

Preparing or Evaluating Freedom to Operate, Non-Infringement, and Invalidity Opinions For a Business Transaction

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Introduction

Due diligence in a corporate transaction often involves investigating a business entity's position with respect to the patent landscape. This typically involves preparing or reviewing opinion letters from counsel. This paper addresses how such patent opinion letters are prepared or evaluated. It presents a broad overview for corporate transactional attorneys, but also investigates selected issues in a greater level detail appropriate to patent attorneys that are more closely involved in the patent due diligence process. In particular, freedom-to-operate, non-infringement, and invalidity opinions are discussed.

A freedom-to-operate opinion letter typically involves a "product clearance" investigation to proactively identify and dispose of patents in the area of the entity's products, thereby proactively reducing the risk of subsequent patent problems. Close patents are typically analyzed in separate non-infringement opinion letters.

A non-infringement opinion letter distinguishes a product or service from close patent claims by first construing the claims within the analytical framework set forth by judicial precedent, and then reading the claims upon the product to establish no infringement, both literally, and under the doctrine of equivalents. The non-infringement letter serves to avoid known problems, for example, to validate that the product has properly been "designed-around" problematic patent claims of others. More typically, the non-infringement letter serves to avoid enhanced damages from willfulness, should the product ultimately be found to infringe such problematic patent claims.

An invalidity opinion letter serves to neutralize patent claims that cannot be avoided, if it can be determined that such patent claims are invalid. Invalidity analysis typically involves first construing the claims, then reading the claims on the prior art to determine whether the claims are valid. Like the non-infringement opinion letter, the invalidity opinion letter serves to avoid known problems and to avoid enhanced damages from willfulness.

Sometimes, the questions of non-infringement and invalidity are inextricably intertwined. For example, sometimes a patent claim can be reasonably interpreted two different ways: a first (e.g., broad) interpretation that would render the claim invalid as failing to distinguish over the prior art; and, a second (e.g., narrow) interpretation that preserves the claim's validity, but fails to read on the accused product. In such cases, it may be appropriate to include such non-infringement and invalidity analysis in the same opinion letter.

Many business transactions can involve patent due diligence that includes investigating freedom-to-operate, non-infringement, invalidity, or unenforceability issues. Examples of such business transactions include mergers, acquisitions, financing, public or private placements, joint ventures, licensing, purchasing insurance, even buying or selling goods or services. Such business transactions often involve parties other than the attorney and the client business entity, for example, a target company, a suitor company, investors, underwriters, customers, suppliers, or distributors. Therefore, the different (and often multiple) audiences for the patent opinion letter must be carefully considered.

The audience for an opinion letter may be your client, or someone other than your client, such as a third party suitor or investor, or other third parties such as suppliers, distributors, customers, joint venturers, or stockholders. The audience may include both patent counsel and business people. Since an opinion letter may be relied upon and produced in a patent infringement trial, the audience may include a judge or jury, an appellate court, or opposing counsel or expert witnesses. As with the multiple audiences, opinion letters may include different purposes. Should it provide objective and balanced advice? Should it advocate for a tenable position? Does it aim provide an "insurance policy" serving as a mitigating factor against willfulness? Does it serve as a pre-suit investigation by a patentee? Is its goal to remediate a discoverable previous poor conclusion by another? Does it validate a design-around effort?

Certain concerns relating to patent opinion letters are particularly relevant to business transactions. For example, it is important to keep in mind the attorney's duty to the client, particularly where other parties are involved in the business transaction. The presence of such other parties also raises the question of how best to preserve the attorney-client privilege. Furthermore, the business transaction may raise duties to third parties, and the potential of liability to such third parties. Of particular concern is the effect of being put on "notice" of potential infringement problems learned during due diligence, and the affirmative duty of due care that such notice triggers. Information learned from one party during due diligence may also raise the question of an attorney's duty, under 37 C.F.R. § 1.56, to disclose material information to the U.S. Patent & Trademark Office in a similar pending patent application being prosecuted by the attorney for the other party to the business transaction, and the question of how such a duty to disclose can be reconciled with a conflicting duty of confidentiality imposed by a confidential disclosure agreement between the parties. Moreover, in preparing an opinion letter, the attorney must always consider its effect on the post-transaction business entity (e.g., merger or spin-off), as well as the effect of the opinion letter on a business transaction that fails to be consummated. These and other issues are discussed in further detail below.

Freedom to Operate

How can a business entity learn about the patent landscape of its technology area? It often involves conducting a “product clearance” investigation to proactively identify patents in the area of the entity’s products. Conducting a clearance investigation reduces the risk of subsequent patent problems, and may result in generating a freedom-to-operate opinion letter. However, close patents are typically analyzed in separate non-infringement opinion letters. This permits selective waiver of limited information during trial, if needed, and preserves the attorney-client privilege to the extent possible, as discussed further below.

In general, the freedom-to-operate opinion letter can never guarantee that the business entity has a clear path to market its products or services. It is necessarily limited by the effectiveness of the product clearance search, and the conclusions of the opinion letter should reflect this lack of complete certainty. Since U.S. patent applications enjoy at least an 18 month period of secret pendency at the U.S. Patent & Trademark Office (see 35 U.S.C. § 122), no product clearance search can be 100% effective, since it may not uncover prior art that, at the time the search is conducted, is pending in secret at the U.S. Patent & Trademark Office. The freedom-to-operate opinion letter should also identify the geographic scope of the product clearance search. Applicable foreign patents should be identified, if the client requests. However, competent foreign patent counsel should be engaged to separately opine on their effect on the client’s freedom-to-operate in such foreign countries.

The effective clearance search will, of course, include multiple search strategies, and possibly multiple searchers, databases, or searching facilities. All aspects of the product should be considered and searched, if practicable. If previous clearance searches have been carried out on earlier versions of the product, it may be possible to focus the clearance search on those aspects of the product that are considered new over the previous product. Different searching strategies can identify potential keywords, inventors, assignees, citations, or USPTO or international classifications. Although the patent competitive claim landscape will be determined by the issued patents and the published patent applications of others, the clearance search should still consider non-patent literature as well as the entity’s own issued patents and published patent applications. This will help to put the patent rights of others in the appropriate context, as well as to help identify bargaining chips for licensing negotiations. Visual patent mapping may also help the entity understand where the entity can and cannot go.

