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WILLFUL INFRINGEMENT AND
"MAGIC WORDS"—THE EFFECT
OF OPINIONS OF COUNSEL ON
AWARDS OF INCREASED DAMAGES
AND ATTORNEY FEES**

I. INTRODUCTION

Arguably, the CAFC may have revolutionized the law of willful patent infringement under both 35 USC 284 and 285. I say "arguably" because the opinions which have attracted so much attention have been in cases where the appellate court has *affirmed* district court awards of multiple damages under §284 and/or awards of attorney fees under §285. In view of the enormous discretion which the appellate courts have traditionally given the trial courts in these matters, the real test of whether the CAFC has revolutionized the law of willful patent infringement will come when we see (1) whether the district courts take what the CAFC has said in *affirming* awards of increased damages and/or attorney fees in particular factual situations as requiring them to make similar awards in cases having similar facts and/or as forbidding them to make similar awards in cases which formerly would have been thought to justify such awards but which do not involve similar facts and (2) whether the CAFC will *reverse* district courts which decline to award increased damages and/or attorney fees in cases having similar facts and/or which make such awards in different situations.

II. BACKGROUND—THE PRIOR LAW¹

The second paragraph of 35 USC 284 provides that "the [trial] court may increase the [actual] damages up to three

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¹ See generally White, *Patent Litigation: Procedure & Tactics* §9.04, "Extraordinary Awards"; 5 Chisum, *Patents* §20.03 [4] [b], "Increased Damages," and §20.03 [4] [c], "Attorney Fees"; Stroup, "Patentee's Monetary Recovery from an Infringer," 59 JPOS 362, 398-401 (1977); Note, "Recovery in Patent Infringement Suits," 60 Columbia L. Rev. 840, 852-54 (1960); and Ahart, "Attorneys' Fees: The Patent Experience," 57 JPOS 608 (1975).

times the amount found [by the jury] or assessed [by the court in a bench trial]." 35 USC 285 provides that "[t]he [trial] court in exceptional cases may award reasonable attorney fees to the prevailing party." Both sections of the statute are remarkably devoid of guidance for use by the trial court in deciding whether or not to make such awards and, if such an award is to be made, how large it should be. Nevertheless, as Professor Chisum has remarked "Decisions granting and denying increased damages are legion,"² and a very considerable body of case law on these two statutory sections has developed.³

It is not the purpose of these brief remarks to compete with Professor Chisum's thorough synthesis of the pre-CAFC case law.⁴ However, at least a brief outline of where the law stood prior to the advent of the CAFC is necessary to understand the potentially revolutionary impact of what the court has said in the two short years of its existence.

In the past, awards of increased damages under §284 have been "based upon a finding that . . . [the infringer's] conduct was willful, wanton, deliberate, in flagrant disregard of the patentee's rights, intentional, vexatious, or gross. Conversely, a refusal to increase damages . . . [has been] predicated upon a determination that the infringer was acting reasonably and in good faith."⁵ Although §285, unlike §284, provides some minimal guidance to the trial court (in that the trial court is authorized to award reasonable attorney fees "in exceptional cases"), in practice awards of attorney fees have been based on the same type of fact situations as have justified the award of increased damages, and both White⁶ and Chisum⁷ note that awards of both increased damages and attorney fees have often been made in the same case based upon the same misconduct by the losing party.⁸

2 Chisum, *op. cit. supra* n.1 at 20-178. Decisions granting and denying awards of attorney fees under §285 are likewise legion.

