing and contrasting the potentially infringing use with the patented invention.²¹

Over time, the duty of care standard set forth in *Underwater Devices* evolved into a totality of the circumstances consideration that drew on a variety of factors.²² According to the courts, a defendant's reliance on favorable advice of counsel, though not dispositive, had become a crucial part of the inquiry.²³ Failing to produce an opinion letter from counsel

12. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1384-86 (Fed. Cir. 1983).

13. *Id.* at 1384-86.

14. *Id.*

15. *Id.*

16. *Id.*

17. *Underwater Devices Inc.*, 717 F.2d at 1387.

18. *Id.* at 1389.

19. *Id.* at 1390.

20. *Id.* In fact, the opinion letter was only eight sentences long including a statement instructing M-K to "refuse to even discuss the payment of royalty" unless UDI sued. *Seaman*, *supra* note 2, at 423.

21. *Id.*

22. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992). These factors included the *Bott* factors, which considered (1) whether the defendant deliberately copied the invention of the patentee; (2) whether the defendant investigated the scope of the known patent and formed a good-faith belief that it was invalid or not infringed; and (3) the defendant's behavior in litigation. *Id.* at 821 (quoting *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986)). Additional relevant circumstances considered in deciding the extent of enhancement were (4) the size of the defendant, along with the defendant's financial condition; (5) the closeness of the case; (6) any remedial action taken by the defendant; (7) the defendant's motivation for harm; and (8) any attempt by the defendant to conceal its misconduct. *Read Corp.*, 970 F.2d at 827 (citing references omitted).

23. *Electro Med. Sys., S.A. v. Cooper Life Scis., Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994) ("Possession of

resulted in a rebuttable inference that the defendant had either neglected to seek advice or had received an adverse opinion.²⁴ Accordingly, companies relied heavily on opinion letters from outside counsel during the *Underwater Devices* era.

B. The Seagate “Objective Recklessness” Standard Essentially Obviates the Need for Opinion Letters

With the passage of time, the courts began to recognize that the duty of care and the inference of willfulness resulting from the failure to produce an opinion letter placed “inappropriate burdens on the attorney-client relationship.”²⁵ The inappropriate burdens stemmed from what one court called “a ‘Hobson’s choice’ for many accused infringers: (1) mount an advice of counsel defense against willfulness but be compelled to disclose . . . privileged communications containing sensitive information; or (2) maintain privilege and receive a harmful adverse-inference instruction.”²⁶ While past case law tended to emphasize punishing legal disobedience over protecting attorney-client privilege,²⁷ the court in *Knorr-Bremse* determined that the time “when widespread disregard of patent rights was undermining national innovation incentive” was over and held that the adverse inference associated with a failure to provide an opinion letter was no longer warranted.²⁸

While the *Knorr-Bremse* opinion addressed the adverse inference arising from failure to present an opinion letter from outside counsel,²⁹ the case did not fully resolve the waiver dilemma because opinion letters remained arguably the best way to show that the infringer met its affirmative duty of due care.³⁰ Additionally, in *Echostar* the Federal Circuit held that when an infringer asserted an advice of counsel defense, the resulting waiver applied to all other communications relating to the same subject matter.³¹ This further complicated the infringer’s ability to prove that it had met its affirmative duty of care by increasing its risk of exposing other privileged information.

Following criticism from lawyers, academics, and legislatures alike, the Federal Circuit seized the opportunity to revise the willfulness framework.³² In *Seagate*, the court created a new framework that heightened the requirements for showing willful infringement, making the infringer’s subjective beliefs relevant only if the patentee first established that the infringer was objectively reckless.³³ In its analysis, the court remarked that the *Underwater Devices* standard set the requisite mental state for willfulness as

a favorable opinion of counsel is not essential to avoid a willfulness determination; it is only one factor to be considered, albeit an important one.”)

24. *Id.*; *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986).

25. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004).

26. *Seaman*, *supra* note 2, at 427 (citing *Pfizer Inc. v. Novopharm Ltd.*, No. 00 C 1475, 2000 WL 1847604, at *2 (N.D. Ill. 2000) (internal citations omitted)).

27. *Kloster*, 793 F.2d at 1580 (“[S]ilence on the subject [of an opinion letter], in *alleged* reliance on the attorney-client privilege, would warrant the conclusion that it [the defendant] either obtained no advice of counsel or did so and was advised that its . . . [actions] would be an infringement of valid U.S. patents.”) (emphasis added).

28. *Knorr-Bremse*, 383 F.3d at 1343–44 (“The adverse inference . . . is no longer warranted. Precedent authorizing such inference is overruled.”).

29. *Id.* at 1347.

30. *Id.* at 1345–46.

31. *In re Echostar Commc’n Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006).

32. *Seaman*, *supra* note 2, at 428.

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

merely “negligent,” as opposed to the typical “reckless” standard required to show willfulness in other civil contexts.³⁴ In addition, it found that the lower standard for willfulness allowed for punitive damages, which was inconsistent with Supreme Court precedent for negligent mental states.³⁵ Accordingly, the *Seagate* court overruled the *Underwater Devices* standard for willfulness and instead required a showing of objective recklessness for obtaining treble damages.³⁶

The new *Seagate* framework was a two prong inquiry.³⁷ First, “a patentee [had to] show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”³⁸ Second, the patentee had to show that this objective risk “was either known or so obvious that it should have been known to the accused infringer.”³⁹ Thus, under the two prong test, the infringing party’s state of mind was not relevant to the willfulness inquiry unless the patentee first showed that the infringer was objectively reckless.

While the court refused to shed any additional light on the new standard in its opinion,⁴⁰ the cases that followed the *Seagate* decision indicated that objective recklessness set an exceedingly high bar for proving willfulness. The patentee had to establish a “threshold objective standard” of recklessness that raised no “‘substantial question’ as to the validity or noninfringement of the patent.”⁴¹ A finding of a “substantial question” as to validity or infringement existed even where the defendant was unaware of the arguable defense at the time he was engaging in the infringing activities.⁴² Thus, in addition to defenses the infringer knew of prior to the infringing activity, such as those defenses identified in opinion letters, an infringer could also rely on plausible defenses discovered

34. *Id.*, at 1371 (remarking that the standard set for in *Underwater Devices* did not align with the generally accepted civil law standard because “‘willful’ . . . is generally understood to refer to conduct that is not merely negligent” (quoting *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988))).

35. *Id.* For an example of Supreme Court precedent disfavoring punitive damages for negligence, see *Smith v. Wade*, 461 U.S. 30, 40–49 (1983).

