

### Resurrecting the value of the opinion letter

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In *Halo Electronics, Inc v Pulse Electronics, Inc* (decided on June 13 2016) the Supreme Court held that Section 284 of the Patent Act “gives district courts the discretion to award enhanced damages... in egregious cases of misconduct beyond typical infringement”. In doing so, the court rejected the long-applied *Seagate* test as being “unduly rigid” and as “impermissibly encumber[ing] the statutory grant of discretion to district courts”. The case was remanded to the Federal Circuit for application of the new, more flexible approach.

Section 284 of the Patent Act provides that a district court “may increase the damages [for patent infringement] up to three times the amount found or assessed”. In 2007 the Federal Circuit issued an *en banc* decision that provided a test for determining when such enhanced damages are appropriate. Under *Seagate*, enhanced damages may be awarded to a prevailing patent owner which proves that infringing conduct was “willful”. *Seagate* proposed a two-prong analysis entailing an objective inquiry and a subjective inquiry to determine whether willful infringement has occurred. First, the patentee was required 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”. If this threshold standard was met, the patentee was then required to “also demonstrate that [the] objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or was so obvious that this should have been known to the accused infringer”.

News of the Supreme Court’s rejection of the two-prong *Seagate* test is now well disseminated. What patent practitioners might not yet appreciate from the *Halo* decision is the prospect of a return to the pre-*Seagate* days when opinions of non-infringement were frequently used by in-house counsel whenever an issue of potential infringement was raised.

Since 2007, it has been the general consensus among patent attorneys that a formal written opinion is typically unnecessary. Opinions have generally been obtained only in extremely close questions where large amounts of controversy are at stake. However, under the new discretionary standard of *Halo*, the accused infringer will need exculpatory evidence to show the reasonableness of its defenses early on. Evidence of non-infringement or invalidity should be acquired and developed as soon as the prospect of litigation is raised.

The well-reasoned written opinion of counsel may be needed in several situations apart from an active claim of patent infringement. Other situations might include when a new product is developed which is intended to compete with the product of a competitor and where the competitor holds patent rights. Another situation is where a competing patent is located following a freedom-to-operate study or, reciprocally, during a patentability study.

The *Halo* opinion gives district courts more latitude in awarding enhanced damages in “egregious” cases. This being the case, once a patent presenting a reasonably close question is identified, in-house counsel should consider obtaining a legal opinion from a registered patent attorney. Offering an opinion of counsel to a court can be a valuable tool in avoiding a charge of egregious conduct.

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