Establishing freedom-to-operate is becoming more difficult simply because the heightened awareness around intellectual property rights has generated increased patent application filings and issued patents in recent years. Therefore, depending on the entity, the patent landscape may be littered with potential problem patents. Some of these “problem” patents, however, may have expired. For example, the patent term may have elapsed, the patent term may have been shortened by a terminal disclaimer of another patent, or the patent may have expired from failure to pay the required maintenance fees, as can be determined from the U.S. Patent & Trademark Office’s PAIR database. Such expired patents may represent a “safe harbor” opportunity, for example, if a claim of the expired patent fully covers the entity’s product. Since the subject matter claimed in a patent becomes dedicated to the public upon its expiration, such an expired patent may provide a “safe harbor” in which the entity can operate

without risking patent infringement. Care should be exercised, however, to ensure that the entity does not need access to any still-patented improvements on the expired patent. Similarly, safe harbor may lie in a patent that is still in force, but which has disclosed but failed to claim the subject matter. See *Johnson & Johnston Assocs. Inc. v. R.E. Service*, 285 F.3d 1046, 1054 (Fed. Cir. 2002). However, such a patent must have no children patent applications still pending, since that could provide an opportunity for obtaining broader claims. Similarly, such a patent should have issued beyond the two-year window for obtaining a reissue patent application with broader claims. See 35 U.S.C. § 251.

The freedom-to-operate opinion should also take into account other non-patent considerations. For example, do any license agreements, settlement agreements, or court orders affect the freedom-to-operate, either by clearing an otherwise insurmountable hurdle, or imposing further restrictions outside any patent claims? In a merger or like business transaction, each party should be sure that the other party can live up to its part of the bargain. Does the other party to the transaction come with any hidden baggage restricting the freedom-to-operate, such as by an agreement or court order? The analysis should also consider whether any statutory exemption confers at least some freedom-to-operate, such as the limited exemption under 35 U.S.C. § 271(e)(1) for submission of regulatory data to FDA, or the limited exemption under 35 U.S.C. § 273(b)(1) giving certain prior user rights for business methods.

What options exist if one or more blocking patents is identified by the freedom-to-operate investigation? If ceasing and desisting from the infringement is not desirable, other options include buying or licensing the blocking patent, avoiding the patent claims by designing-around the patent claim, proceeding with the activity after obtaining a competent non-infringement or invalidity opinion on the patent's claims, or even attacking the blocking patent by an interference (within 1 year of the patent's issuance; see 35 U.S.C. § 135(b)(1)), a third party reexamination proceeding, or a declaratory judgment suit. A party proceeding with the benefit of a competent non-infringement or invalidity opinion of counsel should be aware, however, that even obtaining such an opinion does not guarantee against a finding of willfulness, as discussed below.

Willfulness

Understanding the law surrounding willful patent infringement is essential to preparing or evaluating an effective non-infringement or invalidity opinion letter. In a patent infringement suit, a finding of patent infringement may also lead to an award of enhanced damages. A judicial doctrine of "willfulness" has arisen over the patent statute's provision for up to a trebling of damages. See 35 U.S.C. § 284. Moreover, a court "may in exceptional cases award reasonable attorney fees to the prevailing party." See 35 U.S.C. § 285. Whether a case is exceptional is linked to, but not necessarily coextensive with willful infringement.

Willfulness is determined by considering the "totality of the circumstances." See *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990). The circumstances considered include: (1) whether the infringer deliberately copied the ideas or design; (2) whether the infringer, when he knew of the patent protection, investigated its scope and formed a good-faith belief of non-infringement or invalidity; (3) the infringer's behavior in the litigation; (4) the defendant's size and financial condition;

(5) the closeness of the case – e.g., whether the infringement was literal or under the doctrine of equivalents; (6) the duration of the defendant's infringement, including whether there was any continued infringement after judgment or affirmance of the infringement suit; (7) any remedial action by the defendant; (8) the defendant's motivation for harm; and (8) whether defendant attempted to conceal its misconduct. See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992).

“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.” *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983); See also *SRI International, Inc. v. Advanced Technology Laboratories, Inc.*, 127 F.3d 1462 (Fed. Cir. 1997). Before the recent decision of the Court of Appeals for the Federal Circuit (“Federal Circuit”) in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004), some cases suggested that the affirmative duty of due care expressly included the duty to seek and obtain competent legal advice from counsel before initiating any possible infringing activity. See, e.g., *Underwater Devices*, 717 F.2d at 1389-90. The *Knorr-Bremse* decision addressed four specific questions.

First, the *Knorr-Bremse* court held that no adverse inference arises when a defendant invokes attorney-client or work product privilege. Previously, a negative inference (i.e., that the opinion was unfavorable) arose if an infringer failed to waive the attorney-client privilege and, therefore, failed to disclose the exculpatory opinion of counsel relied upon to avoid willfulness. See, e.g., *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988). Thus, this aspect of *Knorr-Bremse* directly changed previous law. As a practical matter, because waiving the privilege may still provide value during litigation, exculpatory legal opinions must still be written as documents that will be viewed by a judge or jury. Therefore, such opinions should not assume any familiarity with patent law or the applicable technology. Moreover, because waiving the privilege (which may extend to attorney work product as well as covering attorney-client communications) is no longer required to avoid drawing an adverse inference, *Knorr-Bremse* has made it even more important to carefully conduct business transactions and other acts in a manner that preserves the attorney-client and work product privileges.

Second, the *Knorr-Bremse* court held that no adverse inference arises when the defendant fails to seek legal advice, however, there continues to be an affirmative duty of due care to avoid infringement of the known patent rights of others. This aspect of *Knorr-Bremse* also changed previous law, but it should be noted that obtaining a legal opinion has never been an absolute requirement under the totality of circumstances test for willfulness. See, e.g., *Electro Med. Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048 (Fed. Cir. 1994). Thus, *Knorr-Bremse* diminishes the emphasis on the exculpatory legal opinion, which was sometimes previously regarded as the primary element in the totality of circumstances test for willfulness. However, because the affirmative duty of care remains, a competent exculpatory legal opinion may still be valuable.