36. *Id.* (“[W]e overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness. Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain the opinion of counsel.”).

37. *Id.*

38. *Seagate*, 497 F.3d at 1371. The court adopts its definition of recklessness from Restatement Second of Torts, Restatement (Second) Torts § 500 (1965) (“The actor’s conduct is in reckless disregard of the safety of another if he does an act or intentionally fails to do an act which it is his duty to the other to do, knowing or having reason to know of facts which would lead a reasonable man to realize, not only that his conduct creates an unreasonable risk of physical harm to another, but also that such risk is substantially greater than that which is necessary to make his conduct negligent.”); Brief of Amicus Curiae Am. Intellectual Prop. Law Ass’n in Support of Neither Party at 8–9, 12, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1931 (2016) (Nos. 14-1513, 14-1520) [hereinafter Brief for Intellectual Property Professors] (emphasizing that courts have consistently limited enhanced damages for “especially egregious” cases despite the possessing broad statutory discretion to enhance damages).

39. *Seagate*, 497 F.3d at 1371.

40. *Id.* (“We leave it to future cases to develop the application of this standard.”).

41. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assoc., Inc.* 776 F.3d 837, 844 (Fed. Cir. 2015) (citing *Spine Sol., Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010); *DePuy Spine, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 567 F.3d 1314, 1336 (Fed. Cir. 2009)).

42. *Halo Elecs.*, 136 S. Ct. at 1930 (citing *Bard Peripheral Vascular*, 776 F.3d at 844; *Spine Sol.*, 620 F.3d at 1319).

“during the pendency of litigation.”⁴³ The Federal Circuit further declared that objective recklessness was a question of law subject to de novo review despite the existence of underlying questions of fact, essentially allowing the Federal Circuit, and not a jury, to serve as the initial gatekeeper for determining whether infringement was willful.⁴⁴ Finally, the patentee had to establish both prongs by “clear and convincing” evidence, further increasing the difficulty of proving that an infringer acted willfully.⁴⁵

Following *Seagate*, Congress codified the fallout from *Underwater Devices* in Section 298 of the Patent Act.⁴⁶ While the Supreme Court refused to view the enactment as an endorsement of the specific “concept of willfulness” described in *Seagate*, the provision was interpreted to have unequivocally denied *Underwater Device’s* duty of care standard requiring an affirmative duty to obtain the advice of counsel⁴⁷ and shifted the burden of proof to the patentee rather than the infringer.⁴⁸

In light of the repeal of the affirmative duty to obtain the advice of counsel and the new standard for willful infringement established in *Seagate* and its progeny, an infringer acting without any reason to believe his infringing actions were defensible could escape enhanced damages solely by employing a creative attorney to craft his defense argument after he was caught.⁴⁹ The new standard was widely viewed as setting an extremely high bar for proving willfulness, and consequently, as essentially obviating the need to obtain an opinion letter from outside counsel prior to engaging in potentially infringing activity.⁵⁰

C. The Halo Decision Leaves the Standard for Willful Infringement Unclear

The *Seagate* standard raised concerns that even extremely culpable defendants—those who “intentionally infring[e] another’s patent —with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee’s business”—were being protected from enhanced damages.⁵¹ In *Halo*, the Supreme Court overturned the *Seagate* framework, finding that *Seagate’s* two-prong test was “unduly rigid, and . . . impermissibly encumber[ed] the statutory grant of discretion to district courts.”⁵² The impermissible encumbrance arose from the “objective recklessness standard” and the “clear and convincing” evidentiary standard, neither of which was consistent with the

43. Brief for Intellectual Property Professors, *supra* note 38, at 22 (“This extends not just to potential defenses known to the infringer prior to engaging in infringing conduct (such as those developed in an opinion of counsel), but to defenses first discovered during the pendency of litigation as well.”).

44. *Id.* at 17–18 (arguing that the *Seagate* decision overturned nearly 25 years of precedent for a flexible approach to the willfulness inquiry). The Federal Circuit did not hesitate to exercise its powers of de novo review to overturn findings of willfulness. *See id.* at 24 (citing exemplary cases in which the Federal Circuit overturned findings of willfulness on appeal).

45. *Id.*

46. Patent Act, 35 U.S.C. § 298 (2011).

47. *Halo Elecs.*, 136 S. Ct. at 1935 (“Section 298 does not show that Congress ratified *Seagate’s* particular conception of willfulness. Rather, it simply addressed the fallout from the Federal Circuit’s opinion in *Underwater Devices . . .*, which had imposed an ‘affirmative duty’ to obtain advice of counsel prior to initiating any possible infringing activity.”)

48. *Seaman*, *supra* note 2, at 430.

49. *Halo Elecs.*, 136 S. Ct. at 1933.

50. *Seaman*, *supra* note 2, at 431.

51. *Halo Elecs.*, 136 S. Ct. at 1932.

52. *Id.* at 1926.

language of Section 284 of the Patent Act.⁵³

In place of the “rigid” *Seagate* framework, the Court held that “subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.”⁵⁴ While the Court drew on a view of culpability as the mental state demonstrated by the actor at the time of the culpable conduct,⁵⁵ it did not provide a new definition for willfulness. Instead, it commented merely that “Section 284 permits district courts to exercise their discretion . . . free from the inelastic constraints of the *Seagate* test,” and that the district courts should use discretion in a manner “[c]onsistent with nearly two centuries of enhanced damages under patent law,” which generally punished only cases “typified by willful misconduct.”⁵⁶

It is unclear how the “new” standard instructing courts to consider the last two centuries of enhanced damage awards when evaluating willful infringement will play out.⁵⁷ The Court did provide a few guiding principles in its opinion, however. First, it made clear that awards of enhanced damages are strictly punitive, not remedial.⁵⁸ Second, the Court rejected the “rigid formula” of *Seagate*, and indicated that subjective willfulness may be sufficient to warrant enhanced damages.⁵⁹ However, it is not clear that showing subjective willfulness is the *only* way to place enhanced damages on the table. Instead, the Court seemed to suggest that enhanced damages may be available when the defendant was objectively reckless as well.⁶⁰ Third, the Court stated that culpability is measured “against the knowledge of the actor at the time of the challenged conduct,”⁶¹ limiting the problematic *ex post* defenses that dominated litigation after *Seagate*.⁶² Finally, the Court placed emphasis on the importance of the trial court’s discretion in awarding enhanced

53. *Id.* at 1926–27; Patent Act, 35 U.S.C. § 284 (2012); Brief for Intellectual Property Professors, *supra* note 38, at 15.

