Patent Reform: New Section 298 Will Preclude Patentees from Proving Willfulness or Inducement Through an Alleged Infringer's Failure to Obtain or Provide Evidence of an Opinion of Counsel

By Sean M. Sullivan

The Leahy-Smith America Invents Act of 2011 ("AIA") was signed into law by President Obama on September 16, 2011. The first significant overhaul of the U.S. patent system in nearly 60 years, this new patent reform measure ushers in considerable changes in how companies and individuals may obtain and enforce patents in the United States. This is the fifth in a series of articles on the AIA (the earlier articles can be accessed here).

Section 17 of the AIA adds a new section to the U.S. Patent Statute, Section 298, entitled "Advice of counsel," that makes it more difficult to establish willful and induced infringement in exchange for better protection of an accused infringer's attorney-client relationship. Section 298, which will be added to the Statute as of September 16, 2012, states that

> [t]he 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.

The caselaw on the impact of opinions of counsel (or the lack thereof) on infringement litigation has changed over time. For a time, the Federal Circuit had held that an accused infringer's failure to produce advice from counsel "would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its [activities] would be an infringement of valid U.S. patents." *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986). In more recent decisions, however, the Federal Circuit recognized that an adverse inference from the lack of an opinion of counsel imposed "inappropriate burdens on the attorney-client relationship." *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc). As a result, the Federal Circuit held in *Knorr-Bremse* that invoking the attorney-client privilege or work product protection does not give rise to an adverse inference with respect to willfulness. *Id*. at 1344-45. Likewise, the Federal Circuit also held that an accused infringer's failure to obtain legal advice does not give rise to an adverse inference. *Id*. at 1345-46.

In *In re Seagate Tech., LLC,* 497 F.3d 1360 (Fed. Cir. 2007) (en banc), the Federal Circuit confirmed the holding in *Knorr-Bremse* and removed any affirmative obligation to obtain an opinion of counsel to combat an allegation of willful infringement. *Id.* at 1370-71. In *Seagate*, the Federal Circuit held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness" and "[b]ecause we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel." *Id*.

Section 298 codifies and expands on these more recent Federal Circuit decisions. Specifically, Section 298 expressly forbids not only the patentee, but also the finder of fact, from relying on a failure to obtain or a refusal to waive an opinion of counsel to establish either willful infringement or inducement by the accused infringer. As the legislative history makes clear, Section 298 "bars courts and juries from drawing an adverse inference from an accused infringer's failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such an opinion." *H.R. Rep. No. 112-98, pt. 1* (June 1, 2011), p. 53.

Of course, Section 298 was not intended to eliminate the usefulness of opinions of counsel for accused infringers. It certainly was, however, designed to "reduce[s] [the] pressure on accused infringers to obtain opinions of counsel for litigation purposes." *Id*.

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MBHB attorneys are well versed on the Leahy-Smith America Invents Act patent law changes and how the changes will impact prosecuting and enforcing patents in the U.S. Please contact an MBHB attorney should you have any questions about the Act or to arrange an in-house seminar about the Leahy-Smith America Invents Act. For more general information about the Act, and its impact on the patent laws, view our most recent edition of *snippets*.