Third, the *Knorr-Bremse* court found that its removal of the above adverse inferences materially changed the totality of the circumstances analysis for willfulness. Therefore, the *Knorr-Bremse* court remanded the case for a fresh re-weighting of the evidence.

Fourth, the *Knorr-Bremse* court reiterated that a substantial litigation defense to infringement will not necessarily defeat liability for willful infringement, such as where no

legal advice had been obtained. However, the existence of a substantial litigation defense to infringement still remains a factor that must be considered under the totality of circumstances test for willfulness. As a practical matter, a prelitigation exculpatory opinion retains separate value, and it may also be judged less harshly than a litigation defense that was developed with the benefit of more time, information, and financial resources.

Notice And the Duty of Care

When should an exculpatory legal opinion be sought? This depends on when notice of the patent rights in question was obtained. Court decisions use the term “actual notice” subtly differently with respect to triggering infringement damages than for triggering the affirmative duty of due care. See Lisa A. Dolak, *Triggering Due Care and Damages: Requiring More Detailed Notice of Infringement*, Intellectual Property Owners “Patent Trolls and Patent Property Rights Conference,” March 14, 2005. Patent infringement damages begin upon notice of the infringement (unless products are marked, giving constructive notice). By contrast, the affirmative duty of due care begins upon knowledge of the patent rights, as discussed below.

Notice triggering infringement damages is set forth in the patent statute: “In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except upon proof that the *infringer was notified* of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.” 35 U.S.C. § 287 (emphasis added). For triggering infringement damages, such actual notice must be from the patentee or another with authority to grant a license. See *Lans v. Digital Equip. Corp.*, 59 U.S.P.Q.2d 1057 (Fed. Cir. 2001). It must inform the infringer of the patent, the infringing activity, and the proposal for abatement (e.g., cease and desist, offer for license, etc.). See *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462 (Fed. Cir. 1997). Such actual notice may be delivered without triggering a declaratory judgment action.

By contrast, the knowledge triggering the affirmative the duty of due care focuses instead on the potential infringer’s knowledge of the patent rights—this requires less than knowledge of the infringement. See Dolak, *supra* (noting various sources of knowledge triggering the duty of due care, as discussed below). For example, getting sued of course constitutes knowledge of the patent rights triggering the affirmative duty of due care. See *Crystal Semiconductor v. Tritech Microelec. Int’l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001). Receiving a “Cease and Desist” letter also constitutes such knowledge of the patent rights triggering the affirmative duty of due care. See *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001). Getting a written or verbal offer of license similarly amounts to knowledge of the patent rights sufficient to trigger the affirmative duty of due care. See *Ralston Purina Co. v. Far-Mor-Co, Inc.*, 772 F.2d 1570, 1577 (Fed. Cir. 1985)(written license offer); see also *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478,482 (Fed. Cir. 1985)(telephone license offer). Requesting or becoming a party to an interference proceeding also apparently constitutes knowledge of the patent rights triggering the duty of due care. See *E.I. DuPont De Nemours and Co. v. Monsanto Co.*, 903 F.Supp. 680, 741 (D. Del. 1995). Therefore, any request for interference should be accompanied by careful consideration of whether an exculpatory opinion of counsel is needed.

Particularly important to a business transaction, getting a communication from a third party can constitute knowledge of the patent rights triggering the affirmative duty of due care. See *Great Northern Corp. v. Davis Core & Pad Co.*, 782 F.2d 159, 167 (Fed. Cir. 1986). In *Great Northern*, a third party provided a vague statement that a planned product was covered by an unspecified patent. However, the third party also stated that such patent was believed to be invalid. The Federal Circuit found this third party statement to impart sufficient knowledge of the patent rights to obligate the potential infringer to independently investigate the potential infringement and/or validity of the mentioned patent. Since business transactions often offer the opportunity to learn new information from another party during the due diligence investigation, due care must be exercised to investigate the effect any patent rights uncovered during due diligence.

Several cases help understand exactly what constitutes notice triggering the affirmative duty of due care to avoid willfulness. For example, in *Shatterproof Glass Corp v. Libbey-Owens Ford Co.*, 758 F.2d 613 (Fed. Cir. 1985), the infringer admitted awareness of patents in suit, and that it did not seek an opinion of patent counsel before making the infringing device. However, the infringer argued that its awareness was only “technical” in that its patent staff routinely monitored patent activity in all areas of the industry, but that its key people on the relevant product development project were unaware of the patents until the suit was filed. Under these circumstances, the Federal Circuit upheld the district court’s denial of increased damages for willful patent infringement. However, the *Shatterproof* decision was further explained in *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409 (Fed. Cir. 1996).

In *Stryker*, the district court found willfulness where the infringer (1) deliberately copied the ideas or design of the patent; and (2) failed to investigate the scope of the patent. The district court found that infringer had notice of the pending patent based on a letter from its product development manager to its patent counsel requesting “consideration of a patent [on the product] and also to insure that we are not infringing any other patents.” See *id.* Attached to the letter was a product brochure showing the product and marked “U.S. Patent Pending.” The district court also found “actual notice” of the patent where the infringer’s patent counsel later saw a reference to the patent in the U.S.P.T.O.’s Official Gazette, but did not investigate further even though he was aware that their new product included a new feature. On appeal, the Federal Circuit rejected the infringer’s argument that the prior *Shatterproof* decision required knowledge of both the patent and the infringement problem. Instead, the *Stryker* court opined that knowledge of the patent was enough to trigger the duty of due care.[1]

The degree of notice triggering the duty of due care was also addressed in *Honeywell Int’l, Inc. v. Hamilton Sundstrand Corp.*, 166 F.Supp.2d 1008 (D. Del. 2001)(vac’d. on other grounds). In *Honeywell*, the infringer’s director of engineering wrote a letter to the infringer’s patent attorney requesting legal advice regarding potential patent infringement. The letter included reference to a patent in suit. An engineering manager of the infringer also received from the infringer’s patent attorney a memo referencing a patent in suit. Likewise, the infringer’s outside counsel knew of the patents and cited them to the U.S. Patent & Trademark Office during examination of the infringer’s own patent applications. Also, the infringer’s engineers examined a document discussing operation of the patentee’s product. The *Honeywell* court found that these facts supported a finding of willfulness.