54. *Halo Elecs.*, 136 S. Ct. at 1933.

55. *Id.*; Restatement (Second) Torts § 8(A) (1965) (“intent” is the state of mind in which “the actor desires to cause consequences of his act,” or believes the consequences “to be substantially certain to result [from the act].”).

56. *Halo Elecs.*, 136 S. Ct. at 1933–34; *see also* Brief for Intellectual Property Professors, *supra* note 38, at 17.

57. Dmitry Karshedt, *The Modern Pirate: Toward a New Standard for Enhanced Damages*, U.C. DAVIS L. REV. (forthcoming 2018) (noting that the Federal Circuit has continued to require “actual knowledge of a patent as a pre-requisite for enhanced damages” despite the Supreme Court’s clear statement that “there is not a ‘precise rule or formula’ for constraining lower courts’ discretion for awarding enhanced damages”); *see, e.g.*, *WBIP LLC v. Kohler Co.*, 829 F.3d 1317 (Fed. Cir. 2016) (requiring actual knowledge of a patent for enhanced damage awards).

58. *Halo Elecs.*, 136 S. Ct. at 1932 (“The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.”); *but see* Karshedt, *supra* note 57, at 12–13 (discussing the possibility that the evolution of tort-style punitive damages has altered the punitive nature of enhanced damages).

59. *Halo Elecs.*, 136 S. Ct. at 1933.

60. Karshedt, *supra* note 57, at 14–15 (noting that the court approvingly cited a “discussion from a case that in turn relied on the *Restatement Second of Torts*, which defined behavior as reckless if a person acts knowing or having reason to know of facts which would lead a reasonable man to realize his actions are unreasonably risky”) (internal quotations omitted).

61. *Id.* at 15 (quoting *Halo Elecs.*, 136 S. Ct. at 1933). The author notes, however, that a defense “can still be used to counter claims of enhanced damages *from the moment that defense was developed.*” *Id.*

62. *See* Seaman, *supra* note 2 and accompanying text (discussing the new standard’s extremely high bar for proving willful infringement).

damages.⁶³

As a result, though it seems reasonable to infer that an opinion letter from outside counsel will carry more weight than it did under the *Seagate* framework, it is unclear exactly to what extent the opinion letter will be relevant in considering whether infringing conduct is “willful.” A more detailed analysis of the role of the opinion letter under the past willfulness frameworks in this Note will be helpful in determining the importance of opinion letters under the new *Halo* decision. In turn, understanding the role of opinion letters moving forward will help companies identify the best ways to protect their innovation. Knowing how to factor *Halo* into their business decisions has the potential to save companies both up-front costs and litigation expenses, as they will be better able to identify situations in which an opinion letter is a valuable investment of company resources.

III. ANALYSIS

The role of the opinion letter continues to evolve as the courts revise their understanding of what willful infringement means. In Part II, the cases discussed provide insight into the Federal Circuit’s vision for an effective willfulness framework capable of considering a variety of evidence, including opinion letters. In reality, however, the true value of the opinion letter can only be ascertained by considering the Federal Circuit’s vision in combination with both the perceptions held by the legal community regarding the purpose of opinion letters and the actual impact letters have had on outcomes under the various willfulness frameworks, as both have played a substantial part in shaping the role of the opinion letter. This Part examines the perceived purpose of opinion letters under the *Underwater Devices* and *Seagate* willfulness frameworks and contrasts them with the actual impact of opinion letters on the outcome of cases. Then, this Part analyzes the impact that the *Halo* decision will have on the purpose of opinion letters, both perceived and actual, moving forward.

A. *The Opinion Letter’s Perceived Purposes and Actual Effect on Willfulness Outcomes in the Context of the Underwater Devices and Seagate Frameworks*

While empirical data show that the actual impact of opinion letters on litigation has changed drastically under the various willfulness frameworks,⁶⁴ the perceived importance of opinion letters has not seen such a drastic change. This result suggests either that opinion letters carry importance outside of litigation or that the perceived purpose of letters does not line up with actual outcomes.

1. *The Perceived Purposes of Opinion Letters Under Underwater Devices and Seagate*

The literature suggests that although the Federal Circuit in *Underwater Devices* may have hoped that forcing a potential infringer to obtain the opinion of counsel would curtail infringement, opinion letters have been perceived to serve many other purposes. While in some instances opinion letters are useful for alerting an unwary business of its potentially

63. *Halo Elecs.*, 136 S. Ct. at 1933–34 (“Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.”).

64. See *Supra* Part II (discussing the various willfulness frameworks).

infringing behavior, opinion letters are also viewed as defensive tools for preserving defenses in litigation, as offensive tools both for litigation and for encouraging resolution outside of the court, and even as tools for lining the pockets of industrious law firms.

a. The Opinion Letter is Perceived as a Mechanism for Incentivizing Good Faith Inquiry into Relevant Prior Art

The Federal Circuit's original purpose in creating a duty of care was to incentivize businesses to alert themselves when they were engaging in infringing behavior. In *Underwater Devices*, the Federal Circuit was preoccupied with situations in which "infringers would blatantly copy another's patent, dare them to bring suit, and take their chances in court."⁶⁵ At the time, the strategy was arguably wise—an alleged infringer had an 80% chance of escaping liability, and so from a risk calculus perspective it did not make sense for an infringer to engage time and resources in obtaining opinions about whether or not their actions were infringing.⁶⁶ By creating a duty of care, the *Underwater Devices* court effectively hoped to turn this risk calculus on its head and force businesses to consider the implications of their activity prior to moving forward.⁶⁷

There was some merit in the Federal Circuit's goal in *Underwater Devices*. Courts would not accept merely any opinion letter. For example, an infringer could not rely on the opinion of counsel unless the advice was "competent, authoritative, or contain[ed] sufficient internal indicia of credibility to remove any doubt that (the infringer) in fact received a competent opinion."⁶⁸ The courts have further considered the type of attorney preparing the opinion,⁶⁹ whether or not the opinion addresses the patent's file history,⁷⁰ and whether or not the defendant supplied all relevant information to counsel.⁷¹ Thus, it seems supportable that the opinion letter should give some indication of good faith intent, and indeed the letter is perceived to show that an infringer exercised due care in conducting its activities.⁷²

65. M. Curt Lambert, *Knorr-Bremse's Elimination of Adverse Inferences: A First Step in Willful Infringement Litigation*, 32 N. KY. L. REV. 589, 604 (2005).