3 See generally the authorities cited in footnote 1, *supra*.

4 Chisum, *op. cit. supra* n.1.

5 White, *op. cit. supra* n.1. at 9-38.3-9-39.

6 White, *op. cit. supra* n.1. at 9-46.

7 Chisum, *op. cit. supra* n.1. at 2-192.

8 Of course, an award of increased damages can only be made to a prevailing patentee, whereas an award of attorney fees can be made either to a prevailing

However, the point to be noted here is that, although the courts have applied these statutory sections to a myriad of different factual situations, they have tended to keep their description of the standards which justify awards of increased damages very general indeed.⁹

While a multitude of different facts were accepted as relevant to the question of whether the losing party, whether it was the patentee or the alleged infringer, had litigated in good faith, one particular fact came up in many cases and is the fact that the CAFC seems to be focusing attention on, arguably to the virtual exclusion of all other facts. That fact was whether or not the losing party had relied on an opinion from qualified, independent counsel assuring it that it was entitled to do what it contemplated doing (whether that was suing the ultimately prevailing party for patent infringement or going ahead with the manufacture and sale of a device which was ultimately held to infringe a valid patent). However, this fact was not absolutely controlling. A losing party which had acted in reliance on such an opinion was not thereby absolutely insulated from the possibility of an award of increased damages and/or attorney fees, and a losing party which had not obtained and relied on such an opinion before undertaking the course of conduct in question was not precluded from establishing its good faith (and thereby avoiding an award of increased damages and/or attorney fees) by other means.¹⁰

patentee or a prevailing alleged infringer. Moreover, in many cases there is no clear-cut victor, one party prevailing as to some issues and the other party as to other issues. In such a situation, the trial court can award sanctions against both parties or neither party. See generally Chisum, *op. cit. supra* n.1. at 20-194 n.106 and accompanying text.

⁹ See, e.g., *Uniflow Mfg. Co. v King-Seeley Thermos Co.*, 428 F.2d 335, 341, 166 USPQ 70, 75 (6th Cir. 1970) ("for an award of attorneys' fees to be upheld[,] the trial court must have found unfairness, bad faith or inequitable or unconscionable conduct on the part of the losing party."), and *Park-In Theatres v. Perkins*, 190 F.2d 137, 142, 90 USPQ 163, 167 (9th Cir. 1951) ("The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear.")

¹⁰ See generally Chisum, *op. cit. supra* n.1 at 20-179-20-189 and *White*, *op. cit. supra* n.1 at 9-41, 9-43-44, and 9-47. To paraphrase the Supreme Court's familiar

III. THE CAFC'S IMPACT ON THE LAW

In *South Corp. v. United States*,¹¹ which was the first appeal heard by the new court and the first opinion it issued, the in banc court¹² stated unanimously at the outset of the opinion that:

the holdings of our predecessor courts, the United States Court of Claims and the United States Court of Customs and Patent Appeals, announced by those courts before the close of business September 30, 1982, shall be binding as precedent in this court.¹³

However, neither of the predecessor courts had any applicable precedent on either 35 USC 284 or 285.¹⁴ Accordingly, this was one of those areas where the CAFC was at liberty to fashion its own synthesis of what it perceived to be the best opinions of the twelve regional circuit courts of appeal.

A. *Underwater Devices Inc. v. Morrison-Knudsen Co.*

The CAFC's opinion which has attracted the most attention in this area of the law is *Underwater Devices Inc. v. Morrison-Knudsen Co.*¹⁵, a 1983 opinion by Circuit Judge Kashiwa for a panel also including Circuit Judges Friedman and Rich. In that case, the patentee ("UDI") advised the infringer ("M-K") of the existence of its patents and offered M-K a royalty-bearing license at the time that M-K bid on the project its building of which was ultimately held to be an infringement. However, M-K's in-house attorney, who was not a patent attorney, advised management not to take a license because (1) the patented apparatus and method

rubric in another context, the possession of an ante litam opinion of counsel sanctioning a losing party's conduct was a "secondary consideration" inquiry into which "may have relevancy." *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966).

11 690 F.2d 1368, 215 USPQ 657 (Fed. Cir. 1982) (in banc).

12 Ten of the eleven judges of the new court sat. No reason was given for the absence of the eleventh judge, Judge Nichols.

