Patent Law Update: A Review of i4i v. Microsoft

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Opinions of Counsel Are Still Needed
To Defend Against Willful Patent Infringement Claims

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Some businesspeople at some client corporations are asking why opinions of counsel cannot be eliminated from their IP budgets. They rely on the change of standard in willfulness accomplished in *Seagate.* They believe *Seagate* stated that opinions of counsel are not needed to avoid willful infringement and treble damages. An experience of Microsoft in a case *i4i v. Microsoft* teaches, however, that opinions of counsel are still needed when patents come to the attention of businesspeople, and they cannot be avoided without suffering potentially dire consequences.

The defense experience in the *i4i* case teaches that some courts, both judges and juries, will decide willfulness and enhancement of damages by focusing on the actions of accused infringers before infringement began. They will focus away from the merits of defenses at trial. The most significant action an accused infringer can take to have exonerating evidence exist in the time period of such focus is to obtain an opinion of counsel that supports a reasonable basis for the infringer to believe they will not be infringing, before they embark on their course of action.

In the *i4i* experience, the Eastern District of Texas federal court sent the question of willfulness to a jury, and instructed the jury in a way that focused the jury on what the defendant believed and should have done at the time before it began the alleged infringement, after it knew of the existence of a patent. The jury found Microsoft willful. The Court then enhanced damages, by $40 million. The result was affirmed on appeal.[1] (The judgment also included $200 million in damages and a permanent injunction, both of which were affirmed.)

The District Court used the jury instruction on willfulness that is included below. This instruction told the jury to consider all the facts without regard to which test for willfulness, objective or subjective, the jury was considering. It also told the jury to specifically consider two numbered factors, both of which were focused on the period of time before the

infringement began. These factors also told the jury to assess what the belief of the infringer was at the time infringement began, and whether it acted to avoid infringement at that time.

The District Court supported this instruction with expressions of its views in denying a post-trial motion. It stated that in its view, the objective test that the Federal Circuit created in *Seagate* was focused on facts and circumstances at the time when the infringer was first aware of a patent, before infringement began, and definitely before it was sued and began to defend itself in litigation.[2] The District Court also stated that the defenses at trial were *irrelevant* to the objective prong of *Seagate* analysis.[3]

Please click here to view the District Court analysis.

When the Federal Circuit affirmed, *it parroted the jury instructions the District Court used without adverse comment.*[4] It also analyzed the willfulness finding, the District Court decision that sufficient evidence supported the verdict, and the District Court's enhancement of damages under *Read Corp. v. Portec, Inc.*[5] Perhaps writing poorly, but nevertheless writing such its decision will be considered a statement of the law, *the Federal Circuit stated that evidence concerning the intention of Microsoft when it knew of the patent and before infringement began was relevant evidence of objective recklessness.[6]* It also stated that defenses at trial did not undercut a jury willfulness finding. It then concluded that Microsoft's *lack of an infringement analysis after notice and before infringement was properly considered in enhancing damages* under *Read* factors *6, 7 and 8.[7]*

In the opinion of the author, the consequences of the decisions in this case will be numerous. The District Court for the Eastern District of Texas will repeat its use of the jury instruction it used in this case. Indeed, in another case resulting in a $106 million verdict against Microsoft, the District Court has already repeated the instruction.[8] *With jury instructions such as these, juries in the Eastern District of Texas and perhaps elsewhere will decide whether infringement has been willful focused on the actions of the accused infringers before infringement began. They will be focused away from the merit of the defenses at trial.*

Further, district court judges will themselves consider evidence of infringer intentions and beliefs in reviewing *objective* recklessness as to jury findings. They will also consider evidence of lack of infringement analysis in enhancing damages. They will further focus away from defenses at trial.

Thus, *absent change away from the decisionmaking of this case, no aspect of decisionmaking concerning willfulness and enhancement of damages will be free of consideration of evidence of infringer intention and belief in the existence or absence of potential infringement after notice of a patent and before infringement began*. More specifically, again with a *caveat*, no aspect of the decisionmaking will be free of consideration whether the infringer accomplished an assessment of its possible infringement at the time of notice and infringement. No aspect of decisionmaking will be focused on the merits of defenses at trial. In the *presence* of infringement and the *absence* of a pre-litigation assessment of infringement, juries will be likely to find objective recklessness no matter what the defenses are at trial, judges will likely assess in those situations that jury decisions are supported by substantial evidence, and the Federal Circuit will likely affirm.

Little protection against a result such as the defense encountered in the *i4i* experience can be perceived except the protection of opinions of counsel. *Actions at the time of notice of a patent should include assessment of infringement.* An assessment of infringement will lead to a belief against infringement. That belief will be useful when a jury instructed as stated above considers objective recklessness, as well as subjective intent. It will also be useful when a judge who has instructed the jury reviews the evidence, and when such a judge assesses factors for enhancement of damages. And *assessment of infringement is done competently by patent lawyers through their opinions of counsel.*

Thus, for good reasons, opinions of counsel are still needed when patents come to the attention of businesspeople, and cannot be avoided without potentially dire consequences.

[1] ***See i4i Ltd. Partnership v. Microsoft Corp.,*** **No. 2009-1504 (Fed.Cir. March 10, 2010)("*i4i* II")(note the opinion with the date of March 10, 2010 replaced an earlier opinion).** ***See also i4i Ltd. Partnership v. Microsoft Corp.,*** **No. 07-113 (E.D.Tex. March 8, 2007)("*i4i* I") at its jury instructions, docket item 323 filed May 19, 2009 at instruction 6.6 and its final judgment, docket item 414.**

[2] ***See i4i*** **I at docket item 412 page 17. The Court supported its view that its jury instruction was proper in focusing attention away from the defenses at trial with multiple citations of decisions from outside of patent law. It justified these citations by the Federal Circuit's adoption in *Seagate* of a meaning of the term "recklessness" which was a generally accepted meaning and not a meaning specific to patent law, *id.***

[3] ***Id.***

[4] ***i4i*** **II, Slip Op. at 38-39 (Microsoft did not appeal the jury instructions.)**

[5] 970 F.2d 816, 826-27 (Fed.Cir. 1992).

[6] ***i4i*** **II, Slip Op. at 43**

[7] ***Id.*** **at 39.**

[8] ***See VirnetX Inc. v. Microsoft Corp*****., Civil Action No. 07-80 (E.D. Tex.) at docket entry 376, instruction 6.4.**

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