The *Honeywell* decision raises the question of whether an infringer's mere citation of a patent to the U.S. Patent & Trademark Office, during examination of its own patent application, is by itself enough evidence that the infringer possessed enough knowledge of the patent rights to trigger the duty of care to avoid willful infringement. In *Honeywell*, there was considerable additional damning evidence that the infringer had knowledge of the patent rights. As a practical matter, citation of a patent to the U.S. Patent & Trademark Office often involves cursory review of the subject of the patent, rather than a close examination of the patent claims. Therefore, it seems that such citation of another patent to the U.S. Patent & Trademark Office during examination of a patent application should not, by itself, trigger the duty of care to avoid willful patent infringement. Still, citing a patent to the U.S. Patent & Trademark Office will likely be deemed relevant to whether the duty of care has been triggered and, therefore, may constitute a factor in the totality of the circumstances test for willfulness.

In contrast to *Honeywell*, in *MacPike v. American Honda Motor Co., Inc.*, 29 U.S.P.Q.2d 1526, 1532 (N.D. Fla. 1993), the court found no willfulness where the patentee gave the infringer a product sample and information about the product. Here, there was no evidence of either deliberate copying or of knowledge of the patent.

In sum, it is unclear exactly what particular factual circumstances will constitute the requisite "knowledge of the patent rights" triggering the affirmative duty of due care to avoid willful infringement. However, it is clear that the duty of due care may arise well before receiving actual notice of the infringement from the patentee. Knowledge of the infringement is not required, instead, it is knowledge of the patent rights that creates the duty of due care.

What about product marking (e.g., "Patent Pending" or "U.S. Patent No. X,XXX,XXX")? Does such constructive notice trigger the affirmative duty of care to avoid willful patent infringement? In general, making a product "patent pending" will not give sufficient notice to support willfulness, unless perhaps there is also deliberate "slavish" copying. See *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236-38 (Fed. Cir. 1985). The *State Industries* court noted:

To willfully infringe a patent, the patent must exist and one must have knowledge of it. A "patent pending" notice gives one no knowledge whatsoever. It is not even a guarantee that an application has been filed. Filing an application is no guarantee any patent will issue and a very substantial percentage of applications never result in patents. What the scope of claims in patents that do issue will be is something totally unforeseeable.

See *id.* The *State Industries* court distinguished another case involving pending patent applications, where there was "slavish copying" of complex electronic circuitry in a "modem by a corps of engineers working in secrecy over a period of a couple of years." It is unclear whether a product marked with an issued patent number confers sufficient knowledge of the patent rights to give rise to a finding of willful infringement; the author found no cases directly on point. The Federal Circuit has noted that a failure to mark products with the issued patent number will not preclude a finding of willfulness, but does such product marking with the issued patent number provide the requisite knowledge triggering the duty of due care? See *Total Containment, Inc. v. Environ Prods., Inc.*, 921 F.Supp. 1355 (E.D. Pa. 1995) (vac'd. on other grounds)(suggesting, in dicta, that marking product with issued patent number is relevant to the knowledge

triggering the duty of due care). If a product marked with an issued patent number is actually observed by the infringer, it certainly seems like that could trigger the duty of due care, given the “totality of circumstances” analysis of willfulness.

Non-infringement Opinions

Keeping in mind the above explanations of willfulness and the degree of notice to which the affirmative duty of care attaches, preparing or evaluating a non-infringement or invalidity opinion is more easily understood. Due diligence in a business transaction may involve evaluating the strength or competence of a non-infringement opinion letter obtained by a party to the transaction. Many factors will affect whether a non-infringement opinion is deemed competent. For example, the opinion should have been timely sought and obtained, either before initiating the potentially infringing activity or upon acquiring knowledge of the patent rights in question. *See Underwater Devices*, 717 F.2d at 1390. Since preparing a competent written non-infringement opinion necessarily takes time (for example, to obtain and analyze the prosecution history and the prior art), it may be worth considering whether an initial oral opinion should be first given and memorialized—provided that the oral opinion can be well-founded in both its legal analysis and its technical accuracy regarding the accused product. Although oral opinions are not favored (*see Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559 (Fed. Cir. 1992)), such oral opinions do carry weight in the willfulness determination (*see Radio Steel & Mfg. v. MTD Prods., Inc.*, 788 F.2d 1554 (Fed. Cir. 1986)).

A non-infringement opinion addressing a U.S. patent should be authored by a qualified U.S. patent attorney. Using outside counsel may bolster the objectivity of the legal opinion, however, there is no *per se* rule against using in-house counsel to provide an exculpatory opinion. *See* Mark J. Thronson et al., *Intellectual Property Legal Opinions* § 6.04[A][2] (2004 Supp.). The non-infringement opinion should include an accurate technical description of the accused product. Incorporating pictures or diagrams may be particularly helpful, such as for a reviewing judge or jury. Any technical expert providing such technical description of the accused product should be well qualified to do so. The technical expert should separately review the technical description for accuracy and completeness, preferably before the remainder of the opinion letter is drafted. The recipient of the opinion letter should also be qualified. For example, an opinion letter addressed to in-house patent counsel has the advantage that the recipient is in a good position to evaluate the merits of the legal opinion. However, an opinion letter addressed to a businessperson in a position of authority helps ensure that the opinion is actually relied upon.

In crafting a competent non-infringement opinion, the prosecution file history and prior art of record should be obtained and analyzed. *See, e.g., Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820 (Fed. Cir. 1989). Since there is considerable likelihood that the attorney-client privilege will be waived and the opinion letter produced at trial, the non-infringement opinion letter represents a useful opportunity for advocacy against willfulness. Therefore, the opinion letter should be substantially unequivocal to provide such advocacy but should of course incorporate objectivity.[2] In practice, this typically involves anticipating and analyzing any counterarguments by setting up such counterarguments as “straw men” and disposing of them appropriately.