13 690 F.2d at 1370, 215 USPQ at 658.

14 The International Trade Commission, from which appeals lay to the CCPA, has no authority to award money judgments of any kind, and the Court of Claims has held that neither 35 USC 284 nor 285 applied to actions against the United States under 28 USC 1498. *Leesona Corp. v. United States*, 599 F.2d 958, 202 USPQ 424 (Ct. of Claims 1979).

15 717 F.2d 1380, 219 USPQ 569 (Fed. Cir. 1983).

were anticipated by an article published many years before; (2) “[e]ven if the . . . article does not fully describe . . . [UDI’s] apparatus and method, such apparatus and method are simply a further development of the apparatus and method described in the . . . article”¹⁶; (3) “[c]ourts, in recent years, have—in patent infringement cases—found the patents claimed to be infringed upon invalid in approximately 80% of the cases”¹⁷; and (4) UDI “must recognize that if they sue us, they might kill the goose that lays the golden eggs.”¹⁸ Significantly, house counsel rendered his advice *without* having reviewed the file histories of the applications which matured into the two UDI patents in suit.

Ultimately, M-K’s in-house counsel did order (and presumably review) the file histories of the UDI patents, and still later M-K received an opinion from patent counsel which is not described in the CAFC’s opinion but which presumably was an opinion of invalidity and/or non-infringement, since M-K went ahead with the trial. However, the opinion of patent counsel was not received by M-K until nine days after UDI had filed suit,¹⁹ and the court apparently gave no weight to the post-filing opinion of M-K’s patent counsel.

The trial court found that M-K had willfully infringed at least one valid claim in each of UDI’s patents, awarded \$200,000 in compensating damages, and trebled that amount under 35 USC 284. However, the trial court did not award attorney fees under 35 USC 285.

On appeal, the CAFC first held that “[t]he district court’s finding of willful infringement is a finding of fact, and as such, the standard of review is the clearly erroneous standard.”²⁰ However, it is worth noting that there is no discussion whatsoever of the underlying legal question of whether willful infringement is either a necessary or a sufficient con-

16 219 USPQ at 576.

17 *Id.*

18 *Id.* By this house counsel apparently meant that, if the patents were to be held invalid in a suit against M-K, UDI would lose the royalties which it was receiving from other licensees.

19 The suit was filed on November 21, 1974, and the patent counsel’s opinion was received on November 30, 1974. 219 USPQ at 573.

20 219 USPQ at 576.

dition for the imposition of increased damages.²¹ Instead, the court seemed to simply assume that, if the infringement was willful, increased damages under 35 USC 284 were appropriate.

In affirming the district court's finding of willful infringement, the appellate court made a number of statements which, as stated at the outset, *may* revolutionize the law in this area. According to this opinion:

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. See *Milgo Electronic Corp. v United Business Communications, Inc.*, 623 F.2d 645, 666, 206 USPQ 481, 497 (10th Cir.), cert. denied, 449 U.S. 1066, 208 USPQ 376 (1980). Such an affirmative duty includes, inter alia, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity. See *General Electric [Co. v. Sciaky Brothers, Inc.]*, 415 F.2d 1068, 163 USPQ 257 (6th Cir. 1969) at 1073-74, 163 USPQ at 261; *Marvel Specialty Co. v. Bell Hosiery Mills, Inc.*, 386 F.2d 287, 155 USPQ 545 (4th Cir. 1967), cert. denied, 390 U.S. 1030, 157 USPQ 720 (1968).²²

In the case before it, M-K *had* received the opinion of its in-house, non-patent attorney before commencing infringement.²³ However, the court essentially treated that opinion as a nullity because, even though the inside counsel did order a patent search and apparently relied on a reference (the previously mentioned article) found in that search, his evaluation of the validity and infringement of UDI's patents

²¹ It is also worth noting that the court stated offhandedly that "the enhanced portion of the damage award . . . is punitive in character since it was assessed by the district court for M-K's willful infringement of UDI's patents," 219 USPQ at 576, thereby apparently settling once and for all the long-running controversy over whether such awards are punitive or compensatory in nature. See generally *White*, op. cit. supra n.1 at 9-40 and *Chisum*, op. cit. supra at 20-176-20-178.