66. *Id.*

67. *Id.*

68. *Radio Steel & Mfg. Co. v. MTD Prod., Inc.*, 788 F.2d 1554, 1558–59 (Fed. Cir. 1986) (internal citations omitted).

69. Lambert, *supra* note 65, at 613 (citing *Biotech Biologische Naturverpackungen GmbH & Co. v. Biocorp, Inc.*, 249 F.3d 1341, 1355–56 (Fed. Cir. 2001)) (considering attorneys not registered with the U.S.P.T.O.); *Studiengesellschaft Kohle v. Dart Indus., Inc.*, 862 F.2d 1564, 1573–76 (Fed. Cir. 1988) (considering in-house counsel); *Spindelfabrik Suessen-Schurr Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1084 (Fed. Cir. 1987) (considering foreign patent attorneys); *Minn. Mining and Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580–81 (viewing an oral opinion by in-house counsel as lacking objectivity).

70. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 2004).

71. *Comark Comm'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1190–91 (Fed. Cir. 1998).

72. Daniel Hrick, *An Opinion of Counsel From Trial Counsel: A Handful of Sand?*, 35 AIPLA Q.J. 171, 172 ("[I]t is common to obtain an 'opinion of counsel' to determine whether the product or service will infringe a third party's patent. Such an opinion is valuable because it assures the client that its actions comply with the law, and reduces the likelihood of the client being forced to pay 'enhanced' damages if the opinion turns out to be incorrect."); Lambert, *supra* note 65, at 608 (citing Marta E. Delsignore et al., *Selected Aspects of the Impact of Patent Prosecution on Patent Litigation Issues*, 791 PRACTISING LAW INST.: PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES 341, 389 n.198 (2004)) ("Needless to say, a competent opinion of counsel should be obtained and relied on in every instance notwithstanding the possibility

b. The Opinion Letter is Perceived as a Defensive Tool for Infringers, Incentivizing the Distortion of an Honest Opinion Letter into a Letter for Advocacy

However, while the opinion letter may be an indicator of good faith intent, the letter is also perceived to have other, sometimes less noble, purposes. As the drafting attorney and the potential infringer are undoubtedly aware, the opinion letter may be used at trial as evidence of the potential infringer's state of mind.⁷³ Accordingly, there are concerns that a strong incentive exists for the drafting attorney to serve as an advocate rather than an advisor in drafting the opinion.⁷⁴ In addition, in litigation the potential infringer must avoid any indication that he intentionally disregarded the opinion of counsel because such a finding would negate any inference of good faith created by the letter.⁷⁵ Litigation strategies and defenses that track the opinion letter are less likely to incite an accusation of intentional disregard, further incentivizing the potential infringer's counsel to advocate for the position that the potential infringer's behavior is non-infringing and lay out plausible defenses.⁷⁶ As one commentator noted, "attorney opinions addressing potential patent liability are now fashioned not as balanced analyses of the likely infringement exposure, but as future court exhibits intended to be displayed before a jury."⁷⁷

c. The Opinion Letter is Perceived as an Offensive Tool for the Patentee as it Creates High Costs for the Infringer and can Derail Infringer's Defense

In addition to the benefits an opinion letter might provide to the potential infringer, they are also perceived to have significant benefits to the patentee. First, particularly under the *Underwater Devices* duty of care standard, when an infringer brought an advice of counsel defense, the patentee was able to see defendant's entire strategy as laid out in the counsel's opinion letter.⁷⁸ Second, the extremely high cost of obtaining an opinion letter can be used as leverage in deterring litigation and encouraging licensing.⁷⁹

that a court may ultimately find no willfulness without it."); Douglas D. Salyers, *The Perils of Practitioners Penning Patent Opinions, Protecting Privileges, Preventing Production, and Other Ponderous Problems*, in 669 PRACTISING LAW INST.: PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK 871, 897-98 (2001) ("A patent attorney is the obvious best choice for providing an opinion letter about patent infringement. A patent attorney is best able to satisfy the competency requirement and should be able to work through the nuances of a well-reasoned opinion letter.").

73. Geoffrey Shippides, *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).

74. *Id.*

75. Judith S.H. Hom, *The Role of Opinion of Counsel in Willful Infringement Cases*, 4 INTELL. PROP. L. BULL. 20, 21 (1999).

76. *Id.*

77. John F. Lynch, *Risky Business: Coping With A Charge of Willful Infringement*, 4 SEDONA CONF. J. 31, 37 (2003).

78. Debra Koker, *Fulfilling the "Due Care" Requirement After Knorr-Bremse*, 11 B.U. J. SCI. & TECH. L. 154, 160 (2005) ("The patent opinion will likely detail all the possible ways infringement might be found, even as the attorney rebuts them. This letter might lay out the patent owner's entire case, or at least divulge the infringer's entire defense.").

79. Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237, 243 (2006) ("Economic theory suggests that when it becomes obvious that a patent is very likely to be invalidated, it is in the best interests of the patent holder to offer a cheap license to keep the patent rights intact, and it is in the best interests of the defendant to accept such an offer rather than incur further significant legal costs.").

The perception of opinion letters as offensive tools for the patentee seems supportable. During the *Underwater Devices* era, willful infringement was alleged in the vast majority of patent infringement suits.⁸⁰ This phenomena makes sense—under the duty of care standard, alleging willful infringement forced the alleged infringer to provide evidence that he sought the opinion of counsel, often in the form of a letter. Presenting the letter effectively “pierced” the attorney-client privilege, both giving the patentee early insight into the alleged infringer’s defenses and creating a blueprint for the litigation.⁸¹ Further, the opinion letter could be “used against the defendant” to show intentional disregard for the opinion of counsel if the alleged infringer deviated from the strategy offered in the opinion.⁸²

Even after the scope of subject matter waiver was limited in *Seagate*, opinion letters still had the potential to pack an economic punch. As the Federal Circuit noted in *Knorr-Bremse*, “the burdens and costs of the requirement” to obtain an opinion of counsel were exceptionally high,⁸³ and despite the argument that *Seagate* essentially obviated the need for an opinion letter,⁸⁴ there was a definite perception that obtaining an opinion letter was still a smart business decision.⁸⁵ Accordingly, a company that received notice that its device was infringing the patentee’s patent was faced with the option of obtaining a legal opinion, which run anywhere from thousands of dollars to hundreds of thousands of

80. Moore, *supra* note 11, at 232 (“Of the 1721 cases in the dataset, a willfulness charge was alleged in the originally filed complaint in 92.3% of the cases. If we were to look by patent, rather than by suit, willfulness was alleged with regard to 92.8% of the 2709 patents at issue in these 1721 patent infringement cases.”).