The opinion should provide a separate non-infringement analysis for each independent claim in the patent. If non-infringement is established for an independent claim, its dependent claims may—but need not—be separately analyzed. Moreover, in using the analytical framework of the Federal Circuit, the non-infringement analysis of each claim should be separated into its constituent components: (1) claim construction; and (2) reading each construed claim onto the accused product. It is sometimes tempting to conflate these two steps of the non-infringement analysis—particularly when the claim is to be interpreted in accordance with the plain and ordinary meaning of its claim terms. Even when this is the case, however, the two steps in the analysis can be kept distinct by stating that nothing in the patent specification or file history would lead one of ordinary skill in the art to believe that any special meaning for the claim terms has been created, such that the claim terms will be interpreted according to their plain and ordinary meaning. This will help lead the judge or jury through the proper analysis, and will also memorialize for the appellate court that the opinion was carried out using the proper two-step framework for non-infringement analysis. Moreover, before carrying out the claim construction analysis, a litigation search should also be performed to determine whether the claims have already been construed by a court during previous litigation. If a court has already construed the claims, the court’s claim construction can serve to either bolster the claim construction used in the opinion letter or—if different—the court’s claim construction must be reconciled with the opinion letter’s claim construction.

The non-infringement analysis should be complete in that it should perform an element-by-element analysis for both literal non-infringement and for non-infringement under the judicially-created doctrine of equivalents. Indirect infringement, such as contributory infringement and induced infringement, should also be considered, where appropriate. In the business transaction context, both the direct and indirect infringement analysis should consider how the business transaction affects the underlying non-infringement analysis. Could the business transaction create a combined post-transaction entity that will become liable even though the pre-transaction business entities were not? For example, could the resulting combined entity create a direct infringement question whereas only a question of indirect infringement existed as to the separate entities before consummation of the business transaction? What are the consequences if the business transaction fails to be consummated?

Invalidity and Unenforceability Opinions

Exculpatory opinions based on invalidity or unenforceability are often reserved for situations in which non-infringement cannot be established for at least one of the independent claims in a patent. Perhaps this is because of the perceived or actual difficulties with invalidity opinions. For example, each claim is presumed to be valid independent of the validity of the other claims in the patent. See 35 U.S.C. 282. Therefore, unlike non-infringement, which need only be established for each independent claim in the patent, invalidity must be established for each and every claim in the patent, except for any non-infringing independent claims and their dependent claims. Moreover, invalidity must be established by clear and convincing evidence to overcome the presumption of validity. See *Mas-Hamilton Group v. LaGard, Inc.*, 156 F.3d 1206 (Fed. Cir. 1998).

Examples of potential bases for establishing invalidity include: (1) anticipation (see 35 U.S.C. §102); (2) obviousness (see 35 U.S.C. §103); (3) double patenting; (4) lack of enablement (see 35 U.S.C. §112); (5) lack of Written Description (see 35 U.S.C. §112); (6) failure to describe best mode (see 35 U.S.C. §112); (7) indefiniteness (see 35 U.S.C. §112); (8) improper inventorship (see 35 U.S.C. §102(f) and §256); and (9) failure to obtain a foreign filing license (see *In re Gaertner*, 604 F.2d 1348 (CCPA 1979) and *Beckman Instruments, Inc. v. Coleman Instruments, Inc.*, 333 F.2d 573 (7th Cir. 1964)). Not all of these bases are equally solid grounds for an invalidity opinion. For example, invalidity based on improper inventorship and failure to obtain a foreign filing license may be correctable by the patentee and, therefore, are of somewhat limited value in forming an invalidity opinion.[3] Similarly, an invalidity opinion based on anticipation (e.g., all claim elements present in a single prior art reference) is likely more solid than an invalidity opinion that is based on obviousness (e.g., all claim elements are present in a combination of prior art references). Because of the patent claim's presumption of validity, and the clear and convincing evidence required to find a patent claim invalid, invalidity opinions encountered during due diligence for business transaction should be carefully evaluated, both individually and as a group.

Of course, some of these bases of invalidity are more difficult to establish in a pre-litigation exculpatory opinion than in litigation, which allows discovery of additional information. For example, it may be difficult to determine whether a patentee failed to disclose the best mode of practicing the invention, or whether a patent failed to properly name the inventors, without obtaining some discovery. Moreover, certain of these bases of invalidity may need to meet certain additional judicially imposed legal requirements in order to properly invalidate a patent claim. For example, an opinion of invalidity for anticipation that is based on a claim of prior inventorship must meet a corroboration requirement—a heightened evidentiary standard unique to patent law. See *Price v. Symsek*, 988 F.2d 1187, 1194 (Fed. Cir. 1993).

In particular, forming an invalidity opinion based on obviousness may be challenging. Such an invalidity opinion should follow the *Graham v. Deere* analytical framework for determining obviousness, which includes consideration of: (1) the scope and content of the prior art; (2) any differences between the prior art and the claimed invention; (3) the level of ordinary skill in the art; (4) secondary considerations (e.g., unexpected results, commercial success, long-felt but unsolved need, failure of others, copying by others, etc.). Even though such secondary considerations may be more difficult to establish in the pre-litigation opinion-drafting context than during litigation, the Federal Circuit has indicated that they must nonetheless be addressed in an invalidity opinion based on obviousness. See *Kegel Co. v. AMF Bowling, Inc.*, 127 F.3d 1420, 1430 (Fed. Cir. 1997); *Akamai Techs., Inc. v. Cable & Wireless Internet Services, Inc.*, 344 F.3d 1186, 1196-97 (Fed. Cir. 2003). Similarly, the above element of establishing the level of ordinary skill in the art may be somewhat involved. Relevant factors include the educational level of the inventor, the type of problems encountered in the art, the prior art solutions to those problems, the rapidity with which innovations are made, the sophistication of the technology, and the educational level of workers active in the field. Since an obviousness assertion is typically based upon multiple prior art references, the prior art references should come from the same field (or an analogous field) of endeavor. Such prior art references should also provide one of ordinary skill in the art with a motivation to combine the references. Prior art not previously considered by the U.S. Patent & Trademark Office will generally be more effective at overcoming the presumption of validity than prior art that was cited and considered by the patent

examiner at the U.S. Patent & Trademark Office. Like the non-infringement analysis, an invalidity opinion should separate its analysis into two distinct components, that is, first construing the claims, and second reading the prior art references upon the claims.