²² 219 USPQ at 576.

²³ Judge Kashiwa's opinion states that "M-K obtained its counsel's advice *after* it commenced its infringing activities." 219 USPQ at 576; emphasis in the original. However, he is apparently referring to the opinion from outside patent counsel rather than inside non-patent counsel. The district court found that the infringement occurred between August 15, 1974, and about May 1, 1975. 219 USPQ at 573. The opinions of the in-house attorney were given on December 18, 1973, and May 24, 1974. 219 USPQ at 572. As previously noted, the opinion of outside patent counsel was received on November 30, 1974, which was nine days after UDI had filed suit. 219 USPQ at 573.

did not "include an analysis of the file histor[ies] of the patent[s]." ²⁴

M-K of course argued that it had "proceeded with the infringing activities in good faith based on the advice of its [inside, non-patent] counsel." ²⁵ However, the appellate court stated that it "disagree[d]" ²⁶ with M-K's contention, not merely that the district court's contrary holding was not clearly erroneous. In doing so, the appellate court relied on the facts (1) that "the attorney from whom it sought advice was its own in-house counsel" ²⁷; (2) that the inside counsel "was not a patent attorney" ²⁸; (3) that the inside counsel "did [not] take the steps normally considered to be necessary and proper in preparing an opinion [concerning patent validity and infringement]" ²⁹; and (4) that the inside counsel's first memorandum to his management contained "only bald, conclusory and unsupported remarks regarding validity and infringement of the . . . [UDI] patents . . . [and did not contain] within its four corners a patent validity analysis, properly and explicitly predicted [sic; predicated] on a review of the file histories of the patents at issue, and an infringement analysis that, inter alia, compared and contrasted the potentially infringing method or apparatus with the patented inventions. . . ." ³⁰

In fairness, the four factors listed in the foregoing paragraph are *not* listed as alternative grounds for upholding the district court's award of increased damages. In fact, the opinion expressly indicates that each of the first two factors by itself is "not controlling," but "is a fact to be

²⁴ 219 USPQ at 576. The inside counsel did ultimately order the file histories of UDI's patents. However, he did not do so until September 5, 1974, which Judge Kashiwa characterizes as "well after the infringement had begun." 219 USPQ at 576, even though the trial court found that the infringement began on August 15, 1974, 219 USPQ at 573, only twenty-one days earlier.

²⁵ 219 USPQ at 576.

²⁶ *Id.* According to the appellate court, "M-K knew or should have known that it proceeded without the type of competent legal advice upon which it could justifiably have relied." *Id.*

²⁷ 219 USPQ at 576.

²⁸ *Id.*

²⁹ 219 USPQ at 576-77.

³⁰ 219 USPQ at 577.

weighed.”³¹ The court even holds out the possibility that “M-K might have demonstrated to the district court that its counsel’s opinion, without an analysis of the file histories, was in fact thorough and competent.”³² Thus, it may be argued that only the fourth factor is really the “bottom line”—that is, that the question is whether the losing party proceeded on the basis of a legal opinion which, after the fact, the court is willing to characterize as “thorough and competent.” However, for purposes of this talk, the relevant point to be drawn from the *Underwater Devices* opinion is the apparently controlling weight of an ante litem (and, in the case of a losing infringer, ante infringement) opinion by competent legal counsel sanctioning its proposed course of conduct.