81. *Id.* at 232–33.

82. *Id.* at 233–34.

83. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1390 (Fed. Cir. 2004).

84. Rantanen, *supra* note 5, at 1628–29 (stating that after *Seagate* “willfulness turns not on an evaluation of the risk of infringement at the time the infringement occurred [for example, in an opinion letter], but on a post-hoc analysis of whether or not an omniscient accused infringer would have recognized that it had a viable defense”).

85. See, e.g., Seaman, *supra* note 2, at 454 (citing litigators, bar journals, and law review articles that express the sentiment that opinion letters remain important even after the *Seagate* decision); Christopher C. Bolten, *In Re Seagate Tech., L.L.C.: Is the Objective Recklessness Standard a Practical Change?*, 49 JURIMETRICS J. 73, 87 (2008) (“If an accused infringer obtains a competent legal opinion, it is unlikely that a court will find the infringer was objectively reckless because an infringer meets its duty of due care by obtaining a competent legal opinion.”). Timothy M. O’Shea, *New rule for proving willful infringement and why opinions from patent counsel still matter after patent reform*, LEXOLOGY (Jan. 28, 2013), <http://www.lexology.com/library/detail.aspx?g=afac3f58-f817-4b00-a32e-04a93708bd33> (“[O]btaining a non-infringement and/or invalidity opinion still remains the most effective insurance against a willfulness finding.”); Charles T. Steenburg, *Do Opinions of Counsel Still Matter After Patent Reform? Absolutely!*, WOLF GREENFIELD (Apr. 2, 2012), <http://www.wolfgreenfield.com/publications/articles/2012/opinions-after-patent-reform-steenburg>. It seems that a substantial portion of this perception stemmed from several post-*Seagate* Federal Circuit opinions stating that opinion letters may be relevant to the subjective prong of the *Seagate* framework. *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008) (“Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer ‘knew or should have known’ that its actions would cause another to directly infringe, we hold that such evidence remains relevant to the second prong of the [*Seagate*] intent analysis.”); *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008) (concluding that an opinion letter “would provide a sufficient basis . . . to proceed without engaging in objectively reckless behavior”). These rationales seem to ignore the fact that there may be other, less expensive, options for proving that infringement was not willful under the *Seagate* framework. See *supra* Part II.B (discussing the willfulness inquiry under *Seagate*).

dollars,⁸⁶ and the possibility of expensive litigation, or with the option of licensing the technology.⁸⁷ While the economic risk may serve to deter legitimate infringing behavior, it also serves to enable sophisticated businesses to prey on weaker competitors,⁸⁸ a line of reasoning that is supported by the fact that “patents are more likely to be involved in litigation if they are young, [and] if they are issued to individuals or small, domestic corporations”⁸⁹

d. The Opinion Letter is Perceived as a Way for Law Firms to Profit Off of Their Clients

Finally, there is a perception that opinion letters serve the far more devious purpose of lining attorneys’ pockets. Because a potential infringer hires an attorney with the expectation that the attorney will not find the potential infringer’s behavior to be actually infringing, the attorney “must choose between being honest and out of work, being dishonest in writing while contradicting themselves orally, or not fully serving the needs of their client.”⁹⁰ Thus, according to this perception, the attorney is forced to operate under the knowledge that a finding of infringement or a recommendation that no opinion letter is needed would cause their client to take their business elsewhere.⁹¹

While the law firm blogs, bar journals, and law review articles discussed above clearly show that opinion letters are perceived to achieve a variety of goals, many of these perceptions are not supported by legal fact.⁹² Thus, considering empirical evidence is also critical in analyzing the role of opinion letters prior to the *Halo* decision.

2. The Actual Effect of Opinion Letters on Willfulness Outcomes Under Underwater Devices and Seagate

Of the perceived purposes of opinion letters, only some of those purposes are relevant to litigation, namely the perception of opinion letters as offensive tools in litigation, as defensive tools for preserving defenses in litigation, and as tools to either alert a business of its potentially infringing behavior or confirm that its behavior is not infringing.⁹³ While these perceptions are arguably warranted under the *Underwater Devices* framework, the empirical evidence undermines the perceived litigation benefits of opinion letters in the

86. Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law’s Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1092 (2003) (estimating the cost of obtaining a legal opinion at between \$20,000 and \$100,000 dollars per patent). Many charge letters identify more than one patent, further increasing the cost. *Id.* Some large companies receive hundreds of charge letters a year. Danny Prati, *In Re Seagate Technology LLC: A Clean Slate for Willfulness*, 23 BERKELEY TECH. L.J. 47, 54–55 (2008).

87. Harold A. Borland, Comment: *The Affirmative Duty to Exercise Due Care in Willful Patent Infringement Cases: We Still Want It*, 6 HOUS. BUS. & TAX L.J. 176, 187–88 (2005) (considering how the economics of patent letters play out).

88. *Id.* at 205; Koker, *supra* note 78, at 157.

89. Kesan & Ball, *supra* note 79, at 254.

90. Shippersides, *supra* note 73, at 1070–71 (“Using an attorney-produced document as evidence of the state of mind of the defendant also distorts the attorney-client relationship.”).

91. *Id.* at 1071–72.

92. Moore, *supra* note 11, at 229–30.

93. See *supra* Part III.A.1 (discussing the perceived purposes of opinion letters under *Underwater Devices* and *Seagate*).

willfulness regime after *Seagate*.⁹⁴

a. Empirical Data Support the Perception that Opinion Letters are Good Offensive Tools in Litigation

The affirmative duty of care set forth in *Underwater Devices* clearly spurred allegations of willfulness. While in theory the presumption against the infringer at trial for failing to exercise due care was rebuttable, in reality, the presumption of willfulness was detrimental.⁹⁵ Thus, the patentee stood to benefit significantly from a willfulness allegation and accordingly alleged willfulness in approximately 92% of infringement cases.⁹⁶ This seems to validate the perception that patentees often use opinion letters as an offensive strategy in litigation.

b. Empirical Data Show that while Opinion Letters were Effective Defensive Tools in Bench Trials Prior to the Seagate Decision, the Data do not Otherwise Support the Perception that Opinion Letters are Good Defensive Tools in Litigation

