UT LAW CLE THE UNIVERSITY OF TEXAS SCHOOL OF LAW

PRESENTED AT

21st Annual Advanced Patent Law Institute
November 3-4, 2016
Austin, Texas

WILL *HALO* LEAD TO MORE OPINIONS OF COUNSEL?

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For a defendant accused of patent infringement, a finding of willful patent infringement can be the litigation equivalent of an atomic bomb. Such a finding can result in a defendant having to pay the attorneys' fees of the patent holder. It can also lead to an award of treble damages. A patent case with a potential exposure of just $5 million can be transformed into a case that costs $20 million or more.

Businesses therefore have a strong incentive to minimize the risk of a willful infringement finding. One way to do so is to seek a competent opinion of counsel. Opinions of counsel have long been recognized as a way to avoid willful infringement and enhanced damages.[1] Over the years, however, the importance of an opinion of counsel has fluctuated as the standard for willful infringement has changed.

The Supreme Court recently issued its first decision in more than fifty years concerning the standard for awarding enhanced damages in patent cases: *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016). This article examines how the *Halo* decision changed the legal standard for willful infringement and enhanced damages in patent cases, and its impact on the need for and value of an opinion of counsel. Ultimately, the article concludes that opinions of counsel have become more desirable to avoid enhanced damages under the new *Halo* standard, but that some circumstances exist where willful infringement and enhanced damages likely can be avoided without obtaining an opinion of counsel.

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[1] *See, e.g., Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 945 (Fed. Cir. 1992) ("we cannot say the district court clearly erred in finding that Ortho reasonably relied upon opinions by its counsel and, thus, Ortho's infringement was not willful").

I. Brief History of Opinions of Counsel in Patent Litigation

Since the creation of the Federal Circuit, the importance of an opinion of counsel to avoid willful infringement and enhanced damages has changed dramatically. In the beginning, the Federal Circuit effectively made opinions of counsel mandatory. Twenty-five years later, the Federal Circuit made a 180-degree turn. Opinions of counsel remained helpful but became optional.

A. Opinions of Counsel Held Essential to Discharge Affirmative Duty of Due Care and Avoid Willful Infringement (1983-2003)

A year after its creation, the Federal Circuit essentially made obtaining competent legal advice mandatory to avoid willful infringement. It imposed on any person with actual notice of another's patent rights "an affirmative duty to exercise due care to determine whether or not he is infringing." *Underwater Devices, Inc. v. Morris-Knudsen Co., Inc.*, 717 F.2d 1380 1389-90 (Fed. Cir. 1983). This included the obligation "to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity." A breach of this duty alone could lead to liability for willful patent infringement. *Id.* at 1390. Legal advice in the form of a competent opinion of counsel instantly became necessary to avoid willful infringement.

Over the next twenty years, obtaining an opinion of counsel to avoid willful infringement became increasingly complicated and expensive. For example, court decisions expanded the affirmative duty to seek advice of counsel to situations where knowledge of a patent was obtained without any knowledge of a potential for infringement.[2] At the time, many practitioners believed that knowledge of a patent alone—regardless of context—triggered the duty to investigate and seek advice

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[2] *See, e.g., Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1415 (Fed. Cir. 1996)(affirming willful infringement based on knowledge of patent from reference in PTO gazette plus knowledge of allegedly infringing product).

Title search: Will Halo Lead to More Opinions of Counsel?

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First appeared as part of the conference materials for the
21st Annual Advanced Patent Law Institute session
"Opinion Practice after *Halo* and *Stryker*—More Valuable Now?"