B. *Central Soya Co. v. Geo. A. Hormel & Co.*

The second important opinion in this series is *Central Soya Co. v. Geo. A. Hormel & Co.*, a 1983 opinion by Circuit Judge Rich for a panel also including Senior Circuit Judge Nichols and Circuit Judge Baldwin. In this case, both increased damages under 35 USC 284 and attorney fees under 35 USC 285 were awarded based on a finding that Hormel had “willfully and deliberately infringed”³⁴ Central Soya’s patent, and both awards were affirmed on appeal.

This case did not involve a warning letter from the patentee. Instead, Hormel’s legal department apparently became concerned sua sponte about possible infringement of Central Soya’s patent, and Hormel sought and obtained

31 219 USPQ at 576. The appellate court stated that M-K “might have demonstrated to the district court that despite any inferences arising from these circumstances [i.e., that the opinion was rendered by an inside, non-patent attorney], it was in fact justified in believing . . . [that its inside counsel] was capable of rendering an independent and competent opinion. . . .” *Id.* In context, the conjunction of “independent” with “competent” suggests that the court believes that the adverse inference which can be drawn from the fact that counsel is “inside” is that his or her opinion is not “independent,” while the adverse inference which can be drawn from the fact that counsel is not a patent attorney is that his or her opinion is not “competent” in a patent matter, *not* that both adverse inferences can be drawn from either fact.

32 219 USPQ at 577.

33 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983).

34 220 USPQ at 491.

an opinion from outside patent counsel sanctioning its proposed conduct *before* beginning what was later found to be infringement.³⁵ Moreover, the opinion of outside patent counsel was based upon a review of the file history of Central Soya's patent.³⁶ Why, then, was Hormel hit for "smart money"³⁷ as well as compensatory damages?

As always, the facts are complex and interrelated, making isolation of controlling facts difficult or impossible. However, the most important facts³⁸ appear to be (1) that the outside patent counsel based his or her advice "solely on a review of the prior art appearing in the patent's file history;"³⁹ (2) that Hormel did not monitor its production to insure that it stayed outside a particular critical parameter emphasized in the opinion of counsel until some two years after it had begun what was later found to be infringement;⁴⁰ and (3), at least according to the concurring opinion of Senior

35 *Id.*

36 220 USPQ at 492.

37 The opinions often refer to multiplied damages and attorney fees as "smart money," not with any reference to the intelligence of either the party that is awarded the "smart money" or the party which is required to pay the "smart money," but because the award is supposed to make the party which is required to pay it "smart"—i.e., hurt. See generally the historical review of this area of the law in Chisum, *op. cit. supra* n.1 at 20-174.1-20-178.

38 Aside from the patent attorney's advice that, if the potentially infringing activity were to be carried out, "if possible [it should] be done within the jurisdiction of the United States Court of Appeals for the Eighth Circuit, as such Circuit has not held a patent either valid or infringed within recent history." 220 USPQ at 491. Senior Judge Nichols' concurring opinion terms this "cynical advice, which has caused . . . much amusement among readers for whom it was obviously not written." 220 USPQ at 496. However, I submit that it was reasonably good advice at the time that it was written (September 1970) and that Hormel's major error was probably not following that advice, but, instead conducting its infringing activity within the jurisdiction of the United States Court of Appeals for the Tenth Circuit. The Tenth Circuit found the patent to be valid and infringed in a previous appeal.

39 220 USPQ at 492.

40 220 USPQ at 492-93. In fact its production was literally outside that parameter, and infringement was found only under the doctrine of equivalents. However, Hormel did not ascertain the fact that its production was in fact outside the scope of Central Soya's claim or take steps to insure that it was until two years after it had begun commercial production, and the court said that "[s]uch inaction is inconsistent with the assertion of good faith reliance." 220 USPQ at 493. According to the court, "Hormel's intentional disregard of its counsel's opinion negates any inference of good faith, placing Hormel in the same position as one who failed to secure the advice of counsel." 220 USPQ at 493.