However, the empirical evidence starts to diverge from the perception of the legal community with regards to the opinion letter's perceived benefits to the infringer. While the actual number of willfulness findings did not vary significantly pre- and post-*Seagate*,⁹⁷ the combined impact of *Seagate* and *Knorr-Bremse* did result in an overall decline in findings of willfulness from 64% to 37%.⁹⁸ Interestingly, post-*Seagate* willfulness decisions showed a large disparity between willfulness findings by a jury, which found willfulness 62% of the time (almost identical to the percentage pre-*Seagate*), and findings by a judge, who found willfulness in a mere 19% of cases.⁹⁹ This finding suggests that jurors had a more difficult time understanding the higher burden of proof under *Seagate*.¹⁰⁰ However, awards of enhanced damages actually decreased after *Seagate*, with enhanced damages being awarded in 55% of the cases compared with 81% of cases pre-*Seagate*.¹⁰¹ Judges appeared to be declining to award enhanced damages instead of overturning jury

94. See generally Seaman, *supra* note 2 (contrasting empirical data before and after the *Seagate* decision); Moore, *supra* note 11, at 237 (analyzing relevant factors in determining willfulness under the *Underwater Devices* framework).

95. Seaman, *supra* note 2, at 425.

96. Moore, *supra* note 11, at 232.

97. Seaman, *supra* note 2, at 441 (“[D]uring the pre-*Seagate* period (September 2004-August 2007), willful infringement was found in just under a majority of cases (48.2%). In contrast, after *Seagate* (August 2007-July 2010), willful infringement was found almost 40% of the time (37.2%). This means that willfulness was found in approximately 10% (11.0%) fewer cases after *Seagate*. Notably, this difference was not found to be statistically significant, although the p-value is close to the 0.05 significance threshold (p = 0.052).”)

98. *Id.* at 444 (“[T]here is a substantial decline in willfulness findings over the three time periods (64% to 48% to 37%). Furthermore, this cumulative difference is highly statistically significant (p = 0.000). As a result, the cumulative impact of the Federal Circuit’s decisions in *Knorr-Bremse* and *Seagate*, rather than *Seagate* alone, may account for the decrease in willfulness findings since 1999. Indeed, it may be possible that *Knorr-Bremse* had a larger impact than *Seagate* on willfulness decisions, as there is highly statistically significant difference (p=0.001) between the pre-2000 willfulness decisions identified in Judge Moore’s study compared with the post-*Knorr-Bremse*, pre-*Seagate* decisions collected in this dataset.”)

99. *Id.* at 445.

100. *Id.* at 446–47.

101. *Id.* at 466.

findings of willfulness.¹⁰²

As the difficulty of proving willfulness increased with the *Knorr-Bremse* and *Seagate* decisions, the impact of opinion letters decreased. Opinion letters appeared to carry much more weight in willfulness findings under *Underwater Devices*, although interestingly there was again a significant disparity between how judges and juries viewed the opinion letter.¹⁰³ During bench trials, judges found infringers' behavior to be willful 84% of the time when they failed to present an opinion letter, compared to 45% of the time with an opinion letter.¹⁰⁴ This result shows a significant advantage in obtaining an opinion letter in a pre-*Seagate* bench trial.¹⁰⁵ In contrast, juries found infringers to be willful 56% of the time when an opinion letter was presented, statistically identical to the time when the infringer did not present an opinion letter.¹⁰⁶ Overall, an infringer was found to be willful 51% of the time with an opinion letter, compared to 63% of the time without a letter.¹⁰⁷

After *Seagate*, however, the empirical data show that the absence of an opinion letter did not affect the finding of willfulness. Infringers were found willful 43% of the time when they offered opinion letters.¹⁰⁸ When they did not offer an opinion of counsel, they were found willful at almost the same rate, or 44% of the time.¹⁰⁹ In fact, the data showed that only two factors were highly relevant to the willfulness decision—whether the infringer could come up with a substantial defense to infringement and whether or not there was evidence of copying.¹¹⁰ The empirical evidence refutes the perception that opinion letters remained relevant to the defendant post-*Seagate*, and further indicates that there may be little benefit in asserting an advice of counsel defense in jury trials.

c. Although Empirical Evidence Calls into Question the Usefulness of Letters in Litigation, Opinion Letters May Still be Beneficial for Non-litigation Purposes

The conclusion that opinion letters are ineffective as a defensive tool in trial suggests that there is little reason for businesses to obtain opinion letters in the first place.¹¹¹ However, there are plausible business reasons for obtaining an opinion letter despite their questionable value in trial. For example, prior to litigation opinion letters can help a business assess its position in the event of future lawsuits from competitors in the marketplace and accordingly can help the business make risk assessments about engaging in various business decisions.¹¹² Additionally, opinion letters may help defeat a motion for a preliminary injunction.¹¹³ Thus, it seems logical to conclude that opinion letters may

102. Seaman, *supra* note 2, at 467.

103. Prati, *supra* note 86, at 55.

104. *Id.*

105. *Id.*

106. *Id.*

107. Moore, *supra* note 11, at 239.

108. Seaman, *supra* note 2, at 454.

109. *Id.*

110. *Id.* at 457–58.

111. See *supra* notes 103–10 and accompanying text (showing that, with the exception of bench trials prior to *Seagate*, opinion letters do not have an impact on willfulness findings).

112. See, e.g., Brian D. Lefort, *Practical Reasons to Obtain an Opinion of Patent Counsel*, FAEGRE BAKER DANIELS (May 22, 2014), <http://www.faegrebd.com/practical-reasons-to-obtain-an-opinion-of-patent-counsel> (explaining that patent counsel opinions can be useful in defeating claims of willfulness, evaluating position in future lawsuits, and outlining how to combat request for a preliminary injunction).

113. *Id.* (“[D]uring the last two years, 83.3 percent of the motions that were denied were denied due to,

plausibly serve some purpose of incentivizing good faith inquiry into prior art for reasons of risk assessment and potential denial of pre-trial motions for preliminary injunctions.

The empirical data fails to support some of the legal community's perceived reasons for obtaining an opinion letter from outside counsel, particularly in the post-*Seagate* context. Accordingly, an examination of the *Halo* decision is necessary to determine if there is any reason to believe that the decision resurrected the benefits of obtaining opinion of counsel or if companies are better able to spend their resources elsewhere.