Like an invalidity opinion that is based on obviousness instead of anticipation, an invalidity opinion based on 35 U.S.C. §112 (e.g., lack of enablement, indefiniteness, lack of written description, or failure to describe best mode) is sometimes viewed as somewhat risky. However, such an opinion may be worth considering, particularly if the patent has a glaring error rather than a mere hypertechnical defect. A patent may be found invalid for lack of enablement if it would require “undue experimentation” to practice the claimed invention. Factors considered in this determining whether practicing the invention would require undue experimentation include: the quantity of experimentation necessary, the amount of direction or guidance presented in the patent, the presence or absence of working examples in the patent, the nature of the invention, the state of the prior art, the relative skill of those in the art, the predictability or unpredictability of the art, and the breadth of the claims. See *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988).

Even if a patent is infringed and valid, there remains the possibility that the patent is unenforceable, such as for inequitable conduct, patent misuse, intervening rights, laches, or equitable estoppel. Inequitable conduct requires clear and convincing evidence of an intentional material misrepresentation to deceive the U.S. Patent & Trademark Office. See, e.g., *Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995). While it is sometimes difficult to establish such intent in a pre-litigation exculpatory opinion, it is not impossible. In strong enough circumstances, it may be possible to infer such intent from the prosecution file history or other public documents. In determining whether an opinion can be based on inequitable conduct, the drafter should first look at any factual representations to U.S. Patent & Trademark Office in the patent as well as in any declarations, affidavits, and statements made during prosecution. Inequitable conduct can also be established based on a breach of the Rule 56 “duty of candor and good faith” to the U.S. Patent & Trademark Office. See 37 C.F.R. § 1.56. This typically involves a failure to disclose to the U.S. Patent & Trademark Office known material prior art. However, it can sometimes be based on a failure to disclose material information that is not even prior art. See *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1239 (Fed. Cir. 2003). Investigating inequitable conduct should also include determining whether the patentee failed to disclose material similar patent applications being prosecuted, particularly if such patent applications were assigned to different patent examiners. See *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368 (Fed. Cir. 2003). Unenforceability can also be premised on patent misuse, that is, an improper broadening of patent claim rights such as a tying arrangement in which the patentee also has market power.^[4] See 35 U.S.C. 271(d). Moreover, a patent that has reissued or been reexamined may give rise to a time period of intervening rights that may shield otherwise infringing activity. Laches or equitable estoppel may also create a basis for unenforceability. Laches refers to an unreasonable and inexcusable delay of asserting known claim, resulting in prejudice or injury. Laches will preclude damages for pre-suit infringement. See *A.C. Aukerman Co. V. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992). Equitable estoppel exists where the patentee leads the accused infringer to believe that patent will not be enforced against the accused infringer, resulting in reliance and material prejudice from enforcing the patent. Equitable estoppel will preclude any damages against that accused infringer. See *id.*

Disclaimers and Formalities in the Opinion Letter

Although an effective opinion letter should be relatively unequivocal, the drafter will usually clearly state any limitations on the opinion, including the fact that even a competent opinion is not a guarantee that a lawsuit will not result in a finding of infringement, or even willfulness. Such disclaimers, as well as the rest of the opinion, should be carefully worded to give proper respect to the judge or jury that might ultimately read the opinion. The opinion should articulate which issues were not considered, any limitations on prior art searching, whether any children patent applications remain pending that could affect the analysis, and whether a broadening re-issue is still available thereby affecting the analysis. The confidential opinion letter may also undertake to disclaim and limit liability for disclosure to and use by a third party (discussed below), including disclaimer of any duty to update such a third party if circumstances change. The confidential opinion letter should also instruct the client on the importance of preserving the attorney-client privilege by limiting access to the opinion to those persons with a "need to know." It should also emphasize the confidential nature of the opinion and warn against any copying or distribution of the confidential opinion letter.

The pre-litigation exculpatory opinion drafter may also want to leave the door open for a different claim construction or other analysis during litigation, since much more information may be available at that time through the discovery process. For example, discovery may yield more direct information about "intent" relevant to inequitable conduct or best mode issues. Moreover, extrinsic evidence will be more readily available during litigation, which could result in a different claim construction.

Use of the Opinion by the Client

Even the most competent legal opinion letter cannot add value a willfulness determination (under the totality of circumstances) if the opinion is not reviewed and followed by the client. *See In re Hayes Microcomputer Patent Litig.*, 982 F.2d 1527 (Fed. Cir. 1992) (the opinion should be the genuine basis for decision-making about proceeding with the potentially infringing activity). Therefore, the opinion drafter should docket and document a follow-up discussion with the client to make sure that the opinion was read, understood, and followed by the client. *See Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d 1573 (Fed. Cir. 1983) (finding willfulness in spite of competent opinion where advice not timely followed). In particular, this follow-up inquiry should determine if the client is aware of any facts or circumstances that would undermine the basis of the opinion. *See SRI International*, 127 F.3d at 1465-66 (improper reliance on an opinion containing incorrect technical information about the infringing product). If the opinion was delivered to the client's in-house patent counsel, the opinion drafter should also verify that the client's in-house patent counsel discussed the opinion and the resulting course of action with management. Any such follow-up discussions with the client can also be used as an opportunity to remind the client of the importance of maintaining the attorney-client privilege protecting the document, and avoiding generating any independent notes about the opinion, which might be discoverable.

Updating the Opinion

Once generated, an opinion letter is static. However, business circumstances typically are not. If things change in a way that affects the analysis in the opinion letter, the opinion may need to be updated to reflect the new reality. For example, the product design may change in a way that makes it unreasonable to rely on the analysis set forth in an earlier opinion letter. Similarly, the law may evolve through statutory changes or the common law process, thereby impacting the earlier opinion's analysis. Moreover, new patents may issue, and new patent applications may be published. A business transaction may itself affect the analysis of an earlier opinion—either by its consummation or failure. Even more generally, a client's business strategy may change, thereby affecting the analysis of an earlier opinion. If circumstances change in a way that materially affects the opinion's analysis, a new or supplementary opinion letter may be warranted.