Judge Nichols, that the outside counsel's opinion was "far short of an unequivocal statement that [,] if Hormel follows the writer's guidelines, infringement will not result."⁴¹

Accordingly, the appellate court once again held that the trial court's finding of willful infringement was not clearly erroneous, this time affirming its doubling of the compensatory damages of \$152,980 but additionally affirming its award of \$100,000 in attorney fees and \$29,900 in ancillary expenses.⁴²

C. Rosemount, Inc. v. Beckman Instruments, Inc.

The third and most recent opinion in this series is *Rosemount, Inc. v. Beckman Instruments, Inc.*,⁴³ a 1984 opinion by Chief Judge Markey for a panel also including Senior Circuit Judge Cowen and Circuit Judge Bennett. In this case, the district awarded both multiplied damages (here, trebled damages) under 35 USC 284 and attorney fees under 35 USC 285 based upon a finding "that Beckman knowingly, deliberately, willfully and wantonly infringed because of market pressure and without investigating the validity or scope of the patent. . . ."⁴⁴ This time, however, the appellate court did not as closely tie the finding of willful infringement to the award of increased damages and attorney fees. Instead, it treated the findings of willfulness and the subsidiary findings on which that finding was based as findings of fact which it reviewed on the clearly erroneous standard,⁴⁵ and it stated that the award of increased damages and attorney fees (which

41 220 USPQ at 496. The outside counsel's opinion had stated that, "the further away from . . . [the critical parameter] it [i.e., Hormel's production] can stay, the less likely it is to infringe . . . [Central Soya's] patent" and that, [s]ince a product undergoing considerably less than . . . [the critical parameter] is quite arguably outside the scope of . . . [Central Soya's] claim, I believe Hormel can safely manufacture such a product." 220 USPQ at 496.

42 Another interesting aspect of the *Central Soya* opinion, not covered here, is its rather expansive reading of 35 USC 285 to authorize awards of disbursements "that the prevailing party incurred in the preparation for and performance of legal services related to the suit." 220 USPQ at 493.

43 727 F.2d 1540, 221 USPQ 1 (Fed. Cir. 1984).

44 221 USPQ at 8.

45 221 USPQ at 9. Query whether the determination of willfulness of infringement is not a legal conclusion based on subsidiary findings of fact.

it referred to collectively as "[t]hat award"⁴⁶) based on that finding "is within the discretion of the district court and will not be overturned absent a clear showing of abuse of discretion."⁴⁷ Thus, the *Rosemount* opinion can be read to indicate that awards of increased damages and attorney fees need not follow even if infringement is found to be willful.

However, that speculation aside, the striking point in the *Rosemount* opinion is, again, the court's emphasis on the absence of a pre-infringement opinion⁴⁸ from independent outside patent counsel sanctioning Beckman's proposed course of conduct. According to the *Rosemount* opinion:

This court has held that a duty exists to obtain competent legal advice before initiating possibly infringing action. *Underwater Devices, Inc.*, supra. This court has also held that willfulness may include a determination that the infringer had no reasonable basis for believing it had a right to do the acts. *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 219 USPQ 377 (Fed. Cir. 1983). There was no evidence at trial that Beckman had sought and obtained competent legal advice, and the district court's findings establish that it made the "no reasonable basis" determination required by *Stickle*.⁴⁹

In this case, Beckman did not even have an opinion from an inside, non-patent attorney. What it relied on to show its good faith belief in the invalidity of *Rosemount's* patent was what the appellate court characterized as "in-house memos of the 'not-invented here' variety from its engineers and executives . . . [in which] the authors say they see nothing patentable in . . . [*Rosemount's* devices] and that it [sic; they] employed old elements each of which was known to

46 221 USPQ at 8.