B. The Role of the Opinion Letter in the Halo Era

The Court's decision in *Halo* rejected the rigid *Seagate* framework in favor of a determination "[c]onsistent with nearly two centuries of enhanced damages under patent law. . ."¹¹⁴ At first glance, it seems that the ruling relaxed the requirements for proving that an infringement was in fact willful and would therefore increase the relevance of opinion letters. However, several factors must be considered before this conclusion can be supported. First, an analysis of the precedent that remains unchanged even after *Halo* reveals that several precedential cases will still restrain the usefulness of the opinion letter. Second, the Federal Circuit seems reluctant to let go of the "objective reasonableness" standard, which could play into how willful infringement cases are decided. Finally, Justice Breyer's concurring opinion in *Halo* indicates general dissatisfaction with the burden that opinion letters place on small businesses and emphasizes that receipt of a cease and desist letter should not always force a company to decide between obtaining an opinion letter or risking a finding of willful infringement. In light of each of these considerations, it seems that while opinion letters may have more relevance after *Halo* than they did under the *Seagate* framework, the legal community is unlikely to see opinion letters return to the level of importance they enjoyed prior to the *Seagate* decision.

1. Binding Authority Remaining Intact after Halo Will Restrain the Effectiveness of Opinion Letters

Despite rejecting the *Seagate* framework, some binding precedent still stands that will impact how much the *Halo* decision can really impact the opinion letter industry.¹¹⁵ Both the *Knorr-Bremse* decision, discarding the presumption of culpability for failure to obtain counsel, and the *Seagate* ruling declining to extend waiver of attorney-client privilege and work-product doctrine to trial counsel when a defendant asserts an advice of counsel defense, remain good law.¹¹⁶ Accordingly, the precedential case law not overturned by the

either solely or partially, the plaintiff's inability to establish that the accused infringer likely infringed the asserted patent and/or that the patent was not invalid. In comparison, courts denied 16.7 percent of preliminary injunction motions because the plaintiff was unlikely to suffer irreparable harm if the defendant's product(s) remained on the market during pendency of the litigation. Because roughly five times as many denials hinge on proving likelihood of success on the merits, rather than irreparable harm, the non-infringement and invalidity positions which would be articulated in an opinion of counsel, if it exists, become more important when a defendant is faced with a preliminary injunction.").

114. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1934 (2016); see also *supra* Part II.C (discussing the *Halo* decision).

115. Brief for Intellectual Property Professors, *supra* note 38, at 30 (addressing the concern that rejecting the *Seagate* framework will "coerc[e] accused infringers to obtain and disclose an opinion of counsel to defend against willfulness, thus waiving the [attorney-client] privilege").

116. *Id.* at 30–31.

Halo ruling undermines both the infringer's incentive to obtain an opinion letter and one of the patentee's significant offensive advantages at trial, both of which are critical purposes of opinion letters. This suggests that remaining law will continue to stifle many benefits of opinion letters in the trial context.

2. *The Federal Circuit's Reluctance to Abandon the "Objective Reasonableness" Standard May Decrease the Effectiveness of an Infringer's Opinion Letter*

Following *Halo*, the Supreme Court vacated and remanded *WesternGeco v. ION Geophysical*,¹¹⁷ another willful infringement case, for further consideration by the Federal Circuit consistent with the *Halo* decision.¹¹⁸ The Federal Circuit in turn vacated and remanded the case to district court, emphasizing the ongoing relevance of the objective reasonableness standard by stating that "the objective reasonableness of the accused infringer's positions can still be relevant for the district court to consider when exercising its discretion [to award enhanced damages]."¹¹⁹

Because *Halo* emphasized the district court's power to use discretion in awarding enhanced damages, instructing the district court to consider objective reasonableness has the potential to raise the already high bar for receiving enhanced damage awards. This is compounded by the fact that even under the lower standard for willfulness in *Underwater Devices*, judges tended to award enhanced damages in just over half of the cases in which a jury found willfulness.¹²⁰ As was evident under the *Seagate* framework, an infringer does not need an opinion letter to show objective reasonableness because there are a variety of simpler and less expensive options.¹²¹ As a result, the Federal Circuit's reluctance to abandon the objective reasonableness inquiry has the potential to maintain some semblance of the *Seagate*-era treatment of opinion letters in enhanced damages considerations.

3. *Justice Breyer's Concurrence in Halo Strongly Suggests that Opinion Letters Should*

117. *WesternGeco L.L.C. v. Ion Geophysical Corp.*, 837 F.3d 1358 (Fed. Cir. 2016). The vacated decision was brought by WesternGeco L.L.C. ("WesternGeco") against ION Geophysical Corp. ("ION") for alleged infringement of WesternGeco's patents. *Id.* at 1360. The jury found infringement and also found that the defendant was "subjectively reckless" under the second prong of the *Seagate* test. *Id.* After trial, WesternGeco moved for enhanced damages and ION moved for judgment as a matter of law of no willful infringement. *Id.* The district court held that ION was not objectively reckless under the first prong of the *Seagate* test and accordingly refused to find willful infringement. *Id.* The Federal Circuit affirmed the district court's decision, and WesternGeco petitioned for certiorari requesting the court to vacate and remand the Federal Circuit decision "[i]f the result of *Halo* and *Stryker* is other than a complete affirmance and approval of Federal Circuit law . . ." *Id.* at 1360–61.

118. Dennis Crouch, *Objective Reasonableness Still at Play in Willfulness Cases*, PATENTLY-O (Sept. 21, 2016), <http://patentlyo.com/patent/2016/09/objective-reasonableness-willfulness.html>.

119. *WesternGeco*, 837 F.3d at 1363. The court's argument is that under *Octane Fitness*, courts are instructed to consider the totality of the circumstances, and that in *Octane Fitness* the court relied on the comparable context of the Copyright Act to determine what was relevant in a totality of the circumstances analysis. *Id.* (internal citations omitted). *Octane Fitness*, in turn, relied on a copyright case, *Fogerty v. Fantasy, Inc.*, and found that a nonexclusive list of factors would include both factual and legal objective unreasonableness. *Id.* (internal citations omitted).

120. Moore, *supra* note 11, at 237 (finding that judges awarded enhanced damages in 55.7% of cases where willfulness was found and accordingly that enhanced damages were only awarded in 32% of the cases that resolved the willfulness issue).

121. See *supra* notes 47, 49 and accompanying text (discussing the objective reasonableness prong of the *Seagate* framework).