Third Party Use of an Opinion Letter

Business transaction due diligence may involve exposing an opinion letter to a third party. An attorney has an ethical obligation to avoid knowingly making a false statement of material fact or law to a third person, or to assist a client in a fraudulent act. See ABA Model Rule 4.1. Some cases have found that third party use of a legal opinion may create a basis for liability for malpractice from the opinion's author to the third party. See Mark J. Thronson et al., *Intellectual Property Legal Opinions* § 2.03 (2004 Supp.). Even the duty to update an opinion (discussed above) may extend to a duty to update such a third party. See *Fitzgerald v. McFadden*, 88 F.2d 639 (2d Cir. 1937) (patent attorney held liable to third party for failure to update patentability opinion after learning invention wasn't patentable). Similarly, counsel for the third party should recognize that reliance on an opinion generated for another may not always be reasonable. Therefore, the third party's own counsel should review and affirm the opinion for the third party. This may require independent investigation and verification of the opinion's factual basis. As discussed above, disclosure of an opinion to a third party in a business transaction should be accompanied by care in maintaining strict confidentiality and in avoiding inadvertent waiver of the attorney-client privilege attached to the opinion letter. As always, one must keep in mind the potential consequences of a consummated or failed business transaction.

Some Statistics

How does obtaining an opinion of counsel generally play out in a patent infringement lawsuit? Bearing in mind that the factual circumstances of individual cases vary widely, it still may be useful to consider some statistics.

Prof. Kimberly A. Moore's study of willful patent infringement noted that the median attorney fee for patent litigation reaching trial is about \$2 million per side. See Prof. Kimberly A. Moore, "Empirical Statistics on Willful Patent Infringement," Fed. Cir. Bar J., Vol. 14., No. 2 at 227 (2004). Therefore, a significant dollar value may attach to enhanced damages for willfulness and attorney fees for exceptional cases. The cases studied by Prof. Moore resulted in no liability for patent infringement 43% of the time. See *id.* Willfulness was alleged in almost all (93%) of these cases. See *id.* However, the question of willfulness was bifurcated in only 49% of bench trials and 22% of jury trials.

See *id.* As noted by Prof. Moore, discovery on the issue of willfulness is never bifurcated. See *id.* Thus, maintaining the attorney-client privilege of an opinion of counsel letter is important to preserve the ability to exercise the attorney-client privilege during litigation, if desired. Prof. Moore's data indicated that judges found willfulness 64% of the time, while juries found willfulness 56% of the time. However, judges apparently gave exculpatory opinions of counsel considerably more weight than juries in deciding the question of willfulness. Judges found willfulness 84% of the time in cases without an exculpatory opinion of counsel, but only found willfulness 45% of the time when an exculpatory opinion of counsel had been obtained. See *id.* By contrast, juries found willfulness about 56% of the time regardless of whether an exculpatory opinion of counsel had been obtained. This data was obtained before the *Knorr-Bremse* decision. It suggests that judges were more likely to give weight to the adverse inference drawn from a failure to obtain an exculpatory opinion of counsel. Because the *Knorr-Bremse* decision's removal of this adverse inference was expressly found to be a material re-weighting of the totality of circumstances test for willfulness, it is quite possible that these statistics will change in future cases, making judges look more like the juries in terms of how often willfulness is found.

Other interesting statistical data was presented by Jeanne M. Gills, "*Crafting An Effective Patent Invalidity Opinion—Is It The Last Bastion of Defense?*" (http://www.foley.com/files/tbl_s31Publications/FileUpload137/1527/Gillsfinal.pdf , (visited on May 1, 2005). In a first study (using data derived from www.patentstats.org [the author may be referring instead to www.patstats.org maintained by the University of Houston), Ms. Gills analyzed the outcomes of various patent infringement suits according to which non-infringement or invalidity defenses were present. Where non-infringement under the doctrine of equivalents was relied upon, the accused infringer won 85.0% of the time. Surprisingly, this even exceeded cases involving a literal non-infringement defense, in which the accused infringer won 71.1% of the time. A defense of no induced infringement succeeded 58.5% of the time, and a defense of no contributory infringement succeeded 53.6% of the time. A defense of invalidity based on prior public use or "on-sale" succeeded 53.2% of the time. Lack of enablement or lack of written description proved to be an effective defense 43.3% of the time. Invalidity based on anticipation by the prior art was a successful defense only 29.5% of the time. Claim indefiniteness succeeded as a defense only 29.2% of the time. Invalidity for failure to disclose the best mode succeeded only 14.3% of the time.

In a second study, Ms. Gills analyzed data derived from John R. Allison and Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Quarterly J. at 185-275), which ranked the effectiveness of various invalidity defenses as follows: double patenting (about 72%); anticipation by other than prior art references (about 60%); anticipation by prior art references (about 40%); obviousness (about 37%); lack of enablement or lack of written description (about 37%); claim indefiniteness (about 35%); failure to disclose the best mode (about 35%); and improper inventorship (about 10%). While circumstances may vary for individual cases (indeed these statistics vary even between the different studies), these statistics may be useful in helping an opinion drafter evaluate different bases for the exculpatory opinion, or for evaluating the strength of opinions encountered during due diligence for a business transaction.

Duty of Disclosure

Due diligence in a business transaction, including any review of opinion letters, is typically conducted under a confidentiality agreement. But what if during due diligence an attorney uncovers information from another (non-client) party that is material to patentability of other patent applications being filed or prosecuted by the attorney's client in the U.S. Patent & Trademark Office?

Consider a first hypothetical scenario. As part of due diligence for a merger with a competitor, suppose that you discover that the competitor has an opinion of counsel stating that one of your client's patents is invalid based on prior art of which you were not aware. Also, suppose that you have a continuation patent application currently pending before the U.S. Patent & Trademark Office. As a second hypothetical scenario, suppose that your due diligence uncovers your competitor's unpublished pending patent application, which includes claims that directly interfere with your patent application, which is also pending in the U.S. patent & Trademark Office. Do conflicting duties attach to either of these scenarios?

Under 37 C.F.R. § 1.56 ("Rule 56"), "each person associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section." The language of Rule 56 does not expressly exempt information that cannot be disclosed because of a conflicting confidentiality agreement. *But c.f.* Simone A. Rose and Debra R. Jessup, *Whose Rules Rule? Resolving Ethical Conflicts During the Simultaneous Representation of Clients in Patent Prosecution*, 16 Fed. Cir. Bar J. 517 (2003). Can the conflicting obligations of a confidentiality agreement and the Rule 56 duty of disclosure be reconciled?