47 *Id.*

48 In this case there was no question whatsoever that the infringer, Beckman, was aware of *Rosemount's* patent before it undertook the infringing activity. Indeed, before *Rosemount's* patent had issued it manufactured a device "embodying . . . [*Rosemount's*] concept," 221 USPQ at 3, it modified that design (apparently sufficiently to avoid infringement) when *Rosemount's* patent issued, and, when it continued to lose sales to *Rosemount*, it "elected to make and sell the . . . [devices] found to have infringed claims of . . . [*Rosemount's*] patent." 221 USPQ at 3.

49 221 USPQ at 8.

them.”⁵⁰ According to the court, those “in-house memos” were insufficient to “[establish] the presence of . . . ‘honest doubt’ of validity and infringement. . . .”⁵¹

IV. ADVICE FOR THE FUTURE

According to the flyer for this program, this talk will teach you “[w]hat a corporation must do to protect itself against a charge of wilful infringement and a possible judgment for increased damages and attorneys’ fees.” As you will appreciate by now, that is a tall order.

The easiest advice for an “outside” patent attorney to give is: if you are aware of a patent which your proposed corporate activities *might* infringe (either because you have received a “ding” letter from the patentee or because you have actual knowledge of the patent in some other way), get an opinion from a competent, independent, outside patent attorney sanctioning your proposed course of conduct either on the ground that it would not infringe any claim of the patent either literally or under the doctrine of equivalents or on the ground that, if it would infringe any claim on either basis, that claim *is* (not “might be held to be”) invalid. However, that facile advice subsumes more questions than it answers.

In the first place, *Underwater Devices* implies that the trouble with advice from inside counsel is that it is not “independent,”⁵² whereas advice from outside counsel impliedly *is* “independent.” However, as we all know, the assumption underlying that implication is often inaccurate—in both directions. Not only can advice from inside counsel be “independent” (sometimes exasperatingly independent from the point of view of management), but advice from outside counsel can be slavishly non-independent.⁵³ How-

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² 219 USPQ at 576. See n. 31, *supra*.

⁵³ An unquestionable fact of life is that some outside counsel are more financially dependent on the continued goodwill of management at their major clients than are some (perhaps many) inside counsel, many of whom enjoy some form of tenure.

ever, does the court really want to get into the business of judging how independent any particular legal advisor was at the time he or she offered the advice in question?⁵⁴

In the second place, it will, I think, be difficult to find an independent outside attorney who will frame his opinion in the conclusory fashion that at least Senior Judge Nichols seems to want.⁵⁵ Moreover, corporations are really not interested in what *our* opinions with respect to validity and infringement are (unless they are trying more or less openly to get us to "warrant," or guarantee, our opinions—which we will be *very* reluctant to do). What corporations are trying to do is to get us to predict what some, as yet unknown, court⁵⁶ will do with some, as yet unknown, but presumably

⁵⁴ Perhaps to avoid such arguments, and perhaps in a genuine effort to obtain timely independent advice, a number of litigants have relied on multiple opinions from multiple sources. See, e.g., *H.K. Porter Co. v. Goodyear Tire & Rubber Co.*, 536 F.2d 1115, 1124, 191 USPQ at 486, 492 (6th Cir. 1976); *Dole Valve Co. v. Perfection Bar Equip. Co.*, 458 F.2d 1200, 1201, 173 USPQ 581, 581-82 (7th Cir. 1972); and *Abbott v. Barrentine Mfg. Co.*, 160 USPQ 524, 526-27 (N.D. Miss. 1968).

⁵⁵ See the concurring opinion of Senior Judge Nichols in *Central Soya*, 220 USPQ at 495.