Carry Less Weight in Willfulness Considerations

Perhaps foreshadowing the Court's perception of opinion letters moving forward, Justice Breyer wrote a strong concurring opinion in *Halo* for the purpose of clarifying that nothing in the *Halo* decision should be construed to weaken the statutory directive of Section 298,¹²² which states that the "failure of an infringer to obtain the advice of counsel . . . may not be used to prove that the accused infringer willfully infringed."¹²³ Additionally, he asserts that in no circumstance should a court award enhanced damages where the evidence "shows that the infringer knew about the patent *and nothing more*," emphasizing that choosing to ignore a cease and desist letter alone should not result in enhanced damages.¹²⁴

However, Breyer does not restrict his opinion to emphasizing that the Court has not changed the way Section 298 should be interpreted. Instead, he goes on to explicitly spell out why the Court's decision is justified. Chief among his reasons is that obtaining the opinion of counsel is expensive and can easily prevent an inventor from getting a small business started or force a company who is not infringing to settle, pay licensing fees, or abandon the challenged activity entirely, all of which stifle the very innovation that patent law strives to protect.¹²⁵ Justice Breyer's concerns were echoed by many members of the legal community who worried that *Halo* might set the bar for awarding enhanced damages too low.¹²⁶ If Justice Breyer's concurring opinion sets the tenor for how courts treat opinion letters moving forward, it is possible that they will become increasingly irrelevant over time as the law evolves toward encouraging innovation by small business and tech companies.

IV. RECOMMENDATION

The recent Supreme Court decision in *Halo* once again changed the willful infringement landscape and has forced companies to re-evaluate their appetite for risk as they contemplate new business ventures or after they receive cease and desist letters or licensing offers from competitors. This Part will address how businesses should manage risk in the post-*Halo* willfulness regime.

Prior to the *Halo* decision, a "wait-and-see" approach to willfulness, where a potential infringer could wait until they were sued and then rely on counsel to come up with plausible defenses, was likely a wise business decision.¹²⁷ However, the *Halo* decision opens the door for courts to examine subjective intent of the infringer, which necessarily introduces more risk into the "wait-and-see" approach by lowering the bar for proving willful

122. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1936–37 (2016) (Breyer, J., concurring).

123. Patent Act, 35 U.S.C. § 298 (2011).

124. *Halo Elecs.*, 136 S. Ct. at 1936.

125. *Id.* at 1937.

126. Brief of Amici Curiae Internet Companies In Support of Respondents, *Halo Elec., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016) (Nos. 14-1513, 14-1520) (discussing how threat of enhanced damages hinders industry-wide standards and noting that many companies receive hundreds of cease and desist letters making obtaining an opinion letter for every one virtually impossible); Lisa Larrimore Ouellette, *Halo v. Pulse and the Increased Risk of Reading Patents*, STAN. L. SCH.: SLS BLOGS (June 6, 2016), <https://law.stanford.edu/2016/06/16/halo-v-pulse-and-the-increased-risks-of-reading-patents/> (reflecting that the *Halo* decision may disincentivize inventors to read prior art and harm innovation).

127. *Supra* Part III.B.2 (discussing the low bar set by the objective reasonableness prong of the *Seagate* framework).

infringement.¹²⁸ At the same time, prior judicial precedent, the Federal Circuit's reluctance to completely abandon the objective reasonableness inquiry, and the general judicial tenor toward opinion letters all strongly suggest that opinion letters are not of nearly the same importance as they were under the pre-*Seagate* framework.¹²⁹ Accordingly, businesses should base their decision on a critical examination of the possible costs and benefits associated with obtaining an opinion letter as they try to strike a balance between the duty of care standard under *Underwater Devices* and the objective reasonableness standard under *Seagate*.

There are several factors that businesses should keep in mind when determining whether or not to obtain an opinion letter. First, under no circumstances will a decision not to obtain a letter draw an adverse inference at trial.¹³⁰ Second, empirical evidence tended to show that under both *Underwater Devices* and *Seagate* the presence or absence of an opinion letter had very little impact on jury verdicts regarding willfulness, although they did tend to affect the verdict in bench trials under *Underwater Devices*.¹³¹ Finally, the Supreme Court has evinced a fair amount of sympathy for small business and tech companies faced with the high costs of legal advice.¹³² For these reasons, under the *Halo* decision an opinion letter will mainly serve to help a business identify areas of opportunity and risk in the competitive landscape.

Ultimately, a business's decision to obtain an opinion letter should be made based on the business's size, financial power, and industry sector. For smaller businesses, the benefits of obtaining an opinion letter, namely an understanding of the strength of their rights in their products within the marketplace, will in many cases be outweighed by the cost of obtaining an opinion letter. Larger businesses, however, may benefit from understanding their strongest cases for enforcement of their own intellectual property rights or for invalidation of another's intellectual property rights. Large businesses are also more likely to have the funds to pursue a more aggressive strategy. In any case, the *Halo* decision gives businesses more room to make their own cost-benefit assessments in determining whether or not an opinion letter from outside counsel will serve their needs.

V. CONCLUSION

The willful infringement landscape has changed dramatically since the inception of the opinion letter industry following the *Underwater Devices* decision. By continuing to reject an infringer's failure to obtain opinion of counsel alone as evidence of willfulness, the *Halo* decision allows businesses engaging in activities with infringement potential to conduct their own cost-benefit analysis when determining whether or not to obtain an opinion letter. This Note offers businesses the information they need to make informed decisions about the costs and benefits of acquiring opinion letters and addresses some of

128. *Supra* Part II.C (summarizing the Court's decision in *Halo*, which returned the focus of the willfulness inquiry to subjective reasonableness).

129. *Supra* Part III.B (analyzing the factors that weigh against the opinion letter's return to its prior position as a critical element of the willfulness inquiry); *supra* Parts II.A and II.B (summarizing the duty of due care and rebuttable presumption of willfulness under the *Underwater Devices* framework).

130. *Supra* Part III.B.3 (analyzing Justice Breyer's concurring opinion and noting that the Court did not alter Section 298 forbidding an adverse inference arising from the failure to produce an opinion letter).

131. *Supra* Part III.A.2 (analyzing empirical data to determine the impact of opinion letters).

132. *Supra* Part III.B.3 (analyzing Justice Breyer's concurrence and concluding that the concurring opinion demonstrated a move away from requiring opinion letters because of the cost of procuring them).

the key considerations arising from the *Halo* decision.

The future of the opinion letter will become clearer as case law interpreting the *Halo* decision develops. The purpose of this Note has been to provide a background of the law surrounding willful infringement and its relation to opinion of counsel, explain the possible implications of the Court's *Halo* decision, and hopefully provide some insights into important considerations for businesses trying to determine whether or not an opinion letter is right for their business needs.