The Federal Circuit has expressly declined to rule on whether Rule 56 trumps an obligation of confidentiality under similar circumstances. In *Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995), the Federal Circuit addressed the slightly different question of whether Rule 56 requires an attorney to cite to the U.S. Patent & Trademark Office a material reference known from a confidential file of a first client during the examination of a patent application of a second client. In *Molins*, Judge Lourie for the majority left that question unanswered because the material reference in question was deemed cumulative of other prior art that was already before the patent examiner. However, Judge Nies, dissenting, would have held that Rule 56 trumps any contrary duty of confidentiality owed to another client. By contrast, Judge Newman, concurring, would have held that such a duty of confidentiality owed to another client trumps the Rule 56 duty of disclosure to the U.S. Patent & Trademark Office. Thus, the crucial question of whether Rule 56 trumps a contrary obligation of confidentiality remains undecided by the Federal Circuit.

If material information is uncovered during the due diligence (such as during review of an opinion of counsel), what should be done? This situation presents slightly less difficult circumstances than those of *Molins*, since in the due diligence context, the obligation of confidentiality is typically spelled out in a confidentiality agreement, instead of being set forth in generic ethical rules protecting client confidences. Therefore, disclosure to the PTO of published patent applications and issued patents might be permissible, for

example, if such information falls outside the agreement's definition of "confidential information," or arguably if the agreement permits disclosures "as required by law." Disclosure to the PTO of unpublished pending patent applications or unfiled invention disclosures uncovered during due diligence, however, could be more problematic under the confidentiality agreement. It may be desirable to select an attorney not involved with prosecuting related patent applications in the U.S. Patent & Trademark Office to review any opinions of counsel or other material that may trigger Rule 56 disclosure requirements. As an alternative approach, the confidentiality agreement could also be worded to expressly permit citation of published references and/or unpublished patent applications to the U.S. Patent & Trademark Office. As always, the attorney should keep in mind the potential effects of a consummated transaction, as well as the potential effects of a failed transaction.

Attorney-Client and Work Product Privileges[5]

As discussed above, *Knorr-Bremse* precludes drawing an adverse inference when the attorney-client privilege is invoked with respect to an opinion of counsel. This increases the importance preserving the attorney-client and work product privileges during business transactions and other acts. In a business transaction, for example, an attorney should consider whether the opinion even needs to be disclosed to further the transaction, and whether the transaction has proceeded far enough so that the risk of it failing to be consummated is low. There should of course be a confidentiality agreement in place before such information is disclosed. Similarly, there should also be a common interest agreement in place before such disclosure, to avail the parties of the common interest doctrine, which permits parties with common legal interests to share privileged information without waiving the attorney-client privilege. It may be possible to combine the confidentiality agreement and the common interest agreement into a single document.

The common interest agreement should incorporate and be supported by facts establishing that the parties share a common legal interest. Having a common business interest, without evidence of a joint legal strategy, may not constitute a sufficient common legal interest to preserve the attorney-client privilege. See e.g., *Union Carbide v. Dow Chem.*, 619 F. Supp. 1036, 1047 (D. Del. 1985). To provide further evidence of a common legal strategy, the opinion should state that it was generated in response to the client's request, and the opinion should then only be disclosed through counsel, instead of between business people involved in the transaction. The disclosing party should also consider whether it is possible to disclose the needed information without disclosing the opinion letter constituting the actual attorney-client communication. For example, is it possible to disclose to the other party's counsel facts underlying the opinion without disclosing the opinion itself? This would allow the investigating party's counsel to instead form its own opinion.

Electing to waive the attorney-client privilege remains a useful option even after *Knorr-Bremse*. Therefore, opinion letters should be constructed and evaluated with the possibility of such waiver in mind. The opinion letter may end up in front of a judge or jury, and should be drafted with such potential audiences in mind. How can the attorney-client privilege be selectively risked or selectively waived? It may be possible to compartmentalize the opinion by providing separate opinion letters. For example, a freedom-to-operate opinion can generally be separated from a non-infringement opinion.

In some circumstances, a non-infringement opinion can be separated from an invalidity opinion. Individual patents can be considered in separate opinion letters. Similarly, individual products can be considered in separate opinion letters. Foreign patents should be considered separately by qualified foreign patent counsel, who will presumably be more familiar with the patent laws of a particular country than a U.S. patent attorney. In sum, while it may not be possible to selectively waive different opinions on the same subject, it may still be possible to separate different subjects into different opinion letters, thereby preserving the possibility of selective waiver that is limited only to relevant subjects.

Conclusion

While the role of the opinion of counsel has changed after the Federal Circuit's *Knorr-Bremse* decision, such opinions can still play an important role in meeting the affirmative duty of care that arises upon gaining knowledge of another's patent rights. Moreover, in the context of business transaction due diligence, it is important to understand how to generate or interpret such opinions, and to do so without inadvertently waiving the attorney-client privilege or creating "notice" or "duty of disclosure" issues, keeping in mind that the business transaction may ultimately be consummated or cancelled.

[1] However, in *Stryker*, the patent counsel's claim that he was unaware of the infringement problem (because he was unaware that the infringing product was actually being sold) may have lacked credibility.

[2] *But see* Douglas Y'Barbo, "Written Opinions from Counsel," 29 AIPLA Quarterly J. 65, 76 (2001) (acknowledging Federal Circuit's favorable treatment of equivocal opinions).

[3] For example, "absent fraud or deceptive intent, the correction of inventorship does not affect the validity or enforceability of the patent for the period before the correction." *Viskase Corp. v. American Nat'l Can Co.*, 261 F.3d 1316, 1329 (Fed. Cir. 2001).

[4] *But c.f. Independent Ink, Inc. v. Illinois Tool Works, Inc.*, 396 F.3d 1342, 1352 (Fed. Cir. 2005)(existence of patent creates a rebuttable presumption of market power).

[5] Since the topic of attorney-client privilege is extensively discussed in a separate paper in these materials, the topic is addressed only briefly here.