⁵⁶ Of course, now we know that all (or virtually all) patent appeals will go to the CAFC, but we still ordinarily do not know when we are asked to give our opinions which *district* court will decide a matter initially, and which district court (or which judge on a given district court) will handle a given case can be enormously important to the outcome of the case despite the fact that all appeals are handled by one court. Moreover, despite the relative uniformity the CAFC is slowly bringing to patent law, it is obvious that there are still major differences of opinion on fundamental issues of patent law among the various judges on that court. For instance, contrast *Kallman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771, 218 USPQ 781, 789 (Fed. Cir. 1983), in which Judge Rich wrote that, for a claim to be anticipated, "each element of the claim . . . [must be] found, either expressly described or under principles of inherency, in a single prior art reference, or that the claimed invention was previously known or embodied in a single prior art device or practice," with *In re Smith*, 714 F.2d 1127, 1137 n.13, 218 USPQ 976, 985 n.13 (Fed. Cir. 1983), where Judge Kashiwa wrote that, in order for a public use or on sale activity to *anticipate* a claim, "it is sufficient if the differences between the claimed invention and the device used or sold would have been obvious to one skilled in the art," and note that Chief Judge Markey, who is ordinarily regarded as a friend of the patent system, wrote in *Rosemount, Inc. v. Beckman Instruments, Inc.*, 727 F.2d 1540, 1545, 221 USPQ 1, 6 (Fed. Cir. 1984), that, "[t]hough a non-identical device has been viewed as anticipatory when the differences are not patentable distinctions, the result [in this case] is the same under the more compartmentalized view that differences require application of §103."

very complex fact situation.⁵⁷ Under the circumstances, I long ago concluded that some prudent hedging of any opinion on validity or infringement is in order,⁵⁸ and I have not changed my practice because of Senior Judge Nichols' concurring opinion in *Central Soya*.

The second level of advice is, of course, to get a competent, self-evidently workmanlike opinion sanctioning your proposed conduct. Whether the opinion is of inside counsel or outside counsel, the opinion *must* not consist only of "bald, conclusory and unsupported remarks regarding validity and infringement,"⁵⁹ and it must contain either or both "a patent validity analysis, properly and explicitly . . . [predicated] on a review of the file histories of the patents at issue"⁶⁰ and "an infringement analysis that, inter alia, compare[s] and contrast[s] the potentially infringing method or apparatus with the patented inventions."⁶¹ However, that advice is just saying that, if you are going to rely on reliance on an opinion of counsel as a defense to an application for an award of increased damages and/or attorney fees, that opinion had better be a good one—notwithstanding the fact that, ultimately, it turned out not to accurately predict the court's holding on validity and/or infringement.

The more fundamental question, however, is whether the ante-litem, ante-infringement opinion of counsel should be given the virtually conclusive weight the CAFC seems to be giving it. In this regard I do have some sympathy for the following passage from Senior Judge Nichols' concurring opinion in *Central Soya*:⁶²

The appellant's theory is that [increased damages and attorney fees should not have been awarded because] it relied in good faith on advice of its own counsel. That theory evidently imposes a

⁵⁷ Perhaps most importantly, at that point in time the attorney being asked to opine as to validity and infringement of a patent usually has very little idea what evidence of the so-called "secondary considerations" of patentability the patentee will be able to marshal.

⁵⁸ This hedging can be ascribed to reliance on the old maxim that, in litigation, nothing is less probable than 10% nor more probable than 90%.

⁵⁹ *Underwater Devices*, 219 USPQ at 577.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² 220 USPQ at 495.

heavy responsibility upon counsel, who by suitable magic words can reduce an infringer's liability to what may well not exceed the price of a license or what the price would have been had a license been purchaseable.⁶³

In fact, I have heard it suggested that the virtually conclusive importance that the CAFC seems to be giving to the presence of such "magic words" in the losing party's file imposes a temptation to counsel to engage in a type of legal "double book" system—a "clean" written opinion to be produced for the court if the need should ever arise, and a more candid oral opinion for the actual guidance of the client. To the extent that the current trend of the court gives rise to such pressures, I think it is unhealthy for the patent system.

⁶³ 220 USPQ at 496. Of course, by the use of the phrase "reduce an infringer's liability," Senior Judge Nichols seems to be suggesting that an infringer's *normal* liability includes multiple damages and attorney fees, which I do not believe to be an accurate assessment of the current law.